



# Legislative Services Office

## Idaho State Legislature

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Director

*Serving Idaho's Citizen Legislature*

### Recap of July 20, 2015 Tax Working Group Meeting

The tax working group had its second meeting on July 20, in the Statehouse. Both Pro Tem Hill and Speaker Bedke spoke to the need of starting discussions on a broad base tax issues but that a reasonable goal is to prioritize issues and approaches. Specifically, the broader discussion could include a wide array of tax issues including personal property tax, corporate income tax, personal income tax, sales tax on food, grocery tax credit, etc. But that ultimately there is likely a need to prioritize the issues.

The Speaker noted that Utah's income tax reforms were passed in a different political and economic climate than the one that exists now—that is, just prior to the recession of 2008.

Derek Santos of the Division of Financial Management presented an analysis of individual income tax rates that was created in response to H311 at the request of the Speaker and Majority Leader in the House of Representatives, and has effectively no fiscal impact to the General Fund. The proposal included continuing the current brackets and rates of taxation until income levels reach the top bracket, at which point, ALL income was taxed at a rate of 6.8%. Recognizing there were some "winners" and "losers" in this proposal, it included a provision that the largest increase a taxpayer would pay is 15% over the previous year. This cap on tax increases led to a discussion of how much a 10% cap would impact the General Fund (\$17.2 million), and the impact if no taxpayer received a tax increase (\$39.3 million).

Following Mr. Santos' analysis, members of the group asked how much it would cost to lower the corporate rate down to 6.8%, and expand the personal property tax exemption to \$150,000 and \$250,000.

Pro Tem Hill presented information he compiled comparing differences between the "old" Utah income tax approach, Utah's current single rate income tax and Idaho's current approach. This information is summarized in two attachments to this email—"Utah Flat Tax" and "Utah v. Idaho Taxes".

Mike Nugent, Manager  
Research & Legislation

Cathy Holland-Smith, Manager  
Budget & Policy Analysis

April Renfro, Manager  
Legislative Audits

Glenn Harris, Manager  
Information Technology

Keith Bybee, LSO, presented a comparative analysis of taxes for a family of four under the Idaho and Utah taxation models. The analysis resulted in a 2.15% decrease in the rate of taxation in the Utah model, but \$111 more tax owed.

Toward the conclusion of the meeting, Senator Davis and others made note that the working group would do well to keep an eye on the future during its deliberations, and to remain focused not only on short-term tax policy, but long-term tax policy, as well. The question posed was, in terms of tax policy and governance, "Where does Idaho want to be in 5 years? In 10 years?" (This sense of working with an eye on the long-term was somewhat of an undercurrent for the entire meeting).

The meeting adjourned with a brief discussion of potential topics to discuss at the next meeting, including personal property tax, income tax and sales tax on food.