



Idaho's tax preferences

Introduction 2

Sales and use tax 2

 Categories of goods and services exempt from taxation 2

 Specific uses exempt from taxation 5

 Specific entities exempt from taxation 7

 Categories that may or may not be considered preferences 9

Income tax preferences 10

 Deductions and exclusions 10

 Credits 12

 Categories that may or may not be considered preferences 15

Property tax 16

 Exempt entities 16

 Conditional exemptions 17

 Exempt uses 18

 Exempt personal property 19

Other taxes 21

Response from the Division of Financial Management 23

Introduction

This appendix lists elements of the tax code that could be considered a tax preference. We developed the list through a review of statute, the most recent general fund revenue books, and literature about tax preferences. As discussed in appendix D of our report, *Designing a Review of Tax Preferences*, whether an element of the tax code constitutes a tax preference depends on how the Legislature chooses to define a tax preference.

Preferences are categorized based on how the preference is applied, then sorted by year of implementation, and then estimated value. The estimated value represents the value to the taxpayer of the preference and is not an estimate of revenue that could be collected. We have included the estimates as published or given to us. We did not audit the estimates or produce estimates of our own.

Sales and use tax

Most descriptions, notes, estimated values, and statutory references are from the 2022 General Fund Revenue Book. The Tax Commission has indicated that some of the book’s estimates are likely low. The Division of Financial Management concurs and has indicated that it plans to revisit some of its estimates.

Categories of goods and services exempt from taxation

Description	Idaho Code	Year created	FY 2020 estimated value	Notes
Construction labor	§ 63-3609	1965	\$226,735,000	Exempts labor component of the construction of real property.
Motor fuels	§ 63-3622C and Idaho Constitution, Article VII Section 17	1965	\$139,743,000	Exempts motor fuels subject to the motor fuels tax as required by the Idaho Constitution.
Utility sales	§ 63-3622F	1965	\$118,262,000	Exempts sales of natural gas, electricity, and water delivered to consumers by means of wires, pipes, mains, or similar systems.
Repair labor	§ 63-3613(b)4	1965	\$66,019,000	Exempts the labor component in installing or applying property sold if the labor cost is listed separately from the tangible property. Excludes installation and repair of manufactured homes or park model recreational vehicles.
Transportation services	§ 63-3613(b)7	1965	\$53,031,000	Exempts charges for delivery and handling if the charge is listed separately from the tangible personal property.

Categories of goods and services exempt from taxation (continued)

Description	Idaho Code	Year created	FY 2020 estimated value	Notes
Heating materials	§ 63-3622G	1965	\$3,705,000	Exempts any material burned to heat buildings or homes.
New manufactured homes or modular buildings	§ 63-3613(c)	1965	\$2,832,000	Exempts 45% of the sales price.
Nonprofit literature	§ 63-3622I	1965	\$152,000	Exempts literature (including books, pamphlets, and periodicals) sold by a qualified nonprofit.
Containers	§ 63-3622E	1965	\$46,000	Exempts containers that are part of goods for sale.
Prescriptions and durable medical equipment	§ 63-3622N	1967	\$74,293,000	Exempts most prescription medical items.
Used manufactured homes	§ 63-3622R(b)	1976	\$2,760,000	Exempts the sale of manufactured homes if they had previously been taxed as a new manufactured home.
Funeral sales	§ 63-3622U	1977	\$1,774,000	Exempts sales of tangible personal property that is part of a funeral service by a licensed funeral establishment.
Precious metal bullion	§ 63-3622V	1982	\$558,000	Exempts precious metal or monetized bullion.
Official documents	§ 63-3622AA	1984	\$80,000	Exempts records for which a fee is set by code. Expanded in 2019 to exempt public records pursuant to a public records request.
Lottery tickets and parimutuel betting	§ 67-7439	1988	\$16,045,000	Exempts the sale, purchase, storage, or use of lottery tickets, equipment, devices or systems.
Vending machines and amusement devices	§ 63-3622II	1990	\$0*	Exempts money-operated equipment that dispenses goods or services that are taxed. *The Tax Commission flagged this as a significant underestimate.
Telecommunications equipment	§ 63-3613(b)10 and § 63-3621(a)	1996	\$3,653,000	Exempts discounts on equipment given to induce a customer to commence or continue telecommunication services from the equipment's sales price.
Media measurement services	§ 63-3622LL	1997	\$84,000	Exempts media measurement services.
Livestock sold at livestock markets	§ 63-3622MM	2002	Not estimated	Exempts livestock sold at a livestock market
Idaho commemorative silver medallions	§ 63-3622PP	2003	\$2,000	Exempts medallions sold by the Treasurer's Office or its agents.
Nonprofit shooting range fees	§ 63-3622SS	2006	\$0*	Exempts fees for use of shooting ranges or membership dues charged by nonprofit shooting ranges. *The Tax Commission flagged this as a significant underestimate.

