



Legislative Services Office

Idaho State Legislature

Eric Milstead
Director

Serving Idaho's Citizen Legislature

To: Senator Jeff Siddoway, Chairman Local Government and Taxation
From: Keith Bybee, Principal Budget and Policy Analyst *(KB)*
Date: June 23, 2015
RE: Idaho and Utah Tax Structure

The attached document is a comparative analysis of the Idaho and Utah taxation systems for major taxes which include Property, Individual Income, Corporate Income, Sales, and motor vehicle. This information is derived from the 2016 Idaho General Fund Revenue Book¹, the Utah State Tax Commission Annual Report for 2012 – 2013 fiscal years², a briefing paper for the Utah Legislature from March 2007 titled “Tax Relief & Reform – What Does It Mean for Taxpayers?”³, and the 2014 State and Local Tax Burden Analysis⁴ which is produced by the Idaho State Tax Commission using data from the US Census.

Pages two and three contain a summary table defining the rate of taxation, how much was collected in FY 2012 for each tax, and any notes that may help explain some of the differences. Of particular note here are rankings based on population (taxes paid per person) and personal income (taxes paid relative to income). Idaho and Utah both have relatively low tax burdens compared to the rest of the states with Idaho ranking 49th based on population and 42nd based on income. Utah’s rankings are 44th and 33rd respectively. The summary table has the state tax burden ranking for each tax identified for analysis.

Pages four to ten are the details of each tax structure. Please let me know if you have questions.

¹http://dfm.idaho.gov/publications/eab/gfrb/gfrb_jan2015.pdf

²<http://tax.utah.gov/commission/reports/fy13report.pdf>

³<http://le.utah.gov:443/lrgc/Briefings/TaxReliefandReform2007.pdf>

⁴http://tax.idaho.gov/reports/EPB00074_01-09-2015.pdf

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Idaho		Utah
Individual Income Tax	1.6% - 7.4%	5.0%
FY 2012 Amount Collected	\$1,213.3 Million	\$2,466.5 Million
Per Capita Ranking	33	30
Personal Income Ranking	30	21
Notes	Progressive tax structure uses both deductions and credits.	Flat tax rate but uses progressive credits based on income levels to reach taxable income.
Corporate Income Tax	7.4%	5.0%
FY 2012 Amount Collected	\$188.6 M	\$258.6 M
Per Capita Ranking	29	38
Personal Income Ranking	21	36
Notes	Flat rate	Flat rate
Sales Tax	6.0%	5.85%
Tax on Food	6.0%	3.0%
Total FY 2012 Amount Collected	\$1,224.7 M	\$2,498.6 M
Per Capita Ranking	38	29
Personal Income Ranking	28	19
Notes	Includes off the top amounts for statutorily created programs like property tax relief. Shares 11.5% of revenues with local governments	1.25% of taxes collected goes to local governments (cities and counties)
Local Option Tax	Varies	Varies
Notes	Has an additional 2% for Tourism & Development which is charged for rooms and campgrounds. Additionally there are three auditorium districts and 12 resort cities that qualify to charge a local option tax. Additional tools available but not currently being used include debt retirement or property tax relief.	Most cities and counties have a local option portion in addition to the regular sales tax that range from 0-2.5% for specified programs. Taxes include mass transit; additional county option; state highway; zoos, arts, & parks; tourism; vehicle rental; resort communities; county & municipality room tax; rural hospital; and others.

	Idaho	Utah
Property Taxes	1.38%	1.38%
Total Valuation	\$100,963.8 M	\$272,953.8 M
Total Taxes Collected	\$1,393.3 M	\$2,768.4 M
Per Capita Ranking	41	39
Personal Income Ranking	38	34
Notes		
Motor Fuels Tax & Registration Fees	Beginning July 1, 32 cents per gallon	24.5 cents per gallon
	\$373.2 M	\$530.4 M
Per Capita Ranking	18	34
Personal Income Ranking	7	23
Notes		

