



November 2, 2011

Energy, Environment and Technology Interim Committee
Idaho Statehouse
Boise, Idaho 83702

Dear Committee Members:

In reviewing the draft of the 2012 Idaho Energy Plan, the Idaho Freedom Foundation would like to offer the committee some recommendations for consideration:

Cut support for the alternative energy tax incentives: The draft plan, on several occasions, speaks favorably to the continuation of existing energy tax incentives or the creation of new ones. For example, Action Item E-13 says Idaho should broaden an existing tax deduction "to include additional technologies and extend to Idaho businesses as well as households."¹ The draft plan recommends that the tax deduction cover "specific types of renewable energy equipment used to produce electricity or to provide fuel for heating or propulsion of vehicles."² Such government interference in the free market is problematic. It requires that some taxpayers subsidize the economic choices of other taxpayers or industry groups. If renewable energy equipment or fuel makes sense, the government wouldn't have to incentivize its use.

Special incentives also tend to drive up the base tax rate, or at least make it harder to lower the base rate. Idaho policymakers should look for ways to reduce taxes across the board. Providing tax credits and deductions for government-sanctioned economic activities makes it more difficult to achieve that lower rate for all Idahoans. Lawmakers should not play the part of social engineers. Doing so is no better than the federal government's ill-fated attempts at market manipulation via federal alternative energy vehicle tax credits, the "cash for clunkers" program or the first-time home buyer tax credits. If a new car, a new house or new energy products are good choices for consumers, then consumers should make those decisions without government intervention in those purchase decisions.

¹ Idaho Energy Plan 2012 draft, page 113.

² Ibid.

Along those lines, the draft plan calls for Idaho to “encourage the purchase of efficient, flex-fuel and alternative fuel vehicles.”³ The plan says the state can accomplish this through the use of income tax credits and sales-and-use tax exemptions.⁴ The state should not follow the federal government’s misguided lead in trying to dictate to the general populous, through tax or other policy incentives, what vehicles Idahoans should buy. Tax incentives such as these promote a form of social engineering. Lawmakers should avoid such policies.

The document should recognize the value of the free market: In the existing draft document, there is no mention of the free market, and the document discounts the importance of it in favor of interventionist policies. The draft document indicates that the state government should “play an active role in facilitating the deployment of power generation and energy conservation resources that are both cost-effective and environmentally sound.”⁵ Idaho legislators and officials should resist creating public policy statements that superimpose the will of elected or appointed government officials over the invisible hand of the free market. The concept of “an active role” is also a generic invitation for more government regulation that can lead to costly delays and interference in the deployment of the energy infrastructure the plan seeks to minimize.

Thank you for your consideration.

Sincerely,

Wayne Hoffman
Executive Director
Idaho Freedom Foundation

³ Ibid., Action Item T-2, Page 115.

⁴ Ibid.

⁵ Ibid., page 19.