



# LEGISLATIVE SERVICES OFFICE

**IDAHO TAX & REVENUE STRUCTURE**

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# Presentation Outline

- Tax Policy Overview
- Property Tax
- Sales & Use Taxes
- Income Tax
- Miscellaneous Revenues & Distributions
- Idaho's Comparative State & Local Tax Burden



# Tax Policy Overview

- Reliable (sufficient, stable, certain)
- Equitable (vertical, horizontal)
- Simple (taxpayers, administration)
- Responsive to interstate and international competition
- Economically neutral
- Accountable and transparent

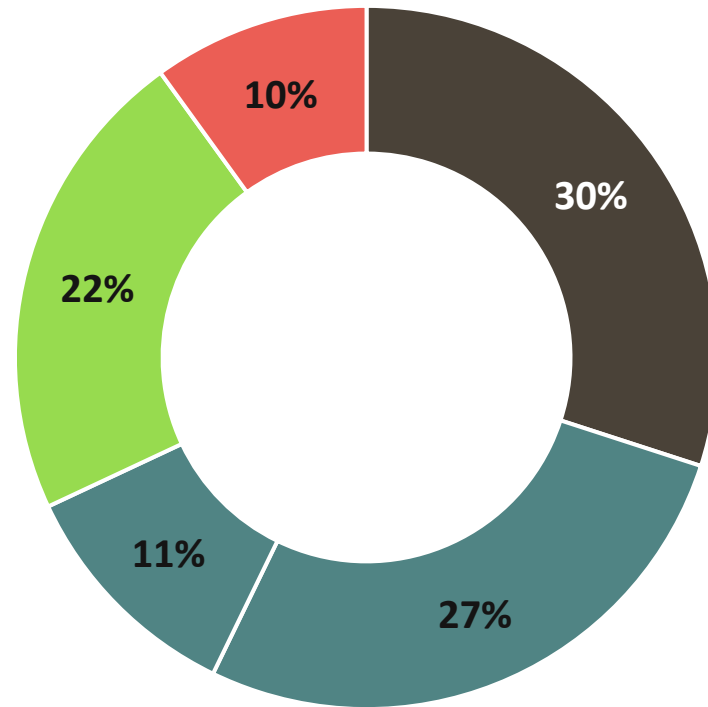
Source: "Tax Policy Handbook," National Conference of State Legislatures



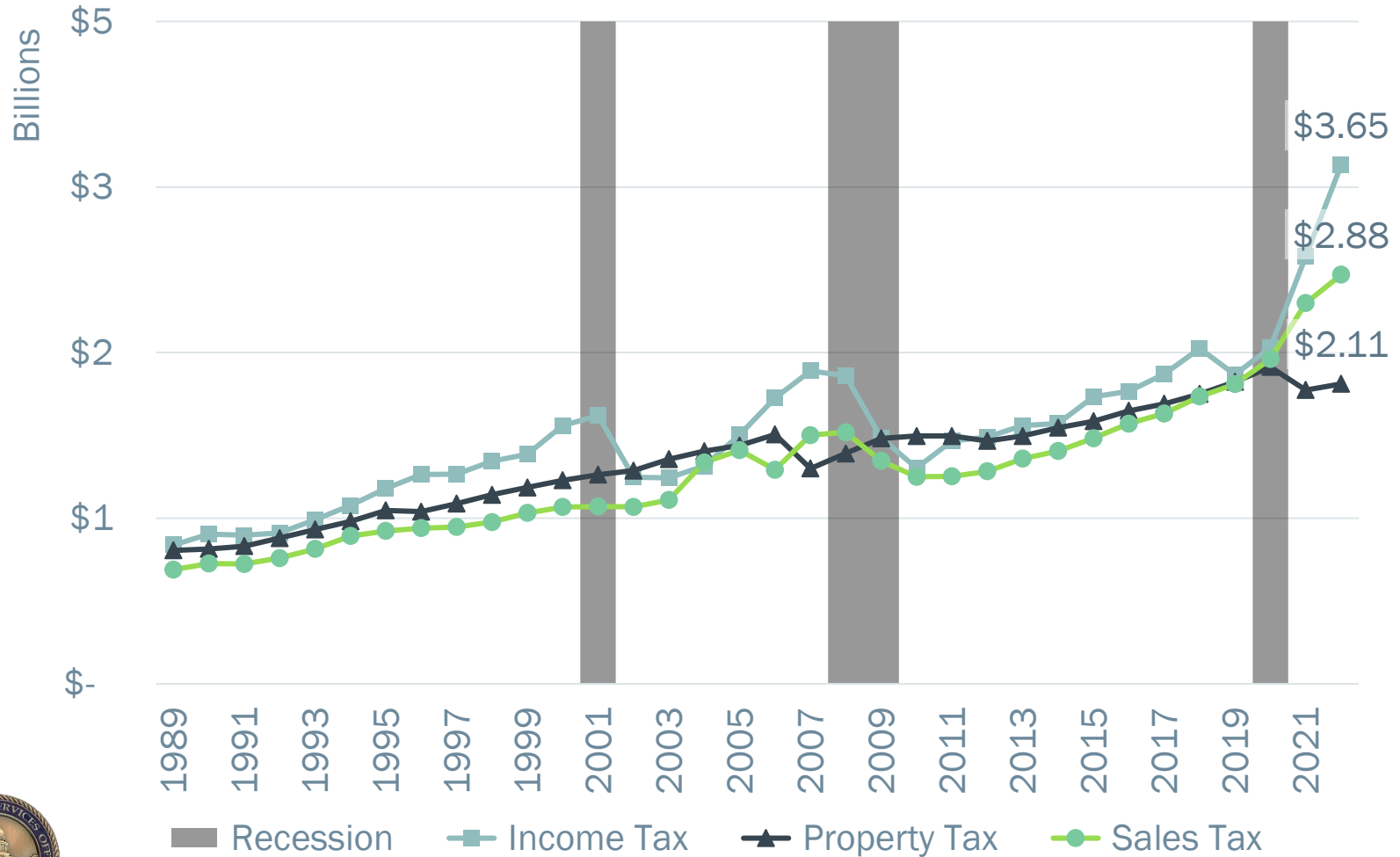
# Idaho's Major State and Local Revenue FY 2022

