



2022

Comparative Tax Potential

A State and local Tax Burden Comparative of
Idaho and the United States

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State and Local Tax Effort Analysis
Executive Summary
FY 2022

Historically, Idaho's tax structure is typified by moderate to low overall tax efforts, a proportional tax system, a broad structure, and with good balance between tax types. Idaho predominantly relies on three major tax types: income, sales, and property.

When considering tax efforts by the variable population, Idaho's overall tax effort ranks 43rd nationally (out of 51) and 13th regionally (out of 13) western states.

Tax Type	National Rank	Western Rank	Tax Effort
Individual Income	33	7	74.2%
Corporate Income	11	3	112.1%
Sales	27	10	90.2%
Property	45	13	55.3%
Motor Vehicle	12	6	121.8%
Overall	43	13	72.3%

When considering tax efforts by the variable personal income, Idaho's overall tax effort ranks 41st (out of 51) and 11th regionally (out of 13) western states.

Tax Type	National Rank	Western Rank	Tax Effort
Individual Income	34	7	86.6%
Corporate Income	9	2	130.7%
Sales	18	7	105.3%
Property	45	13	64.5%
Motor Vehicle	5	3	142.1%
Overall	41	11	84.3%

For FY 2022 Idaho ranked 38th in size of population and 38th in personal income nationally (out of 51). A near perfect correlation exists between the variable population and personal income. This year the correlation between the two variables was .99, just .01 shy of a perfect relationship.

Question: How do the relative state tax efforts of Idaho compare to other states in the U.S.?

Answer: Of the 5 tax types, Idaho underutilizes its property tax potential the most. Of the 5 tax types, motor vehicle and corporate income taxes are the most overutilized. Individual income and property tax are underutilized in both variables, population, and personal income. Sales tax hovers near 100% in both variables. The overall tax efforts in both variables are reasonably below 100%. If Idaho assumed the average national tax rate for overall taxes in the personal income category, then it would collect about \$1,851,010,822 more in state and local tax revenue.

Key takeaway: Looking as far back as 1997, 2022 has been the most advantageous tax year for Idaho taxpayers. Idaho is currently 15.7% below the U.S. average tax rate for the variable personal income and 17.7% below the U.S. average tax rate for the variable population.

To better understand the answer to the research question and how to best interpret the summary sheet please refer to the *Methodology* section. Therein is detailed information for how all parts of the summary sheet and all contents of this study are determined.

Introduction

This study on **tax burden** is intended for Idaho taxpayer who are concerned how their relative state and local **tax efforts** compare across the country. Each state has its own unique **tax structure**, some more unique than others. The tax structure helps to explain the states leverage of any given tax type and their dependencies on those tax types. Taxpayers interact with the tax structure by paying their fair share of taxes, and their compliance gives them access to the benefits associated with that tax structure. This study will aid comprehension of the average Idaho citizen's relative tax burden as it compares to other U.S. states. This study will not help to resolve disagreements with allocations of taxable revenue. For those inclined academics, and research scholars, you are encouraged to use this study as a springboard. All the raw data from U.S. Census Bureau and the Bureau of Economic Analysis has been carefully organized for you. This study on tax efforts considers state and local tax revenues to explain the relative tax burden of the average Idaho taxpayer.

In this study tax burden is approached by comparing the state and local **tax collections** in proportion to one of two variables, **personal income**, and population (**per capita**). It is not a **tax incidence** study which would help to understand the relative local burden of Idaho citizens by more micro factors such as tax bracket or location. How tax burden is both interpreted and calculated is equally important for understanding them conceptually. This study is on relative combined **state and local tax burdens** which in plain terms, is just averaged local and state tax rates. Historically, we have observed these averages by 1). Taking personal income from Bureau of Economic Analysis 2. Taking state population estimates provided by the U.S. Census Bureau.

This study on tax burden is prepared once U.S. Census Bureau releases *State and Local Government Finances by Level of Government and by State*. The link to the technical documentation for this can be found in *References*. The sustainability of this work on tax burden is reliant on the continuation of the state and local data released by the U.S. Census Bureau. A further breakdown of how data is pulled from the state and local file provided by U.S. Census Bureau can be found in the *Methodology* section.

Data, which are collected from the U.S. Bureau of Economic Analysis, and the U.S. Census Bureau are used to calculate per capita "tax category," per \$1,000 of income "tax category," **tax capacity**, **tax potential**, and tax effort. We do not calculate a measure for tax burden, and so the interpretation of these mentioned concepts and their measures is what guides our narrative on tax burdens. A further breakdown of how tax capacity, tax potential, and tax effort are calculated can be found in the *Methodology* section.