Categories of goods and services exempt from taxation (continued)

Description	Idaho Code	Year created	FY 2020 estimated value	Notes
Personal property tax on rentals	§ 63-3622UU	2008	\$400,000	Exempts charges for the personal property tax when the owner lists such a charge separately to the renter for a lease agreement one year or longer. The amount charged must not be more than the property tax actually paid.
Gratuities	§ 63-3613(f)	2011	\$259,000	Clarifies that gratuities used to supplement a provider's income are not to be taxed as part of the sale.
Remotely-accessed computer software and digital subscriptions	§ 63-3616(b)	2013	\$9,242,000*	Exempts purchase of all custom software and canned software unless sold on storage media or with other tangible personal property. Also exempts subscriptions or license agreements for the temporary use of digital media such as books, movies, music, or games, such as streaming services. *The Tax Commission flagged this as a significant underestimate. The division estimated the value of exempting streaming subscriptions alone to be between \$7.7 to \$20 million per year and indicated the estimate in the general fund revenue book is low.
Dealer labor for new vehicle accessories	§ 63-362200	2019	\$1,000,000	Exempts labor or service charges to add an accessory to a new, factory-delivered motor vehicle when the dealer sells the accessory with the vehicle.
Custom meat processing	§ 63-3622TT	2020	\$457,000 (projected in FY 2021)	Exempts charges for custom meat processing for customer-provided carcasses when the meat will not be resold.

Specific uses exempt from taxation

Description	Idaho Code	Year created	FY 2020 estimated value	Notes
Production exemption—equipment	§ 63-3622D & and § 63-3622JJ	1965	\$118,761,000	Exempts equipment used to produce a taxable product for retail sale, limited to manufacturing, processing, fabricating, logging, farming, mining, and fishing and hunting operations. Some property is excluded from this exemption, including equipment used for transportation or repairs.
Production exemption—supplies	§ 63-3622D and § 63-3622JJ	1965	\$89,902,000	Exempts supplies used to produce a product for resale. Statute specifically includes and excludes certain property from the exemption.
Trade-in allowance	§ 63-3613(b)2	1965	\$35,480,000	Exempts from the taxable sales price amounts allowed for merchandise traded on other like goods except for new manufactured homes, new park model recreational vehicles, and modular buildings.
Vehicles and vessels sold to nonresidents	§ 63-3622R(a)	1965	\$20,007,000	Exempts certain vehicles and vessels sold to nonresidents for use out of state.
School lunches and senior citizen meals	§ 63-3622J	1965	\$5,058,000	Exempts federal meal programs for youth and elderly.
Out-of-state contracts	§ 63-3622B	1965	\$5,008,000	Exempts goods purchased by contractors to install into real property in states without a sales tax.
Sale or lease of businesses or business assets	§ 63-3622K(b)(2-5)	1965	\$2,377,000	Exempts the transfer of ownership of business operations.
Common carrier purchases and out-of-state sales	§ 63-3622Q and § 63-3622P	1965	NA	Exempts sales made where delivery takes place outside of Idaho.
Irrigation equipment and supplies	§ 63-3622W	1975	\$4,776,000	Exempts agricultural irrigation equipment and supplies.
Pollution control equipment	§ 63-3622X	1977	\$14,063,000	Exempts equipment required by regulatory agencies for air or water pollution control.
Broadcast equipment and supplies	§ 63-3622S	1975	\$3,006,000	Exempts equipment and supplies used to produce broadcast radio and television programs.
Publishing equipment and supplies	§ 63-3622T	1979	\$193,000	Exempts equipment and supplies used to publish newspapers sold or given away to the public where advertising is the publisher's primary source of income.
Incidental sales of tangible personal property	§ 63-3609	1985	\$12,000*	Exempts goods such as furnishings or appliances included in the sale of real property. *The Tax Commission flagged this as a significant underestimate.

Specific uses exempt from taxation (continued)

Description	Idaho Code	Year created	FY 2020 estimated value	Notes
Railroad rolling stock and remanufacturing	§ 63-3622CC and § 63-3622DD	1986	\$2,550,000	Exempts railroad rolling stock, and parts, equipment, and supplies used in remanufacturing rolling stock, provided the rolling stock has been used in interstate commerce.
Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Assistance Program for Women and Children (WIC)	§ 63-3622EE and § 63-3622FF	1987	\$13,141,000	Exempts items purchased under the federal WIC, SNAP, and child nutrition and school lunch programs as mandated by the federal government.
Commercial aircraft	§ 63-3622GG	1988	\$2,154,000*	Exempts aircraft purchased by nonresidents for use outside the state. Also exempts aircrafts and replacement materials or parts for the following purposes: commercial transport of passengers or freight; air ambulance services; wildfire activities; or agricultural activities or forest or wildlife preservation. *The Tax Commission flagged this as a significant underestimate.
Lodging, eating, and drinking places	§ 63-3612(2)(b) and (g)	1988	\$99,000	Exempts disposable goods incidentally consumed by customers as part of providing taxable meals or lodging, such as hand soap.
Interstate trucks	§ 63-3622R(c)	1989	\$8,311,000	Exempts the sale or lease of certain trucks registered in the international registration plan that are used 10% or more outside of Idaho.
Donations of real property to Idaho government	§ 63-3621(m)	1991	\$4,000	Exempts goods donated to the state or subdivisions when the goods are incorporated into real property.
Ski lifts and snow grooming equipment	§ 63-3622Y	1995	\$600,000	Exempts ski lifts, snow groomers, and snowmaking equipment used by the owner of a ski area.
Driver's education automobiles	§ 63-3622R(e)	1995	\$38,000	Exempts the value of vehicles temporarily donated to driver's education programs sponsored by a non-profit educational institution.
Clean rooms	§ 63-3622NN	1999	\$480,000	Exempts any tangible personal property used in, becomes part of, or maintains a clean room for the manufacture of semiconductors or research and development.
Research and development equipment	§ 63-3622RR	2005	\$7,200,000	Exempts property used in research and development activities
Small employer headquarters construction	§ 63-4408	2005	\$115,000	A rebate for qualifying small businesses based on the business's investment and job creation.
Glider kit vehicles	§ 63-3622R(d)	2006	\$365,000	Exempts glider kit vehicles.