INDIVIDUAL and CORPORATE INCOME TAX

IDAHO

Collections from the individual income tax are based on a graduated scale of tax rates that are applied to brackets of Idaho taxable income. Idaho taxable income is derived from federal taxable income (ATI). For Idaho residents, income from all sources is taxable in Idaho, with credit provided for taxes paid to other states. For non-residents, only income earned in Idaho is subjected to Idaho income tax. For part-year residents, income from all sources is taxable during the period of Idaho residency, while only income earned in Idaho is subjected to Idaho income tax during the period of non-residency. Although Idaho conforms to most of the federal income tax provisions for determining taxable income, a number of differences exist. Idaho's definition of taxable income excludes 100% of social security income, 60% of certain capital gains and 100% of interest earned on US government securities. For a complete delineation of Idaho's income tax structure, please refer to the Tax Structure section of this publication. Idaho also provides a number of credits that are not included in the federal tax code. These include an investment tax credit, credit for contributions to educational entities, and several credits linked to investments in broadband equipment, research activities, and job creation. Idaho income derived from wages and salaries is subject to payroll withholding. Idaho does not require estimated payments for individual income tax, so tax payments derived from business income and most investment income are paid when the tax return is due (typically April 15 following the end of the tax year). A number of Idaho taxpayers make voluntary estimated payments at the end of the tax year (typically December 31) in order to claim the payment on the same year's federal income tax return. Since the enactment of Idaho's income tax in 1931, all net tax liability, interest, and penalties have been distributed to the General Fund. Beginning in FY 2001, withholding collections on Idaho lottery winnings are distributed to public schools and counties. An amount equal to 20% of the individual income taxes collected by the Idaho State Tax Commission and deposited with the Idaho State Treasurer is required by statute to be deposited in the State Refund Fund. Any balance exceeding \$1,500,000 in this fund at the end of the fiscal year is transferred to the General Fund on June 30. A separate filing tax of \$10 per income tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961, when their distribution was changed to the Permanent Building Fund. The income tax return form includes a variety of other "check offs" that can be used by the taxpayer to donate various amounts (usually from refunds) to special funds, such as non-game wildlife and veterans' support.

INDIVIDUAL INCOME TAX RATES

Taxable Income	Rate
\$0-1,429	1.6%
\$1,430-2,858	3.6%
\$2,859-4,287	4.1%
\$4,288-5,716	5.1%
\$5,717-7,145	6.1%
\$7,146-10,718	7.1%
\$10,719+	7.4%

Collections from the corporate income tax are based on a flat rate of 7.4% applied to taxable income. Idaho continues to allow a 3% credit that is tied to the federal definition of eligible property. Extra credits are also allowed for investments in broadband equipment, research activities, and job creation. Since its enactment in 1931, all net tax liability, interest, and penalties associated with the corporate income tax have been distributed to the General Fund. An amount equal to 20% of the corporate income taxes collected by the Idaho State Tax Commission and deposited with the Idaho State Treasurer is required by statute to be deposited in the State Refund Fund. Any balance exceeding \$1,500,000 in this fund at the end of the fiscal year is transferred to the General Fund on June 30. An additional filing tax of \$10 per tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961, when their distribution was changed to the Permanent Building Fund.

UTAH

Individual income taxes and corporate franchise and income taxes in Utah, as specified in the Utah Constitution, are used strictly to fund public and higher education. The tax rate under the "single rate" is 5 percent and most

taxpayers are able to claim one or more non-refundable credits, including a taxpayer tax credit and a retirement tax credit. The taxpayer tax credit calculation incorporates a taxpayer's federal personal exemptions and standard deduction or itemized deductions. The retirement tax credit applies to those age 65 or older or those under age 65 with certain retirement income. These credits phase out as income increases. Existing tax credits available for individual income tax, such as low income housing, historic preservation, at-home parent, and others continue under the new single rate individual income tax.

Corporate Income Tax- The state corporate franchise and income tax rate is 5 percent of Utah apportioned net income, with a \$100 minimum tax per corporation. The gross receipts tax is an in-lieu tax imposed on the gross receipts of corporations other than religious or charitable institutions operating in the state that are not otherwise required to pay income or franchise taxes. A percentage of gross receipts at commercial radioactive waste facilities is imposed on the different types of waste. These percentages range from 5 to 12 percent, depending on the specific type of waste. **Individual Income Tax Withholding** An employer must withhold state income tax from employee earnings if the employer 1) does business in Utah or obtains any income from Utah sources; and 2) pays wages to individuals who perform services for that employer in the State of Utah. Employers are liable to withhold taxes on employee wages using Tax Commission schedules.

