

## STATEMENT OF PURPOSE

### RS32953 / H0633

This legislation repeals the sales tax on food sold for human consumption, using the definition of food products provided under the Federal Supplemental Nutrition Assistance Program (SNAP), excluding prepared food. To offset the reduction in sales tax revenue sharing amount to local units of government, the bill increases the revenue sharing percentage to those government units by the amount to keep them whole. The bill removes the tax credit associated to food purchases of \$155 for individual taxpayers (\$250 for itemizing).

### FISCAL NOTE

For FY 2027, the net impact to the General Fund is a decrease of \$171.9 million.

This includes the reduction in general fund revenue from exempting sales tax collections on food at \$444.4 million, based on projected sales tax collections from LSO.

The bill increases the revenue sharing to local units of governments, from 11.5 percent to 13.2 percent. The change in the revenue sharing percentage exactly offsets the reduction in the base of total sales tax collections. Without changing the percentage, local government units would see a reduction of \$51.1 million in revenue sharing. Raising the percentage for revenue sharing to local units of government restores the revenue to those units by \$51.1 million. The local units of government are held harmless, and this is a wash for the general fund because the exact same dollar amount is shared with local units of government with or without passage of the bill.

Other distributions of sales tax collections are affected by grocery tax repeal because they are determined as a percentage of net sales tax collections. The transportation expansion and congestion mitigation fund (TECM), the school district facilities fund, and the homeowner property tax relief fund will see a combined reduction of \$44.4 million. Thus, obligations to the general fund are reduced by \$44.4 million. Given the enormity of Idaho's state budget, these amounts could easily be restored through the appropriation process if the legislature so desires.

Repealing the tax credit of \$155 for all income taxpayers, adjusted for the 2027 fiscal year changes comes to an addition to the general fund of \$228.1 million.

The net effect is the general fund will be lower by approximately \$171.9 million.

#### Contact:

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**DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).**