

Idaho Legislature Has a New Tool for Navigating Through Complex Business Tax Policy

(BOISE) A key question often faced by legislators is whether a proposed tax policy change will actually affect business activity, and if so, whether the change will occur in the intended way.

In March 2012 the bipartisan Joint Legislative Oversight Committee directed the independent, nonpartisan legislative Office of Performance Evaluations (OPE) to study the tax rates in Idaho as compared with those in other states. The Senate Local Government and Taxation Committee, who requested the study, recognized that comparing one specific tax among states is inadequate without an independent and objective look of their overall tax structures and nontax factors such as infrastructure, education, and trained workforce. Today, OPE released its report *Guide to Comparing Business Tax Policies* along with an interactive web-based tool to help policymakers evaluate the link between tax policy proposals and tax policy goals.

Various organizations have published national studies that rank states according to how attractive or friendly their tax rates and policies are for businesses. However, the OPE report points out that none of these studies tell the complete story. Such studies have been unable to provide a clear link between individual tax policy changes and positive or negative impacts on state economic growth.

The purpose of OPE's report is to help policymakers navigate through complex tax policy issues by asking the right kinds of questions early in the legislative process and to more thoroughly understand how nontax factors play a part in forging appropriate tax policy alternatives. By asking the right kinds of questions, policymakers can enhance their ability to make tax changes that have positive effects and to avoid decisions that lead to unintended and undesirable outcomes.

Director Rakesh Mohan of the evaluation office said he hopes "policymakers, stakeholders, and the public will find this report and the tool useful as they review business tax policies that affect the quality of life for all Idahoans."

In his formal response to the OPE report, Governor Butch Otter said that the OPE work "should be useful as policy makers continue to address those tax policy issues which will provide the 'the most bang for our buck' in facilitating new and expanding business in our state."

Chairman Rich Jackson of the Idaho State Tax Commission said, "This tool will provide a quick and easy way for legislators and others to analyze potential changes to tax code and the fiscal impacts of those changes." Likewise, Director Jeff Sayer of the Department of Commerce

indicates this tool will be a valuable resource for his department as his staff “assist the Governor in evaluating policy opportunities and the strategic impact it may have for our state and economy.”

According to Mohan, both the report and the web-based tool appear to be the first of their kind, and their introduction could not have come at a better time. “The recent recession has only amplified the importance of giving careful consideration to tax policy implications. As states try to improve their economies, policymakers and businesses alike are turning their attention more and more to tax policy.”