SALES TAX

IDAHO Idaho's sales tax rate is 6% and applies to the sale, rental, or lease of tangible personal property and some services. Net sales tax receipts are distributed in the following manner. Revenue sharing receives 11.5% of the net sales tax collections. The Permanent Building Fund is allocated \$5,000,000. The Water Pollution Control Fund receives \$4,800,000. Another \$8,487,103 funds the Agricultural Equipment Property Tax Exemption and \$18,933,640 is dedicated to Personal Property Tax Relief. Other distributions are made to fund the Demonstration Pilot Project and Election Consolidation. All remaining revenue accrues to the General Fund.

Travel and Convention Tax Idaho also has an additional 0.02 percent tax on the price of a hotel room, motel room, or campground space.

Local Option taxes – for debt retirement, property tax relief or resort cities with populations of 10,000 or less.

Auditorium Districts – for maintenance, upgrades or future expansion.

UTAH The sales tax was first introduced in Utah as a revenue source in 1933 when property tax collections dropped dramatically during the Great Depression. The use tax was added in 1937 to complement the existing sales tax. The Utah State Tax Commission collects and distributes all state and local sales and use taxes. The state sales and use tax of 4.7 percent applies to sales of tangible personal property made within the state, certain products transferred electronically, sales of meals, admissions to places of amusement, intrastate communication, gas and heat utility service, commercial electric service, hotel and motel accommodations and certain other services. Retailer licenses are issued without a fee and retailers are required to collect the tax from customers and remit it to the Tax Commission. Charges for residential use of electricity and fuel are taxed at a rate of 2 percent. The state sales tax rate on food and food ingredients is 1.75 percent. The total sales tax on food, including local taxes is 3 percent. Use tax is imposed on taxable transactions where the purchaser remits the tax directly to the Tax Commission. The two taxes are compensating taxes, one supplementing the other, but cannot be applicable to the same transaction. The rate of the tax is the same.

Local Sales and Use Tax All counties, cities, and towns in Utah have adopted ordinances to impose a 1 percent option of the local sales and use tax. This tax applies to the purchase price on the same transactions as the state sales and use tax and is collected in the same manner as the state sales tax.

Mass Transit Sales Tax – A county, city, or town may impose mass transit taxes up to 0.80 percent to fund statutorily specified transit needs.

County Option Sales Tax – All counties in Utah have adopted ordinances to enforce a 0.25 percent optional sales and use tax. This tax applies to the purchase price on the same transactions as the state sales and use tax and is collected in the same manner as the state sales tax.

Municipal Highways Sales Tax - A municipality that does not levy the public transit tax may impose a sales and use tax of 0.30 percent of the purchase price on transactions subject to the state sales tax. Voter approval may be required under certain circumstances. Revenues from this tax must be used for the construction and maintenance of highways under the jurisdiction of the municipality. Retailers are responsible to collect the tax under the same conditions as the sales and use tax. The Tax Commission collects and distributes this tax for participating localities. Since this option tax was first approved in 1998, 25 cities and towns have imposed the tax.

Botanical, Cultural, Recreational and Zoological Tax - The botanical, cultural and zoological tax, often referred to as "ZAP" (zoo, arts, and parks) and various other acronyms, may be imposed at the rate of 0.10 percent (1/10th of 1 percent) of the purchase price on transactions taxed under the state's sales and use tax law. This tax may be adopted in any county or city in which voters have approved the tax to fund recreational facilities and botanical, cultural and zoological organizations. Retailers are liable to collect the tax under the same conditions as applicable for sales and use tax.

Tourism, Recreation, Cultural And Convention Facilities Tax - The tourism, recreation, cultural, and convention facilities tax permits counties to impose any or all of the following options: 1) Restaurant - A tax of up to 1 percent on all sales of prepared foods and beverages sold by a restaurant for immediate consumption. 2) Motor Vehicle Leasing - A tax of up to 3 percent of all short-term leases and rentals of motor vehicles not exceeding 30 days. There is an exception when the rental vehicle is replacing a motor vehicle that is being repaired due to a repair or insurance agreement. Counties that have imposed the motor vehicle short-term lease and rental tax may impose an additional 4 percent tax on these vehicles; and 3) Room Rental - A tax of up to 0.50 of 1 percent (one-half of 1 percent) of the rent for every occupancy of a suite, room or rooms in motels, or similar public accommodations. Only Salt Lake County imposes this tax.