Specific uses exempt from taxation (continued)

Description	Idaho Code	Year created	FY 2020 estimated value	Notes
State tax anticipation revenue (STAR)	§ 63-3641	2007	\$3,058,000*	Rebates sales tax paid to developers for costs of building or improving freeway interchanges. *The Tax Commission flagged this as a significant underestimate.
Motor vehicles of nonresident students	§ 63-3621(k)	2011	\$25,000	Exempts from the use tax the value of vehicles used by nonresidents for less than ninety days or by full-time nonresident students, provided the vehicles are registered in the state of residence.
Personal property owned prior to moving to Idaho	§ 63-3621(l)	2011	NA	The use tax does not apply to items brought to Idaho that were purchased out of state three months prior to the owner moving to Idaho. The tax also does not apply to items brought in state by military personnel temporarily assigned to Idaho or their spouses.
Beverage and food samples	§ 63-3621(n)	2012	\$19,000	Exempts samples given to a potential customer.
Beverage and food donations	§ 63-3621(o)	2014	\$10,000	Exempts food and drink donations to individuals or nonprofit organizations.
Prepared beverage and food given to employees	§ 63-3621(p)	2015	\$163,000	Exempts food or beverages given free of charge to employees by retailers.
Data center equipment	§ 63-3622V	2020	New in 2020	Exempts the purchase or use of eligible server equipment and new data center facilities for qualifying data centers.

Specific entities exempt from taxation

Description	Idaho Code	Year created	FY 2020 estimated value	Notes
Purchases by enumerated nonprofit entities	§ 63-36220(1)(a) § 63-36220(1)(b),(i), (j)	Various	\$713,000	Exempts purchases by specific entities enumerated in statute.
Purchases by other entities enumerated in state and federal law	Various	Various	Not estimated	Exempts purchases by various state commissions and entities granted exemptions by federal law such as foreign diplomats and Amtrak.
Purchases by state and local governments	§ 63-36220(1)(f)	1965	\$36,303,000	Codified in 1997.
Occasional sales by nonretailers (yard sales)	§ 63-3622K(b)(1,6,8)	1965	\$4,404,000	Exempts sales by nonretailers other than the sale of vehicles. A nonretailer makes two or fewer sales per year.
Sales of meals by churches to members	§ 63-3622J	1965	\$16,000	Sales of meals by a church to its members during a church function.

Specific entities exempt from taxation (continued)

Description	Idaho Code	Year created	FY 2020 estimated value	Notes
Federal excise tax imposed at retail level	§ 63-3613(b)5	1965	Not estimated	The sales price used to calculate the sales tax shall not include any amount of tax imposed by the United States at retail.
Federal constitutional provisions	§ 63-3622A	1965	Not estimated	Exempts from taxes anything the US Constitution prohibits the state from taxing.
Nonprofit hospital purchases	§ 63-36220(1)(a)	1967	\$32,531,000	Exempts purchases by nonprofit hospitals.
Educational institution purchases	§ 63-36220(1)(a), § 33-5204	1967	\$9,585,000	Exempts purchases by nonprofit educational institutions.
Canal company purchases	§ 63-36220(1)(a)	1967	\$1,129,000	Exempts purchases by nonprofit canal companies.
Sales through vending machines	§ 63-3613(e)	1977	\$3,114,000	Sales \$0.11-\$1.01 by vending machines deemed to have a sales price of 117% of the seller's price paid. The seller may pay a tax on that price rather than charging a tax at retail.
Forest protective association purchases	§ 63-36220(1)(a)	1979	\$50,000	Exempts purchases by nonprofit forest protective associations that contract with the State of Idaho under the Idaho Forestry Act.
Sales by 4-H and FFA clubs at fairs	§ 63-3622K(b)7	1979	\$28,000	Exempts sales of animals by any 4H club or FFA club held in conjunction with a fair or the western Idaho spring lamb sale.
Motor vehicle purchases by family members	§ 63-3622K(c)	1980	\$2,325,000	Exempts sales of motor vehicles between family members unless no tax was collected at original purchase.
Sales by Indian tribes on reservations	§ 63-3622Z	1984	\$6,360,000	Exempts taxes on a reservation by a business wholly owned and operated by an Indian tribe.
Incidental sales by churches	§ 63-3622KK	1990	\$1,103,000	Exempts sale by a church of property given by gift or upon which tax has already been paid if proceeds are used for enumerated programs.
Auto manufacturer rebates	§ 63-3613(b)8	1990	\$767,000	The taxable sales price shall not include manufacturer rebate used at the time of a retail sale as a down payment on or reduction in sales price of a motor vehicle. These rebates are normally included in the sales price.
Government fees passed through by outfitters and guides	§ 63-3613(b)9	1990	\$16,000	The taxable part of an outfitter's fee shall not include payments imposed on the outfitter by a governmental entity for outfitting activities provided the fee is listed separately.
Nonsale clothier purchases	§ 63-36220(1)(d)	1992	\$1,000	Exempts sales and donations of clothes to nonsale clothiers.
Centers for independent living	§ 63-36220(1)(e)	1997	\$7,000	Exempts sales to centers for independent living.