Total Revenue: \$9.604 Billion

- Sales Tax
- Individual Income Tax
- Corporate Income Tax
- Local Property Tax
- Misc Taxes & Distributions



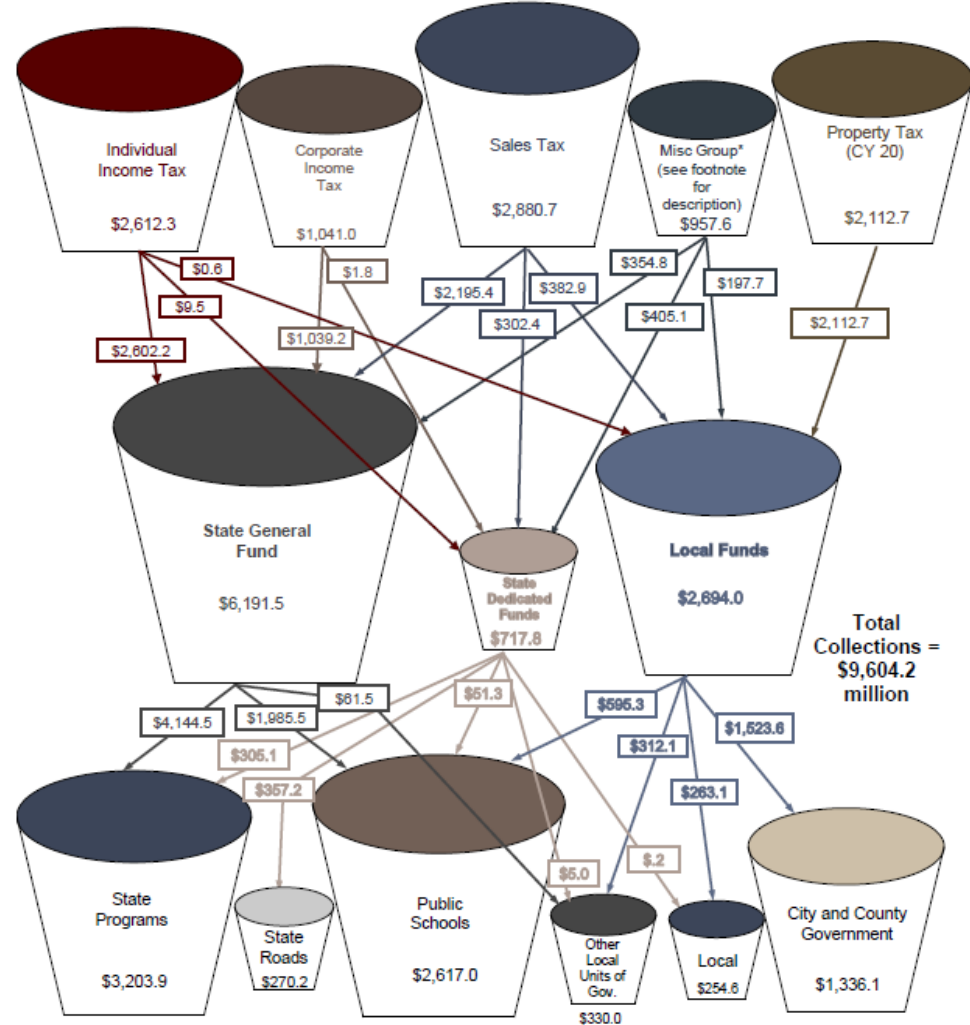
# Inflation Adjusted Major State and Local Revenues SFY 1989 to SFY 2022