Motor Vehicle Rental Tax - The motor vehicle rental tax is a statewide 2.5 percent tax on all short-term leases and rentals of motor vehicles not exceeding 30 days. There is an exception for rental vehicles replacing a motor vehicle that is being repaired due to a repair or insurance agreement or a motor vehicle rented as a personal household goods moving van. It does not apply to rentals of vehicles registered by gross vehicle weight in excess of 12,000 pounds.

Resort Communities Sales Tax - A municipality may levy the resort communities tax if the transient rooms capacity of the municipality is greater than or equal to 66 percent of its U.S. Census population. Qualifying municipalities may impose a tax of up to 1.1 percent of the purchase price on a transaction subject to the state sales tax. An additional 0.50 percent may be imposed upon voter approval, or if a municipality imposed a license fee or tax based on gross receipts under Section 10-1-203 on or before Jan. 1, 1996. Those municipalities may impose the additional 0.50 percent with voter approval if they meet certain statutory criteria. Retailers are liable for the collection of the taxes. The Commission collects and distributes the tax for local governmental units.

County Transient Room Tax - The transient room tax is applied to the rental charge for any suite, room or rooms in a motel, motor court, inn, campground or similar public accommodation for fewer than 30 consecutive days. A tax of up to 4.25 percent is in addition to the applicable sales tax.

Municipality Transient Room Sales Tax - A city or town may impose a municipality transient room tax of up to 1 percent of the rents charged for any suite, room or rooms in a motel, hotel, motor court, inn, or similar public accommodation for fewer than 30 days. An additional transient room tax of 0.5 percent may be imposed under certain circumstances to repay bonded or other indebtedness.

Rural Hospital Sales Tax - A county of the fourth, fifth or sixth class (or city within those classes of counties) may impose a sales tax of up to 1 percent to fund rural county or city health care facilities. Facilities located in fourth (population 11,000 to 31,000), fifth (population 4,000 to 11,000) or sixth class (population less than 4,000) that are not in Standard Metropolitan Areas are eligible to impose the tax. Daggett, Garfield, Kane, and Uintah counties as well as Beaver City impose this tax

Other Local Option Taxes include City or Town Option Sales Tax; County of 2nd Class Airport, highway & transit; fixed guideway sales tax; supplemental state sales and use tax; town option sales and use tax.

PROPERTY TAX

IDAHO - property taxes are levied at the local level based on valuations set by county assessors and - in the case of certain properties - by the State Tax Commission. Counties collect the taxes and distribute them to the individual taxing entities. The Tax Commission values centrally assessed property, which includes mines, railroads and utilities that cross county lines. All monies collected from property tax are distributed to school districts, local government entities and special districts. Property tax rates are set by local entities, such as counties, cities, towns, school districts and special taxing districts. The Tax Commission is responsible for making sure each county assessor is assessing property at market value as required by Idaho law. To do this, the Tax Commission conducts annual ratio studies in each county. These studies are used to evaluate the assessment process in the counties and to equalize the distribution of state school funds and local school property taxes. The ratio study is a type of statistical analysis in which assessments are compared to sales prices for residential and commercial property in each county and school district. The ratio study provides measurements of assessment quality by determining the typical level and relative uniformity of the assessments. The results are reported to the State Board of Equalization (consisting of tax commissioners), which meets annually to review property assessments by category. The Tax Commission has established assessment level standards based on nationally recognized practices. Categories that don't meet these standards may be subject to additional testing or to adjustments by the Tax Commission.

UTAH - property taxes are levied at the local level based on valuations set by county assessors and - in the case of certain properties - by the State Tax Commission. Counties collect the taxes and distribute them to the individual taxing entities. The Tax Commission values centrally assessed property, which includes mines, railroads and utilities that cross county lines. All monies collected from property tax are distributed to school districts, local government entities and special districts. Real and Personal Property Taxes Property tax rates are set by local entities, such as counties, cities, towns, school districts and special taxing districts. A statewide rate is also levied to help finance schools in Utah. Those rates are applied against the taxable value of real and personal property, with the exception of motor vehicles.