Specific entities exempt from taxation (continued)

Description	Idaho Code	Year created	FY 2020 estimated value	Notes
Ronald McDonald House rooms	§ 63-36220(5)	1997	\$2,000	Exempts the renting of a place to sleep to an individual by the Idaho Ronald McDonald House.
Volunteer fire departments and emergency medical services	§ 63-36220(1)(g)	2002	\$248,000	Exempts sales to volunteer fire departments or licensed emergency medical services agencies.
Senior citizens centers	§ 63-36220(1)(h)	2002	\$59,000	Exempts sales to qualifying senior centers.
Free dental clinics	§ 63-36220(1)(k)	2006	\$14,000	Sales to and purchases by nonprofit organizations offering free dental clinic services to children.
Museums	§ 63-36220(1)(l)	2006	\$271,000	Exempts admissions to and purchases by public or nonprofit museums.

Categories that may or may not be considered preferences

These elements of the tax code lead to reduced tax liability. Whether they should be considered preferences depends on what the Legislature intends as the normal tax base.

Description	Idaho Code	Year created	FY 2020 estimated value	Notes
Services not taxed	None	NA	\$1,284,031,000	Services not exempted by a specific statutory reference. Reported in the general fund revenue book as agricultural and industrial services, information services, professional services, business services, personal services, health and medical services, social services, educational services, and miscellaneous services.

Income tax preferences

Most descriptions, notes, estimated values, and statutory references are from the 2022 General Fund Revenue Book. The Tax Commission has indicated that some of the book's estimates are likely low. The Division of Financial Management concurs and has indicated that it plans to revisit some of its estimates.

Deductions and exclusions

Taxpayers compute their Idaho taxable income by starting with their federal taxable income. Idaho's deduction and exclusions are subtractions from taxable income.

Description	Idaho Code	Year created	CY 2020 estimated value	Notes
Government interest exclusion	§ 63-3022M	1939	\$3,504,000	Requires the taxpayer to add dividends and interest from federally tax-exempt sources to taxable income and then to subtract the share of this income from federal or Idaho sources.
Retirement benefit exclusion	§ 63-3022A	1973	\$12,926,000	Deduction of certain government retirement benefits up to an amount equal to the taxpayer's maximum Social Security benefit minus Social Security received.
Energy efficiency upgrades deduction	§ 63-3022B	1976	\$2,154,000	Deduction of actual costs incurred for specified energy efficiency upgrades.
Alternative energy device deduction	§ 63-3022C	1976	\$1,141,000	Up to \$5,000 deduction each year for 4 years up to the actual cost of specified alternative energy devices.
Dependent care deduction	§ 63-3022D	1977	\$4,673,000	Up to \$3,000 deduction for one dependent or \$6,000 for more than one dependent for actual costs of care for children or qualifying individuals with a disability.
Elderly and developmental disability deduction	§ 63-3022E	1981	\$61,000	\$1,000 deduction for each of up to 3 dependent family members who are elderly or have a developmental disability. Taken instead of the tax credit under § 63-6025D.
Social Security exclusion	§ 63-3022(I)	1984	\$138,958,000	Deduction of any Social Security income included in calculating federal gross income.
Technological equipment deduction	§ 63-3022J	1984	\$89,000	Deduction for the fair market value of technological equipment donated to educational establishments.
Railroad retirement exclusion	§ 63-3022(I)	1984	Included in estimate of Social Security exclusion	Deduction of any railroad retirement income included in calculating federal gross income.

Deductions and exclusions (continued)

Description	Idaho Code	Year created	CY 2020 estimated value	Notes
Capital gains exclusion	§ 63-3022H	1987	\$39,622,000	60% deduction of capital gains income from the sale of qualified property in Idaho.
Idaho lottery winnings exclusion	§ 69-7439	1988	\$6,772,000	Excludes lottery winnings under \$600 from the state income tax.
World War II reparations exclusion	§ 63-3022G	1989	\$0	Excludes amounts paid from the Civil Liberties Public Education Fund to individuals of Japanese ancestry who were relocated and interred during World War II.
Workers' compensation premium deduction	§ 63-3022(m)	1990	\$400,000	Deduction for the cost of premiums paid by self-employed individuals if the cost was included in calculating taxable income.
Adoption expense deduction	§ 63-3022I	1994	\$79,000	Up to \$10,000 deduction for actual costs (except travel costs) and medical expenses for adoption.
Medical savings account deduction	§ 63-3022K	1994	\$1,695,000	Up to \$10,000 per year (double if married filing jointly) deduction of actual amounts contributed to a medical savings accounts.
Marriage penalty deduction	§ 63-3022N	1999	\$0	Allows additional deduction if the joint standard deduction is less than twice the individual standard deduction.
Health insurance deduction	§ 63-3022P	2000	\$25,522,000	Deduction of the cost of insurance which constitutes medical care.
College savings deduction	§ 63-3022(n)	2000	\$3,836,000	Up to \$6,000 per year (double if married filing jointly) deduction of contributions to a qualifying college savings account.
Long-term care insurance deduction	§ 63-3022Q	2001	\$1,781,000	Deduction of the cost of long-term care insurance premiums.
Nonresident guaranteed partnership income exclusion	§ 63-3026A(3)(a)(i)	2013	\$440,000	Nonresident taxpayers may deduct up to \$250,000 earned from certain income through partnerships in their resident states.
Certain loss recoveries deduction	§ 63-3022R	2013	\$250,000	Deduct from income the recovery of losses not deducted from Idaho taxable income but deducted from federal taxable income.
Indian earnings on reservation exclusion	§ 63-3022S	2014	\$503,000	Deduction of income earned by an enrolled member of a federally recognized Indian tribe on a reservation.
Certain charitable contributions deduction	§ 63-3022U	2015	\$23,000	Deduction for charitable contributions included in federal taxable income due to a net operating loss.