# “Money Buckets”

## Major State and Local Tax Collections & Distributions FY 2022

State of Idaho  
Major State and Local Tax  
Collections and Distributions <sup>a</sup>  
Fiscal Year 2022 (millions of dollars)



<sup>a</sup> Excludes federal funds, fees, reserve funds, and endowment earnings.

<sup>b</sup> General Fund Total Appropriations to local units include: Catastrophic Health Care, Community Colleges, and Public Health Districts

\*Numbers may not add due to rounding

\*Misc Group contains: Motor Fuels, Insurance Premium, Cigarette, Liquor Revenues, Beer, Wine, Kilowatt Hour, Mine License, Tobacco, Estate, Travel and Convention, Lottery Proceeds, Treasurer's Interest & Misc.



# Why the Property Tax Matters

- Major source of revenue for local governments and some school districts (most school districts rely on property tax for supplemental levies or bonds in addition to state appropriations)
- Tax on wealth and capital
- Oldest state and local tax (state does not receive revenues from property tax)
- Provides stability
- Transparency
- Political accountability
- Unpopular tax



# Why the Sales and Use Tax Matters

- Almost half of revenues generated to the General Fund are from Sales and Use Tax
- Historically has been used as a new funding stream for existing programs (K-12 education), to offset property tax exemptions (business inventory, agricultural equipment, personal property tax), and create new programs (elections consolidation, transportation)
- Tax on consumption, making it probably the least hated tax
- For fast-growing states, like Idaho, revenue growth is driven largely by population growth
- Large year-over-year revenue growth makes it a target for earmarking
- Generally, a regressive tax, means a higher proportion of income is spent on goods for low-income earners





# The Idaho Sales and Use Tax

- Title 63 Chapter 36, Idaho Code defines transactions subject to a sales and use tax
- First enacted in 1965 at 3%, the current rate is 6% statewide with some special instances of local option rate in resort cities
- Broadly, it is the sale, lease, or rental of tangible personal property (goods)
- Use tax imposed on storage or use of tangible personal property, typically applied to out of state purchases from retailers not required to collect sales tax
- Local option tax only for resort cities



# Examples of What Idaho Does Not Tax

- Exclusions

- Most Services (\$2.6 B)
  - Construction, Professional, Health, etc.
- Some Goods
  - Motor Fuels( \$282.2 M)
  - Natural gas, electricity, & other utility (\$142.8 M)
  - Prescriptions and durable medical equipment (\$113.1 M)