These longitudinal findings on relative state tax burden from an Idaho perspective have been provided due to diligent contributions. Alan Dornfest, Property Tax Policy Bureau Chief of the Idaho State Tax Commission ran this study from 1977 to 2018. We have kept the methods that Alan developed relatively untouched to preserve the benefits from these longitudinal findings. The next section gives deeper insight into the history of these methods.

Literature Review

This study on relative state and local tax burdens was primarily inspired by two sources, the Southern Regional Education Board (SREB) and the Advisory Commission on Intergovernmental Relations (ACIR). This study closely aligns with the methods approached from both primary sources. Both sources emphasized the concepts of tax capacity, tax efforts, and their measures. The two sources diverge in their methods by how they apply the variables per capita and personal income to their measures. ACIR took the per capita personal income, which is calculated by taking the total personal income from the residents of a state and dividing it by the population of the state. ACIR primarily focused on per capita as a measurement to calculate tax effort, and capacity. SREB used the same approach we adopted which is that they calculated per capita and personal income separately against their measures, tax capacity, tax effort, and tax rate. Certain aspects of both sources help to further narrate the methods and constructions of our study on relative state and local tax burdens.

SREB has produced reports on state and local tax revenue. This study borrows some influence from two reports published by SREB, *State and Local Revenue Potential 1976* and *State and Local Tax Performance 1978*. The authors claimed that prior to 1976 the methods were substantially unchanged (Quindry and Schoening 1976:1). The 1976 report was tenth in a series of reports which had been published since the initial analysis written by James W. Martin in 1957 (Quindry and Schoening 1976:1). The purpose of these reports was primarily to provide information which focused on ways to increase revenue resources available for the support of desired public services, particularly higher education.

The authors of the 1976 report *State and Local Revenue Potential* emphasized in their methodology that the report was a tax effort study and not a tax burden study. They wrote that the report was intended for measuring extents to which states and their subdivisions tap into their available resources, and for it to be a tax burden study, they would need to measure absolute or relative burden that is placed on individual taxpayers or classes of taxpayers (Quindry and Schoening 1976: 3). At some point in U.S. history, a shift occurred in how measures associated with tax potential were narrated. Tax capacity and tax efforts became more commonly used for explaining tax burdens rather than leveraging tax revenue. How and when this shift occurred could be an entirely separate sociological study. From an Idaho perspective, it could be explained by the responsible government initiative, in which the taxpayers of Idaho are placed first.

The *State and Local Revenue Potential* report ceased publication after 1977, and in 1978 the authors Quindry and Schoening introduced the *State and Local Tax Performance* report. The 1978 report kept much of the same methodology used in the 1976 report but the purpose for delivery shifted. Whereas the reports prior to 1977 emphasized leveraging **underutilized** taxes, the 1978 report was intended for recognizing tax bases across states to assess whether the tax efforts were under or **overutilized**. The purpose for delivery shifted because of national increased emphasis for balance in state and local systems of taxation. This consideration continues to be a major focal point in the narrative for *Idaho Potential Tax Comparative*.

ACIR outlines approaches to economic capacity and conversations of its related measures. Throughout the years of their active service, they were predominantly concerned with improving methods for measuring the capacity of individual states to raise revenue. This study on relative state and local tax burdens aligns with the approach of the representative tax system (RTS), the purpose of which is to explain fiscal hardship, monitor the tax base and rates, and equalizing tax bases available to governments (ACIR 1987: 114).

ACIR contributed to the advancement of tax capacity conversations by advocating for the use of multiple indices rather than single use index, such as resident per capita income as a sole measure for fiscal capacity. ACIR recommended that, “federal government utilize a fiscal capacity index, such as the representative tax system measure, which more fully reflects the wide diversity of revenue sources which states currently use” (1987: iii). In building our representative tax system we include the tax types, individual income, corporate income, sales tax, property, motor vehicle, and the combination of all tax types, including other as, an overall category.

ACIR was terminated in 1996, after thirty-seven years advocating for federalism and intergovernmental relations. The Clinton administration withdrew its support due to displeasure with the commission’s handling of the unfunded federal mandate issue (McDowell 1997). ACIR’s contribution to the identification and classification of indices on fiscal capacity continues to be a major influence in how the Idaho tax burden narrative is constructed.

The literature helps to resolve uncertainties behind the origin and methods utilized in the *Idaho Potential Tax Comparative*. Historically, the concepts of tax effort and capacity have been calculated for the purpose of explaining the extent to which tax revenue could be leveraged if underutilized. In more recent years, publications in various fields have proven that the same measure and concepts could also be used to narrate relative tax burdens. One example of this can be seen in the reporting by Tax Foundation which uses tax efforts and its measures to help explain tax burden (York and Walczak 2023). In the *glossary* section, definitions for all major concepts throughout the study are borrowed from the primary sources shared in this literature review. The following section includes a detailed process of how concepts are calculated and measured for the Idaho tax burden study.