Deductions and exclusions (continued)

Description	Idaho Code	Year created	CY 2020 estimated value	Notes
First-time homebuyer deduction	§ 63-3022H	2020	\$2,000,000	Up to \$15,000 (double for a married couple) deduction for contributions into a first-time homebuyer savings account.

Credits

After a taxpayer calculates their tax liability, they reduce their liability by the amount of tax credits they are eligible for. A tax credit is refundable if the state pays the taxpayer when liability is negative. Some credits may also be carried forward if not fully claimed, meaning that a credit earned one year may reduce tax liabilities in future years.

Description	Idaho Code	Year created	CY 2020 estimated value	Notes
Other states tax credit	§ 63-3029	1939	\$111,078,000	A nonrefundable credit for income taxes (or excise or franchise tax measured by income if a business) paid in other states (or their subdivision) also taxed in Idaho, as long as the other state does not allow a credit for Idaho taxes.
Grocery credit	§ 63-3024A	1965	\$160,679,000	Created with the sales tax to refund sales taxes paid on groceries. Idaho residents receive a refundable credit for themselves, their spouse, and each dependent while residing in the state. The credit is \$100 plus \$20 for individuals over 65 years old. Individuals are not eligible if they receive food stamps (which are not taxable), are incarcerated, or reside illegally in the United States.
Schools, libraries, and museums credit	§ 63-3029A	1976	\$10,877,000	A nonrefundable credit equal to 50% of a contribution to certain Idaho public and private nonprofit educational institutions. Maximum credit is \$500 (double if married filing jointly), up to 50% of tax liability or \$5,000 for a corporation up to 10% of tax liability.
Elderly and developmental disability household support credit	§ 63-3025D	1981	\$957,000	A \$100-\$300 per individual refundable credit for maintaining a household for a qualifying dependent family member. Taken instead of the deduction under § 63-3022E.

Credits (continued)

Description	Idaho Code	Year created	CY 2020 estimated value	Notes
Investment tax credit	§ 63-3029B	1982	\$30,030,000	A 3% nonrefundable credit of a qualifying investment (as defined in Internal Revenue Code before 1990, or investment in broadband) made by a business with a maximum 50% of tax liability, and may be carried forward up to 14 years.
Credit for certain charitable contributions	§ 63-3029C	1982	\$11,544,000	A nonrefundable credit of 50% of charitable contributions to charitable programs enumerated in statute. The maximum credit is \$500 for an individual (double if married filing jointly), up to 50% of tax liability or \$5,000 for a corporation up to 10% of tax liability.
Recycling equipment credit	§ 63-3029D	1994	\$14,000	A nonrefundable credit of 20% of costs for purchases of qualified equipment primarily used to manufacture products using postconsumer waste or postindustrial waste. Maximum of \$30,000 per year and may be carried forward up to 7 years.
Promoter sponsored events credit	§ 63-3620C(3)(b)	1999	\$2,000	The Tax Commission may appoint a sponsor or promoter of a sales event (e.g., flea market, gun show) as its agent to issue temporary sales tax permits. The promoter receives a \$1 refundable credit for each permit issued.
Research activity credit	§ 63-3029G	2001	\$5,342,000	A nonrefundable credit for increasing research activities in Idaho. The credit is 5% of the cost of qualified research expenses greater than the base amount, plus 5% of the costs of basic research payments allowed under Internal Revenue Code 41e. Maximum of full tax liability and may be carried forward up to 14 years.
Broadband investment credit	§ 63-3029I	2001	\$770,000	A nonrefundable credit of 3% of qualified expenditures in broadband equipment in Idaho, in addition to the investment tax credit. The Public Utilities Commission must confirm that the equipment qualifies. The taxpayer may transfer all or a portion of the unused credit. Maximum credit is \$750,000 and may be carried forward up to 14 years.

Credits (continued)

Description	Idaho Code	Year created	CY 2020 estimated value	Notes
Small employer capital investment credit	§ 63-4403	2005	\$465,000	For qualifying projects, a qualifying business may receive a 3.75% nonrefundable credit for qualifying investments instead of the 3% from the investment tax credit. Maximum of 62.5% of tax liability up to \$750,000. May be carried forward up to 14 years. Qualifications for credits under § 63-4403–4405 depend on investment and the creation of jobs that pay a certain amount.
Small employer real property improvement credit	§ 63-4404	2005	\$186,000	A nonrefundable credit of 2.5% of the cost of buildings and structural components for new plant and building facilities of qualifying projects by qualifying businesses. Maximum \$125,000 per year and may be carried forward up to 14 years.
Small employer new jobs credit	§ 63-4405	2005	\$38,000	For qualifying project sites of qualifying businesses, a nonrefundable credit for new employees who earn more than \$24.04 per hour. The credit escalates based on wage, \$1,500–\$3,000 per employee, for a maximum of 62.5% of tax liability and may be carried forward up to 10 years.
Live organ donation expenses credit	§ 63-3029K	2006	\$38,000	A nonrefundable credit for live organ donation expenses up to \$5,000. May be carried forward up to 5 years.
Reimbursement incentive credit	§ 67-4737	2014	\$18,000,000	A refundable credit for qualifying businesses that agree to meet criteria dictated by the Department of Commerce. Businesses submit an application for the tax credit to the Economic Advisory Council. The applicant must meet certain requirements and failing to do so may result in the state reclaiming the credit.
Right income adjustment credit	§ 63-3029F	2015	\$46,000	A refundable credit for taxes paid based on an overestimation of right income during the year that the IRS determines it overestimated right income.
Child income tax credit	§ 63-3029L	2018	\$63,777,000	A nonrefundable tax credit of \$205 for each qualifying child. Part-year residents receive a prorated credit.
Employer contributions to employee college savings accounts	§ 63-3029M	2020	\$80,000	A nonrefundable credit for employer contributions to qualifying employee college savings accounts. Maximum 20% of contributions, up to \$500 per employee and may be carried forward up to 5 years.