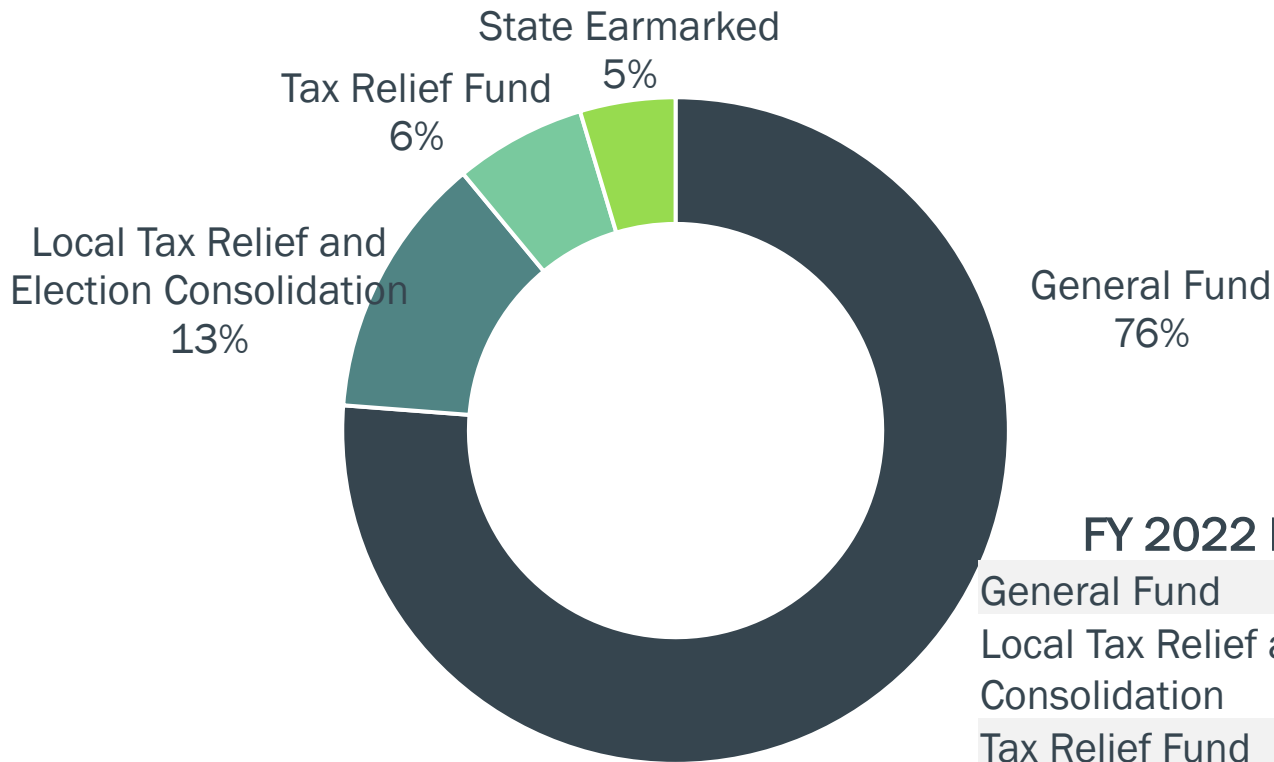
- Exemptions

- Specifics Uses
  - Agriculture Production (irrigation & pollution control included) (\$215 M)
  - SNAP/WIC (\$15.4 M)
  - Trade-in Value (\$44.1 M)
- Specific Entities
  - Education Purchases, Hospital Purchases, Government Purchases, Charities, R&D at National Lab, etc. (\$253.9M)



# Sales and Use Tax Revenue

## Where does the money go?



### FY 2022 Revenues (\$ millions)

General Fund	\$2,195
Local Tax Relief and Election Consolidation	\$368
Tax Relief Fund	\$184
State Earmarked	\$133
Net Revenue	\$2,881



# Why the Individual Income Tax Matters

- Tax on Income
  - individual or personal filers
  - “pass-through” business entities
  - trusts and estates
- The largest source of revenues to the General Fund was from Individual Income Tax in FY22
- Revenues more subject to economic conditions