Methodology

The data and contents of this study are collected from secondary sources and are organized for public review. Historically, Idaho State Tax Commission has not provided its own primary data to help guide the tax burden study. The methods, which were refined over the years by Idaho State Tax Commission’s Tax Policy Bureau Chief, have been relatively untouched. Last year, significant changes were made to the study. Please refer to the *2021 Comparative Tax Potential* in the *Methodology* section for the list of changes. Just one change was implemented this year and that is the removal of the *Appendix* section.

The *Appendix* section served as a space to include all prepared tables that feed into the results of this report. We removed the appendix section and moved the tables to an interactive dashboard. This change allowed us to save space in the report, improve accessibility, and the utilization of the tables. The tables can be conveniently exported from the dashboard to Excel. The interactive dashboard is accessible on the same page that the *Comparative Tax Potential* studies are found. In addition, all future data will be stored in the same location, so you might also interact with the data and make your own comparisons across each fiscal year added.

Primary Variables

U.S. Census Bureau annually releases findings from its State and Local Government report which is publicly accessible information. The sustainability of most state and local tax revenue studies is dependent on the continual release of these reports. There is no fixed date in which U.S. Census Bureau releases the report, but once published, work on the *Idaho Potential Tax Comparative* begins.

From the State and Local Government report the state and local government amount is recorded for the analysis work. No methodological consideration has been made to analyze state and local revenue separately. Idaho State tax revenue is mostly collected by the Idaho State Tax Commission. In Idaho property tax is collected by counties; therefore, all property tax revenue is at the local level. In Idaho, Individual income, corporate income, and motor fuels tax are only collected at the state level. Sales tax and motor vehicle license are taxed both at the state and local levels.

Data are collected for state and local amounts for the tax types, property, general sales, motor fuel, motor vehicle license, individual income, corporate income, and overall taxes. Data are collected for the U.S. Average and for the 50 U.S. states plus the Dist. of Columbia. The Tax types motor fuel and motor vehicle license are combined and relabeled “motor vehicle.” The combination of all taxes is relabeled as, “overall.”

Secondary Variables

The Bureau of Economic Analysis releases personal income estimates¹. The report the data is pulled from is SQINC1 State quarterly personal income summary (BEA 2023). Variables included in the report are personal income, population, and per capita personal income. In the Idaho Potential Tax Comparative, only personal income is included. Population estimates come from the U.S. Census Bureau. These estimates are released annually and typically during July.

¹ Personal income estimates are seasonally adjusted. This makes it difficult to replicate the results of the study. Data for personal income was pulled on 11/4/24. For more visit at, <https://apps.bea.gov/iTable/?reqid=70&step=1&acrdn=2#eyJhcHBpZCI6NzAsInN0ZXBzIjpbMSwyOSwyNSwzMSwyNl0sImRhdGEiOiI0bWVhYm91IiwiaWF0IjoiMjAyNC01MS01>

Calculating Measures from Variables

The primary variables are individual income, corporate income, sales, property, motor vehicle, and overall. The secondary variables are personal income and population. The primary and secondary variables are used to calculate new variables and measures, tax capacity or tax potential, underutilized potential, tax rate, tax effort, rank, per capita tax capacity, and per capita tax effort. Rank is simply the ordering of highest to lowest tax effort, or tax rate. The written formula for each measure is as follows.

$$\text{Tax Capacity} = \left(\frac{\text{U. S. State \& Local Revenue}}{\text{U. S. Personal Income}} \right) * \text{State Personal Income}$$

$$\text{Underutilized Potential} = \text{Tax Capacity} - \text{State \& Local Revenue}$$

$$\text{Tax Rate} = \frac{\text{State \& Local Revenue}}{\text{Personal Income}}$$

$$\text{Tax Effort} = \frac{\text{State \& Local Revenue}}{\text{Tax Capacity}}$$

$$\text{Per Capita Tax Capacity} = \left(\frac{\text{U. S. State \& Local Revenue}}{\text{U. S. Population}} \right) * \text{State Population}$$

$$\text{Per Capita Tax Effort} = \frac{\text{State \& Local Revenue}}{\text{Per Capita Tax Capacity}}$$

The variable state and local tax revenue could be individual income, corporate income, sales, property, motor vehicle, or overall. The state and local revenue could be one of 50 U.S. states or the Dist. of Columbia. As an example, here is the written formula for Idaho individual income tax rate.

$$\text{Idaho Individual Income Tax Rate} = \frac{\text{Idaho State \& Local Revenue for Individual Income Tax}}{\text{Idaho Personal Income}}$$

The result of these calculations are 15 tables with a combined total of 780 rows, 4,490 cells worth of data. In addition, 15 more tables are added which demonstrates the difference between any state, the U.S. Average, and Idaho. These 30 tables are found in the newly created Tax Comparative Table Dashboard found in the Tax Burden Study page under the page, Reports and Statistics on the Idaho State Tax Commission website. The data from these 30 tables are used to build the visuals and write the analyses for *Idaho's Potential Tax Comparative* study. If the instructions outlined in this methodology are followed, then the results can be replicated. A methodological walkthrough with limitations can be found on the next page.