Motor Vehicle Fees Utah motor vehicles - including most boats, recreation vehicles and trailers - are subject to a fee-in-lieu of the personal property tax. Passenger vehicles are assessed using a fee schedule based on the age of the vehicle. Boats, trailers and recreational vehicles are subject to fees based on age, length and other factors.

MOTOR FUEL AND MOTOR VEHICLE REGISTRATION FEES

IDAHO – You pay Idaho fuels tax when you buy the fuel from a retail dealer in Idaho (unless the dealer is on an Indian reservation and owned by one of the five Idaho reservation tribes or a member as defined by Idaho Motor Fuels Administrative Rules 010). If you pay Idaho fuels tax at the pump but use the fuel in a nontaxable manner, you may qualify for a fuels tax refund. On the other hand, if you use untaxed fuel in a licensed motor vehicle, you could be required to pay fuels tax. You may be eligible for a refund of Idaho fuels tax if you pay fuels tax on the special fuels and use it in:

- Stationary engines
- Unregistered off-road equipment

- Refrigeration units
- Motor vehicles to operate power take-off equipment or auxiliary engines
- Motor vehicles owned and operated or leased and operated by the state of Idaho or its political subdivisions or the federal government
- Motor vehicles operated on roads that aren't open to the public
- Heating devices (home furnaces, space heaters, etc.)

Special fuels include dyed and undyed diesel, biodiesel, biodiesel blends (e.g. B1-99), and any other fuels that can be used in a diesel engine. Special fuels also include propane and natural gas.

Motor Vehicle Registration Fees - applicable for every motor vehicle, combination of vehicles, trailer, semi-trailer or vintage vehicle operated on public roads or highways. These fees apply to all motor vehicles unless they are specifically exempt.

ANNUAL REGISTRATION. (1) The annual fee for operating each pickup truck, each neighborhood electric vehicle and each other motor vehicle having a maximum gross weight not in excess of eight thousand (8,000) pounds and that complies with the federal motor vehicle safety standards as defined in section 49-107, Idaho Code, shall be:

Vehicles one (1) and two (2) years old	\$69.00
Vehicles three (3) and four (4) years old	\$57.00
Vehicles five (5) and six (6) years old	\$57.00
Vehicles seven (7) and eight (8) years old	\$45.00
Vehicles over eight (8) years old	\$45.00

(2) For all school buses operated either by a nonprofit, nonpublic school or operated pursuant to a service contract with a school district for transporting children to or from school or in connection with school approved activities, the annual fee shall be twenty-four dollars (\$24.00) and shall be subject to staggered registration for the purpose of reregistration and notice of expiration.

(3) For all motorcycles and motor-driven cycles which comply with the federal motor vehicle safety standards, operated upon the public highways, the annual fee shall be nineteen dollars (\$19.00) and shall be subject to staggered registration for the purpose of reregistration and notice of expiration.

(4) For operation of an all-terrain vehicle, utility type vehicle or motorbike, excluding a motorbike with an engine displacement of fifty (50) cubic centimeters or less, on city, county or highway district roads or highways open to such use, a restricted vehicle license plate fee pursuant to section 49-450, Idaho Code, shall be paid. In addition, the registration fee specified in section 67-7122, Idaho Code, shall be paid as provided in section 67-7122, Idaho Code. The registration and restricted vehicle license plate exemption provided in section 49-426(2), Idaho Code, applies to all-terrain vehicles, utility type vehicles, motorbikes and motorcycles used for the purposes described in subsection (2) of section 49-426, Idaho Code. Nonresidents shall be allowed to purchase a restricted vehicle license plate and sticker for an all-terrain vehicle, utility type vehicle or motorbike.

(5) For all motor homes the fee shall be as specified in subsection (1) of this section and shall be in addition to the fees provided for in section 49-445, Idaho Code.