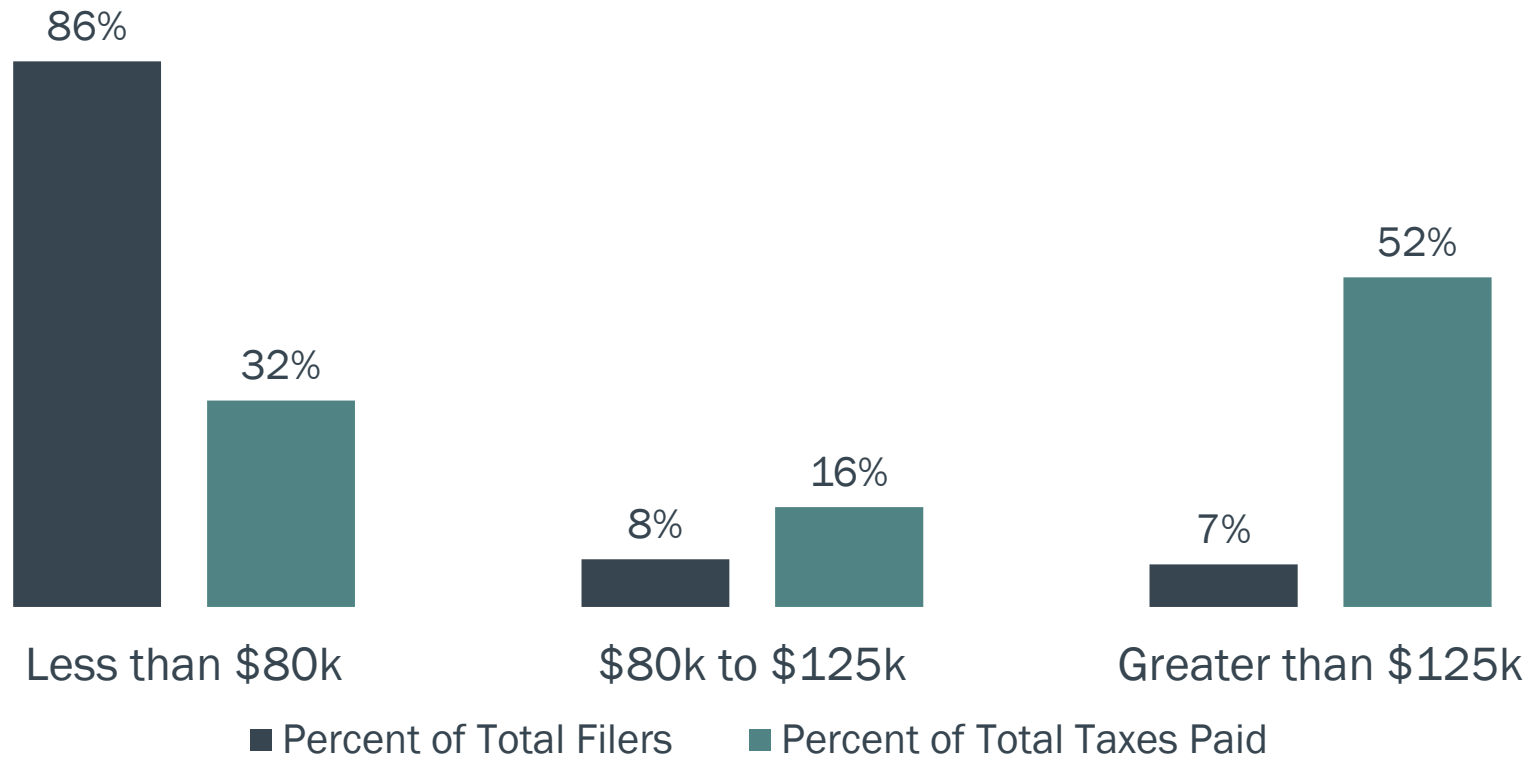
# Idaho Individual Income Tax

- §63-3002, Idaho Code, states it is the intent of Title 63, Chapter 30 to be identical to the provisions of the Federal Internal Revenue Code relating to the measurement of taxable income
- The income tax was first enacted in 1931. Beginning in 2023, there is one flat tax rate of 5.8% applied to taxable income, which is adjusted annually for inflation
  - History of rates
- For Idaho residents, income from all sources is taxable. Non-residents only pay tax on income earned in Idaho. Part-time residents pay tax on all sources while living in Idaho
- Differences from federal taxable income for Idaho filers include 100% of Social Security income, 60% of certain capital gains and 100% of interest earned on US government securities



# Distribution of Returns and Income Tax Paid

Tax Year 2020



Source: Idaho State Tax Commission

# Why the Corporate Income Tax Matters

- Tax on income, but very volatile
- Revenues somewhat subject to economic conditions, but also individual business activities.
  - Investment plays a large role in what is taxable income
- About 11% of revenues to the General Fund came from Corporate Income Tax in FY 22
- SALT Workaround



# Idaho Corporate Income Tax

- Title 63, Chapter 30, Idaho Code sets the corporate income tax rate at 5.8% applied to taxable income
- The income tax was first enacted in 1931
- In FY 22 corporate taxable income was \$17.7 Billion producing \$1,039.2 million for the General Fund
- Net revenues generated are deposited to the General Fund
- \$10 filing tax per return that is deposited to the Permanent Building Fund
- Entities that file under the corporate rate include a corporation or association transacting business in Idaho
- Multistate corporations base their Idaho taxable income on apportionment formula which includes property, payroll, and annual sales