Categories that may or may not be considered preferences

These elements of the tax code lead to reduced tax liability. Whether they should be considered preferences depends on what the Legislature intends as the normal tax base.

Description	Idaho Code	CY 2020 estimated value	Notes
Federal tax conformity	Various	Not estimated	Idaho refers to Internal Revenue Code to define taxable income and adopts, by reference, many elements such as the standard deduction and business expenses.
Multistate corporation apportionment	§ 63-3027	Not estimated	Idaho taxes multistate corporations based on the share of taxable income apportioned to Idaho. This amount is calculated on property, payroll, and sales. Idaho weights sales twice as much as the other two.
Special industry apportionment	§ 63-3027(s)	Not estimated	If the normal method of apportionment does not fairly represent the extent of the taxpayer's business in the state, the Tax Commission may allow or require a different apportionment method. The commission has incorporated apportionment rules from the Multistate Tax Commission for construction contractors, airlines, railroads, trucking, television and broadcasting, publishing, and financial institutions.

Property tax

Lawmakers made several changes to the property tax code in 1996. Many property tax exemptions predate these changes but were assigned new code references. Dates of property tax exemptions are included only if they were added after 1996. Estimated value represents the assessed value of the excluded property as of 2020 as reported by county assessors to the Tax Commission.

Exempt entities

Some property is exempt from taxation by virtue of the organization that owns the property. The exemption may have provisions to ensure organizations only use the property for the purpose of the organization.

Description	Idaho Code	2020 assessed value	Year implemented	Notes
Government property	§ 63-602A	Not reported	Pre 1996	Exempts property owned by the United States, Idaho, federally recognized Indian tribe, county, city, or school district. Some state or federal land may lead to payments in lieu of taxes.
Other statutory entities	§ 63-602F, provisions in titles 21, 22, 31, 33, 39, 41, 50, 67, and 70.	Not reported	Pre 1996	Exempts property owned by government or pseudo-governmental entities created in statute, but not exempted under § 63-602A. Includes library districts, cemetery districts, port districts, housing authorities, and the Idaho Health Financing Authority, among many others.
Credit unions	§ 26-2138, § 26-2186	Not reported	Pre 1996	Exempts personal property owned by credit unions.
Religious organization	§ 63-602B	Not reported	Pre 1996	Exempts property owned by religious organizations unless used or leased for business purposes.
Fraternal, benevolent, or charitable organizations	§ 63-602C	Not reported	Pre 1996	Exempts property belonging to any fraternal, benevolent, or charitable organization used for the organization and exempts World War I and World War II veteran organization buildings and memorials.
Nonprofit, county, or district hospitals	§ 63-602D	Not reported	Pre 1996	Exempts property used for hospitals. If a nonprofit hospital has 150 or more beds, it must file a community benefits report with the county's Board of Equalization.
Nonprofit and charter schools	§ 63-602E	Not reported	Pre 1996	Exempts property used for education or held for endowment, building, or maintenance of educational institutions.
Electrical or natural gas associations	§ 63-602JJ, §63-3502, §63-3502A, §63-3502B	Not reported	Pre 1996	Exempts property owned by an electrical or natural gas association or cooperative that is subject to the cooperative electrical associations gross earnings tax.

Conditional exemptions

Property that may be exempt from taxation upon application by the taxpayer. The exemption may only apply if certain conditions are met or if the application is accepted by the Board of Equalization or the Board of County Commissioners.

Description	Idaho Code	2020 assessed value	Year implemented	Notes
Casualty loss	§ 63-602X	\$56,276	Pre 1996	At the discretion of the Board of Equalization, real or personal property may be exempt if damaged by an event causing casualty loss.
Exceptional situations	§ 63-602AA	\$0	Pre 1996	At the discretion of the Board of Equalization, property may be exempt when paying taxes would cause an undue hardship due to an unusual circumstance.
Property not benefitting from a taxing district	Provisions in title 31, 42.	Not reported	Pre 1996	Exempts property from taxation in specific circumstances where the property does not benefit from the taxing district. For example, real property owners who do not receive a signal from a television translator, unimproved property within an ambulance district, or properties served by a private sewer system may be exempt from taxation by specific districts.
Remediated land	§ 63-602BB	\$64,400	1997	For up to 7 years, 50% of the value of land under remediation (e.g., hazardous waste cleanup) may be exempt.
Investment tax credit	§ 63-3029B(4)	\$21,019,868	2003	For investments that qualify for the investment tax credit, a business with negative income tax liability may opt to exempt the property from the property tax for two years instead of the income tax credit.
Small employer growth incentive	§ 63-606A	\$5,631,191	2005	Upon application, the Board of Equalization may exempt any property that qualifies for tax credits under § 63-4403 and 4404.
Significant capital investments	§ 63-602HH	Not reported	2005	Exempts property owned by a single entity in excess of \$800 million in a single county from taxation, provided that the Tax Commission has determined that the entity has invested \$25 million in the county during the previous year and employs 1,500 workers within the county.
Unused infrastructure	§ 63-602II	\$0	2005	The Board of County Commissioners may exempt the unused, nonoperational infrastructure of a business.
Certain business property	§ 63-602NN	\$369,091,713	2008	Upon application, the Board of County Commissioners may exempt all or part of a change in property values attributable to investing in new or existing plant and building facilities for up to 5 years. A project must be worth more than \$500,000, bring significant economic benefit, and be for nonretail commercial or industrial purposes.