(6) Hybrid vehicles pay a \$75.00 vehicle fee

(7) Electric Vehicles pay \$140 vehicle fee

UTAH - Motor fuel is gasoline or gasohol used for any purpose other than the operation of aircraft. The motor fuel tax in Utah is 24.5 cents per gallon. Importers, refiners and distributors are liable to report this tax. Refunds for off-highway agricultural use can be claimed as credit on Utah individual income or corporation franchise or income tax returns.

Vehicle Registration Fees are applicable for every motor vehicle, combination of vehicles, trailer, semi-trailer or vintage vehicle operated on public roads or highways. These fees apply to all motor vehicles unless they are specifically exempt.

Registration fees -- Fees by gross laden weight.

(1) Except as provided in Subsections (2) and (3), at the time application is made for registration or renewal of registration of a vehicle or combination of vehicles under this chapter, a registration fee shall be paid to the division as follows:

- (a) \$44.50 for each motorcycle;
- (b) \$43 for each motor vehicle of 12,000 pounds or less gross laden weight, excluding motorcycles;
- (c) unless the semitrailer or trailer is exempt from registration under Section 41-1a-202 or is registered under Section 41-1a-301:
 - (i) \$31 for each trailer or semitrailer over 750 pounds gross unladen weight; or
 - (ii) \$28.50 for each commercial trailer or commercial semitrailer of 750 pounds or less gross unladen weight;
- (d)
 - (i) \$53 for each farm truck over 12,000 pounds, but not exceeding 14,000 pounds gross laden weight; plus
 - (ii) \$9 for each 2,000 pounds over 14,000 pounds gross laden weight;
- (e)
 - (i) \$69.50 for each motor vehicle or combination of motor vehicles, excluding farm trucks, over 12,000 pounds, but not exceeding 14,000 pounds gross laden weight; plus
 - (ii) \$19 for each 2,000 pounds over 14,000 pounds gross laden weight;
- (f)
 - (i) \$69.50 for each park model recreational vehicle over 12,000 pounds, but not exceeding 14,000 pounds gross laden weight; plus
 - (ii) \$19 for each 2,000 pounds over 14,000 pounds gross laden weight; and
- (g) \$45 for each vintage vehicle that is less than 40 years old.

(2) At the time application is made for registration or renewal of registration of a vehicle under this chapter for a six-month registration period under Section 41-1a-215.5, a registration fee shall be paid to the division as follows:

- (a) \$33.50 for each motorcycle; and
- (b) \$32.50 for each motor vehicle of 12,000 pounds or less gross laden weight, excluding motorcycles.

(3)

- (a) The initial registration fee for a vintage vehicle that is 40 years old or older is \$40.
- (b) A vintage vehicle that is 40 years old or older is exempt from the renewal of registration fees under Subsection (1).
- (c) A vehicle with a Purple Heart special group license plate issued in accordance with Section 41-1a-421 is exempt from the registration fees under Subsection (1).
- (d) A camper is exempt from the registration fees under Subsection (1).

(4) If a motor vehicle is operated in combination with a semitrailer or trailer, each motor vehicle shall register for the total gross laden weight of all units of the combination if the total gross laden weight of the combination exceeds 12,000 pounds.

(5)

- (a) Registration fee categories under this section are based on the gross laden weight declared in the licensee's application for registration.
- (b) Gross laden weight shall be computed in units of 2,000 pounds. A fractional part of 2,000 pounds is a full unit.

(6) The owner of a commercial trailer or commercial semitrailer may, as an alternative to registering under Subsection (1)(c), apply for and obtain a special registration and license plate for a fee of \$130.

(7) Except as provided in Section 41-6a-1642, a truck may not be registered as a farm truck unless:

- (a) the truck meets the definition of a farm truck under Section 41-1a-102; and
- (b)
 - (i) the truck has a gross vehicle weight rating of more than 12,000 pounds; or

(ii) the truck has a gross vehicle weight rating of 12,000 pounds or less and the owner submits to the division a certificate of emissions inspection or a waiver in compliance with Section 41-6a-1642.

(8) A violation of Subsection (7) is a class C misdemeanor that shall be punished by a fine of not less than \$200.

(9) Trucks used exclusively to pump cement, bore wells, or perform crane services with a crane lift capacity of five or more tons, are exempt from 50% of the amount of the fees required for those vehicles under this section.