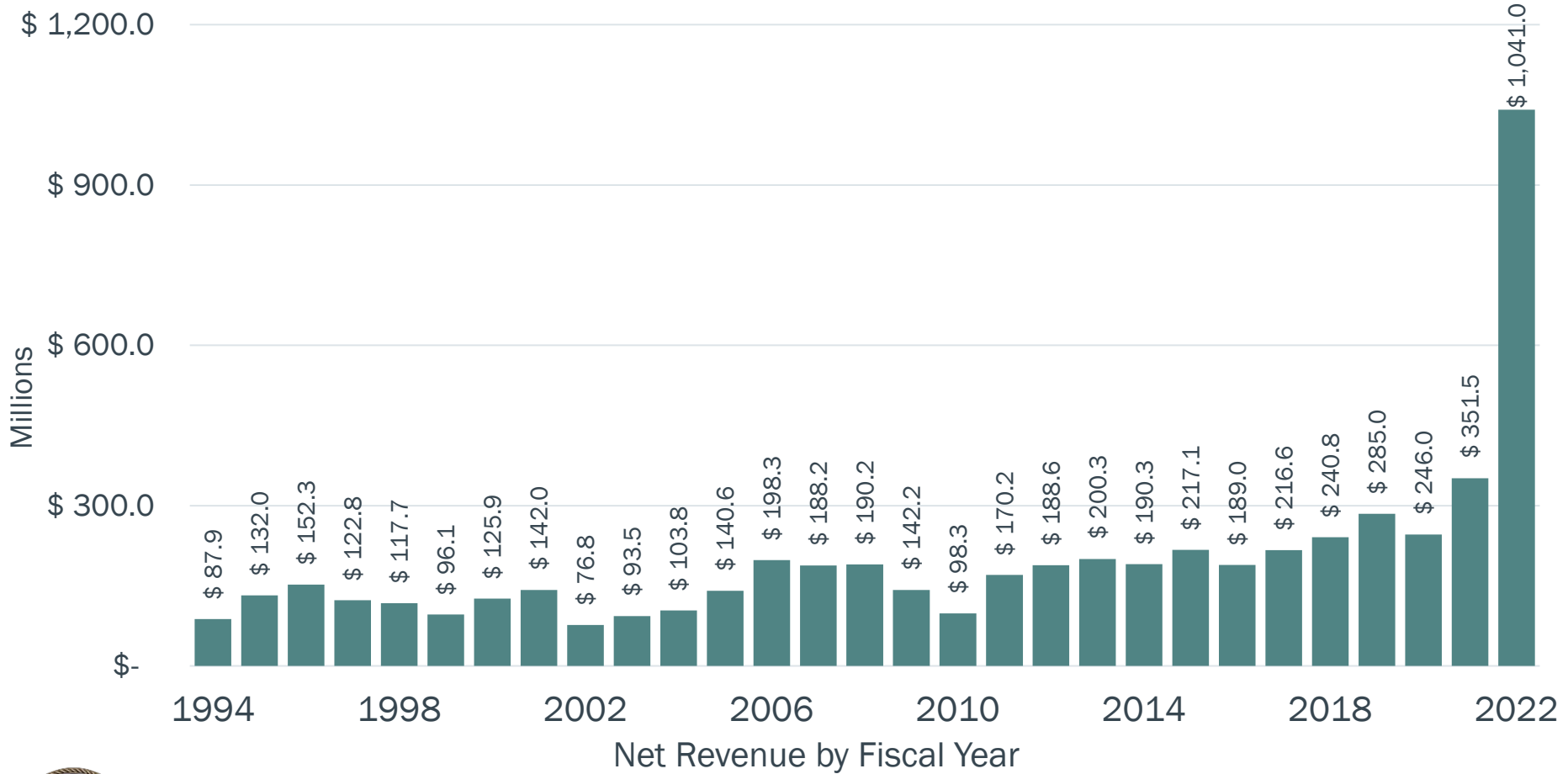


# Business Credits

- Investment Tax Credit
  - Credit provided to businesses that purchase qualifying property for use in the business
  - 3% of qualified investment
  - Not refundable
  - Limited to no more than 50% of tax liability
  - Carryforward provision for up to 14 years
- Qualifying New Employee Credit
- Research Activity Credit
- Broadband Investment Credit
- Reimbursement Incentive Credit
  - Refundable credit up to 30% for up to 15 years on new corporate business income tax, sales and use tax, and personal income tax withheld from employees paid as a result of qualifying project



# Corporate Income Tax



# Miscellaneous Taxes & Distributions

Tax /Fee Type	Rate	FY 2022 Collection
Beer	\$.15/gallon	\$4.5 million
Cigarette	\$.57 for a pack of 20	\$33.6 million
E911 Wireless Fee	2.5% of service price	\$1.6 million
Kilowatt Hour	.5 mill per kilowatt hour	\$2.1 million
Mine License	1%	\$116,860
Oil & Gas Production	2.5%	\$46,091
Tobacco Products	40% of wholesale price	\$14.9 million
Travel & Convention	2%	\$13.1 million
Wine	\$.45/gallon	\$6.1 million
Wine Direct Shipper Fee	\$50 first time, \$25 yearly	\$16,312
Auditorium Districts	& Local Option by Tax	\$7.9 million



# Miscellaneous Taxes & Distributions

Tax /Fee Type	Rate	FY 2022 Collection
Illegal drug	Various rates	\$929
RR Car Ad Valorem Tax		\$2,570
Courts Fines & Fees		\$7.1 million
Interest Earnings		\$14.7 million
Unclaimed Property		\$15.3 million
UCC Filings		\$6.8 million
Dept. of Lands		\$310,576
Insurance Premium Tax	1.5%	\$117.5 million
Liquor Distributions		\$116.7 million
Lottery Distributions		\$72.6 million
Other Dept Transfers	& Misc. Revenues	\$133.7 million