Conditional exemptions (continued)

Description	Idaho Code	2020 assessed value	Year implemented	Notes
New capital investments	§ 63-4502	\$1,217,184,900	2008	Exempts property owned by a single entity in excess of \$400 million in a single county, provided the Tax Commission has determined that the entity has spent \$1 billion over 84 months on qualifying new capital investment.

Exempt uses

Description	Idaho Code	2020 assessed value	Year implemented	Notes
Homestead	§ 63-602G	\$36,213,542,355	Pre 1996	Exempts the first 50% of the market value of a residential property up to \$100,000 that is used as a primary residence by the owner.
Irrigation water and structures	§ 63-602N	Not reported	Pre 1996	Exempts water rights and other property such as canals used for irrigation and all property primarily used for an irrigation project.
Generating and delivering electricity for irrigation projects	§ 63-602O	Not reported	Pre 1996	Exempts property used for generating or delivering electricity or natural gas for irrigation projects unless the water is sold.
Water or air pollution control	§ 63-602P	\$263,763,772	Pre 1996	Exempts facilities, installations, machinery, or equipment used in the elimination or control of air or water pollution.
Cooperative telephone lines	§ 63-602Q	Not reported	Pre 1996	Exempts freely available cooperative telephone lines that serve 25 or fewer people.
Conservation land	§ 63-605	Not reported	Pre 1996	Extends the method of assessing agricultural land, which is based on productivity rather than market value, to land owned by a nonprofit for wildlife habitat with a conservation agreement.
Partial value of residential property in certain zoned areas	§ 63-605H	Not reported	Pre 1996	Residential property of 3 acres or less located in an area which was previously zoned residential but has been changed to another zone shall be appraised, assessed, and taxed as if it were zoned residential as long as the property is continuously used by the owner solely for residential purposes.
Equipment using postconsumer or postindustrial waste	§ 63-602CC	Not reported	1997	Exempts qualified equipment that uses postindustrial or postconsumer waste to manufacture products.
Low-income housing	§ 63-602GG	Not reported	2002	Exempts qualified low-income housing owned by a nonprofit.
Manufactured homes under a dealer's plate or used as sheep and cow camp	§ 63-602DD	Not reported	2004	Exempts manufactured homes eligible to be used under a dealer's license plate or those designated as a sheep or cow camp.

Exempt uses (continued)

Description	Idaho Code	2020 assessed value	Year implemented	Notes
Oil or gas related wells	§ 63-60200	Not reported	2013	Exempts the hole drilled for the extraction of oil, gas, or hydrocarbon condensate.
Speculative portion of agricultural land	§ 63-205C, 604, 605	Not reported	2020	Requires assessment of agricultural land based on productivity rather than market value. Before 2020, it was an exemption of the speculative value of agricultural land.

Exempt personal property

Description	Idaho Code	2020 assessed value	Year implemented	Notes
Motor vehicle registration	§ 49-401, § 63-602J	Not reported	Pre 1996	Motor vehicle registration fees instead of the property tax.
Aircraft registration	§ 21-114	Not reported	Pre 1996	Aircraft registration fees instead of the property tax.
Household goods, wearing apparel, and other personal effects	§ 63-602I	Not reported	Pre 1996	Exempts all household goods, furniture, and furnishings used by the owner or are kept in temporary storage.
Intangible personal property	§ 63-602L	Not reported	Pre 1996	Exempts capital stock and bonds, deposits in banks, shares and accounts in savings and loans associations, goodwill, customer lists, contracts and contract rights, patents, trademarks, custom computer programs, copyrights, trade secrets, franchises, licenses, and possessory rights of way.
Certain secured dues and credits	§ 63-602M	Not reported	Pre 1996	Exempts all dues and credits secured by mortgage, trust deed, or other liens except where otherwise provided.
Agricultural crops	§ 63-602R	Not reported	Pre 1996	Exempts agricultural crops held by the producer.
Fruits, vegetables, and seeds sold out of state	§ 63-602S	Not reported	Pre 1996	Exempts fruits, vegetables, and seeds that have been sold out of state.
Personal property sold and shipped out of state	§ 63-602T	Not reported	Pre 1996	Exempts personal property sold out of state.
Personal property in transit	§ 63-602U	Not reported	Pre 1996	Exempts personal property shipped into the state with the intent of being shipped out of the state.

