

STATEMENT OF PURPOSE

RS19876

Idaho Employment Act (IDEA): Idaho’s business income tax is second highest in the west only to California in creating roadblocks to keeping and recruiting new business and jobs to Idaho. with the understanding that corporations report income under Idaho’s Corporate Tax and S-Corps, LLCs and PLLCs report income under Individual Income, an independent project to study various methods of reducing this tax roadblock was undertaken in 2009. The conclusion was that to attract more businesses and jobs to Idaho and assist in making current Idaho business healthy, that a business tax reduction to 4.9% for both corporate and individual income tax be taken over a ten year period. Reducing this tax will enable Idaho’s current businesses to re-invest and create jobs while also more readily attracting out-of-state business providing more jobs and off-setting state revenue over that tern year period.

Also of benefit is reducing Idaho’s confusing eight bracket tax system to a single flat tax bracket of 4.9%.

No taxes will be paid on the first \$5,000.00 earned income from a business or individual starting in tax year 2012. Starting in 2012, Individual tax rates will be reduced by .3% and Corporate Tax rates will be reduced by .1% to the rate of 7.5% of earned income. The rates for 2013 through 2021 will be reduced each year by .3% until both rates reach 4.9%. If these rates were in effect today, Idaho would be ranked in the top ten states nationally for positive business climates.

FISCAL NOTE

No impact on 2010 or 2011 revenue or budgets. Without forecasting of any business growth coming from these changes, there will be a ~\$35-\$38 m reduction in Income Tax revenue starting in 2012 and every year thereafter until the final target of 4.9% Income Tax rate is reached in 2021. At the end of the ten year program, the cumulative cost will be ~\$374 m (2010 dollars).

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