# Miscellaneous Taxes & Distributions

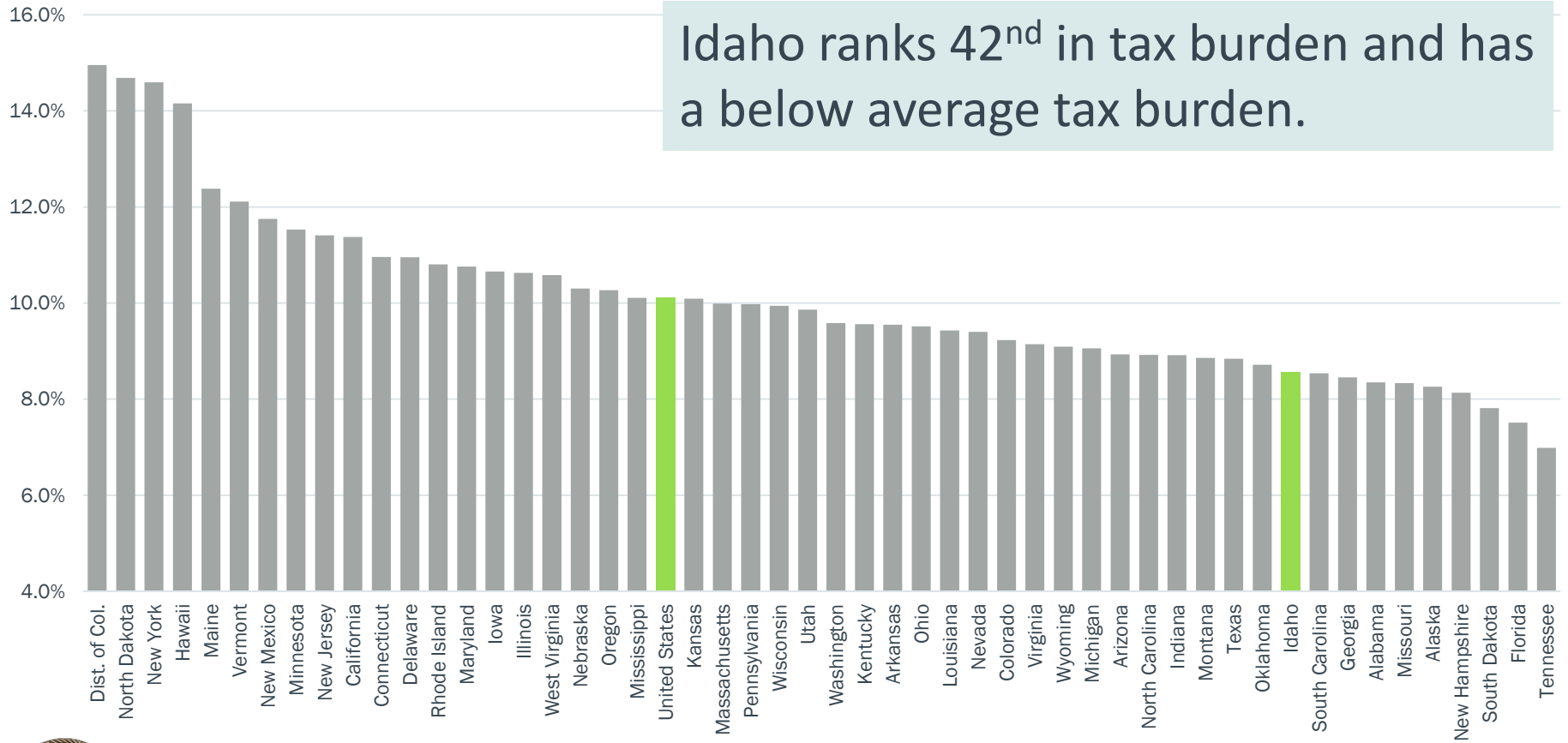
Tax/Fee Type	Rate	FY 2022 Collection
<p>Fuels:</p> <ul style="list-style-type: none"> <li>• Aviation Gasoline</li> <li>• Diesel</li> <li>• Gasoline</li> <li>• Jet Fuel</li> <li>• Compressed Natural Gas</li> <li>• Liquefied Natural Gas</li> <li>• Propane</li> <li>• Hydrogen</li> </ul> <p>Transfer Fee</p>	<p>\$.07/gallon</p> <p>\$.32/gallon</p> <p>\$.32/gallon</p> <p>\$.06/gallon</p> <p>\$.32/CGE</p> <p>\$.349/DGE</p> <p>\$.232/gallon</p> <p>\$.32/GGE</p> <p>\$.01/gallon</p>	<p>\$383.9 million</p>