Exempt personal property (continued)

Description	Idaho Code	2020 assessed value	Year implemented	Notes
Personal property shipped and stored in original package	§ 63-602V	Not reported	Pre 1996	Exempts personal property owned by someone who does not live or do business in the state while it is stored in the state in its original packaging.
Business inventory	§ 63-602W	Not reported	Pre 1996	Exempts business inventory, including all items of tangible personal property. Also exempts residential improvements to real property before occupation and site improvements of land held by a developer.
Fuel	§ 63-2431	Not reported	Pre 1996	The motor fuels tax is in lieu of all other taxes, including property taxes, imposed upon motor fuels by this state or any political subdivision.
Agricultural equipment	§ 63-602EE	Not reported	2001	Exempts class two agricultural equipment used exclusively in agriculture for harvesting crops and managing livestock.
Certain personal property	§ 63-602KK	Not reported	2008	Exempts items that cost \$3,000 or less from property taxation if purchased after January 1, 2013. Beginning in January 2015, the first \$100,000 of personal property shall be exempt. Does not include taxes owed on unregistered vessels and vehicles.

Other taxes

Description	Idaho Code	Estimated value	Year implemented	Notes
Government insurer exclusion	§ 41-402(8)	Unknown	Pre 1994	The insurance premium tax does not apply to an insurer that exclusively insures members who are governmental entities.
Life insurance policies under pension plans	§ 41-402(7), preempted by federal law	Unknown	Pre 1994	The insurance premium tax does not apply to life insurance policies issued under certain pension or profit-sharing plans.
Annuity contracts	§ 41-402(7)	\$17,970,497 (CY 2019)	Pre 1994	The insurance premium tax does not apply to annuity contracts in general.
Hospital and professional service organizations	§ 41-3427	\$920,069 (CY 2019)	Pre 1994	Rather than a 1.5% premium tax, organizations pay 4 cents per month for each contract.
Benevolent societies	§ 41-3223	\$354,555 (CY 2019)	Pre 1994	Fraternal benefit societies are considered charitable organizations and exempt from the insurance premium tax.
Self-funded health care plans	§ 41-4012	Not estimated	Pre 1994	Self-funded health care plans are required to pay 4 cents per month for each beneficiary covered by the plan instead of any taxes.
Dental insurance	§ 41-402(9)	\$1,853,952 (CY 2019)	2007	Rather than a 1.5% insurance premium tax, insurers pay 4 cents per month for each dental contract.
Other federal law preemptions of the insurance premium tax	Various	Not estimated	Various	Federal employer health insurance, Medicare Title XVII plans, multiple peril crop insurance, and federal flood insurance are exempt from the insurance tax under federal law.
Electricity produced by municipal corporations	§ 63-2701	Not estimated	1931	The kilowatt hour tax does not apply to power generated by facilities owned by municipal corporations (cities).
Electricity for manufacturing, processing, and irrigation	§ 63-2701, § 63-2705	Not estimated	1931	Exempts from the kilowatt hour tax electricity sold to customers for use in manufacturing, mining, milling, smelting, refining, and processing or for pumping water for irrigation or drainage.
Fuel not sold in state	§ 63-2407 (1-4)	Not estimated	Pre 1989	Allows the distributor to deduct from fuel taxes owed fuel shipped out of state, returned to the refinery or pipeline, or lost or destroyed by accidental casualty. Also allows a 2% deduction to account for evaporation and spillage.
Fuel sold to the Idaho National Guard	§ 63-2407(5)	Not estimated	Pre 1989	Allows the distributor to deduct from fuel taxes owed fuel sold to the Idaho National Guard for use by aircraft and off-highway vehicles.

Other taxes (continued)

Description	Idaho Code	Estimated value	Year implemented	Notes
Fuel taxed in other states or used for untaxed purposes	§ 63-2410	Not estimated	Pre 1993	If a user has paid taxes on more than 50 gallons of fuel, the user can receive an income tax refund of taxes paid if the fuel is subsequently taxed in another state or is used to operate stationary equipment or certain vehicles that do not use public roads. A use tax is owed unless exempt from the use tax.
Dyed fuel	§ 63-2425	Not estimated	1995 or earlier	Dyed fuel is not subject to the motor fuels tax. Diesel dyed red at an IRS-approved distribution center can be used off-road or by government entities.
Credits and refunds for special fuels tax	§ 63-2423	Not estimated	Pre 1995	Extends exclusions such as those in § 63-2407 and 2410 to the special fuels tax.

Response from the Division of Financial Management



State of Idaho

DIVISION OF FINANCIAL MANAGEMENT

Executive Office of the Governor

BRAD LITTLE
GovernorALEX J. ADAMS
Administrator

To: Office of Performance Evaluation
State of Idaho

Re: Designing a Tax Preference Review

Your office (OPE) has produced this report which outlines the structure of current tax preferences within Idaho's legal structure. One portion of this report includes numeric estimates of some of these preferences, and some of those are ultimately due to our office, the Division of Financial Management (DFM). Among those numeric estimates are some which are up-to-date, and some which are evidently not so. When the request from OPE came to DFM to provide those estimates, our office provided the most recent such estimates, but some of these figures had not been requested for quite a while and had not been kept updated.

DFM generally works with the Tax Commission as well as other state agencies and offices, using both local data as well as federal data, to produce estimates for revenue as well as some cost estimates. Many of these costs are ultimately not ones which are directly measured, but only inferred. Still, even with that level of uncertainty, some of the numeric estimates undershoot the reality of Idaho's economy of today. Should the audience for this report desire updates on some of these measures, DFM would continue that collaborative process to bring those closer to that reality.

Greg Piepmeyer, Chief Economist

A handwritten signature in black ink, appearing to read "G. Piepmeyer".