# How does Idaho's State and Local Tax Burden compare to other states?

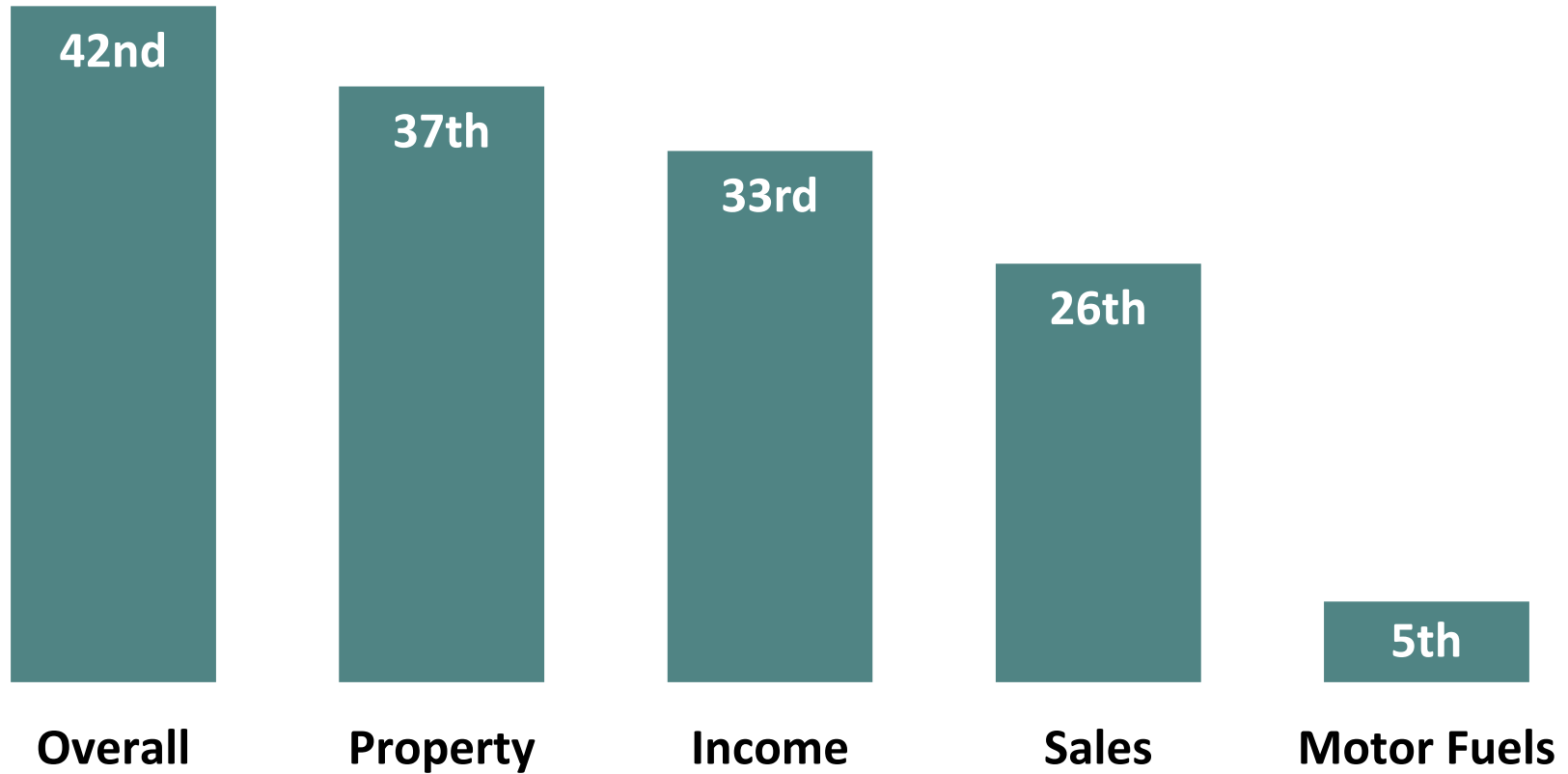


# State and Local Taxes as a percentage of Personal Income in 2019



Source: U.S. Dept of Commerce, U.S. Census Bureau

# Idaho Rankings by Tax Type



Source: U.S. Dept of Commerce, U.S. Census Bureau





# Contact Information for Questions



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