Methods Walkthrough

Across the U.S. tax burdens can be compared by determining tax revenue collected in proportion to personal income, or population. Both methods create measures which can be used to make comparisons across the U.S. Tax capacity is determined by taking the combined taxable revenue of all 50 states plus the Dist. of Columbia for any given tax type and dividing it by the combined personal income of all 50 states plus the Dist. of Columbia. A second tax capacity calculation is done by dividing the tax revenue by the population of each state and the District of Columbia to determine per capita tax capacity.

Example Calculations Using 2021 Data:

For instance, divide the combined property tax revenue of all 50 states and the Dist. of Columbia \$630,207.8 (millions) and the personal income for all 50 states and the Dist. of Columbia \$20,693,505 (Millions) to get .030454. Multiplying the personal income of Alaska, \$47,112 (Millions) by .030454 returns the Alaska tax capacity for personal income \$1,434.8. The same steps can be applied for the secondary variable population to get tax capacity per capita. The difference between the tax capacity and the tax revenue is the utilized capacity, whether over or underutilized. For example, Alaska tax capacity for personal income is \$1,434.8 (Millions) minus the actual tax revenue collected for property tax \$1,707.2 (Millions) is -\$272.42 (Millions). This means that if Alaska were to apply the average tax rate, then they would collect about \$272.42 million less in property tax revenue. This means that Alaska is overutilizing its tax potential for the tax type property tax.

Tax rate and tax effort are indexed measures. The tax rate for Alaska's property tax can be found by dividing the property tax revenue \$1,707.2 (Millions) by Alaska's Personal income \$47,112 (Millions) which would equal 3.61% compared to the U.S. state average of 3.05%. When the secondary variable population is used, per capita is calculated by taking the property tax revenue \$1,707.2 (Millions) divided by the population 0.733 (Millions) to get \$2,330.10 per capita property tax. Alaska's property tax effort for personal income can be calculated by dividing Alaska's property tax revenue \$1,707.2 (Millions) by Alaska's property tax capacity \$1,432.8 (Millions) which equals 119%. The same steps can be applied for the secondary variable population to get tax effort per capita. Alaska overutilizes its tax type property tax with a tax effort of 119% calculated by the secondary variable personal income. Of the 51 states which have property tax revenue, Alaska is ranked 12th when the secondary variable personal income is used for analysis. There are 11 other states which have a higher tax rate or tax effort than Alaska for property tax using the secondary variable personal income.

There are some limitations regarding the interpretations of these calculations for instance, the study does not reflect whether taxes in Idaho are higher or lower for selected segments of our economy. It is improper to use this study to draw conclusions regarding the incidence of any tax, such as whether the tax is high or low with respects to, or falls more heavily on, high- or low-income taxpayers or small vs. large businesses. "Tax burden studies look at the overall burden of one or more taxes on the economy using either total personal income or population as proxies of economic strength. These studies do not enable the determination of the tax incidence on any particular sector, such as wage earners or business or agricultural property" (Dornfest 2018).

Results

Findings are organized to disseminate significant results by type of analysis. Analysis work was either formatted into tables or graphs to convey relationships, observable trends, and formulate conclusions. Attention was spent on breaking down the differences in the results between the secondary variables personal income and population. Staying true to the purpose of the study, each figure and table helps to affirm the relative tax burdens of taxpayers. Some longitudinal findings are shared in this study, which helps to understand the history of Idaho's tax structure and its relative tax burdens. At the end of the results section, tables 6 and 7 help to guide the national and western analysis of Idaho's relative tax burdens. Wholistically, this results section will help to improve the reader's understanding of Idaho's tax structure, its relative burdens, how results can vary between the secondary variable used for analysis, and what the tax efforts look like for states across the U.S. relative to Idaho.

2021-2022 Percent change in Revenue Collected by Tax		
Tax Type	Idaho	United States
Property	-1.01%	2.99%
Sales	15.54%	16.8%
Individual Income	5.56%	10.18%
Corporate Income	196.15%	61.74%
Motor Vehicle	0.77%	6.99%
Overall	14.09%	12.57%

Table 1: Percent Change in Revenue Collected by Tax Type

Table 1 Above represents the percent change in revenue from FY 2021 - FY2022. Idaho saw the most growth in the tax type corporate income = 196.15% and experienced a loss in revenue to property = -1.01%. U.S. experienced its highest rate of growth in the the tax type corporate income = 61.74% and the tax type property received the least amount of growth = 2.99%. All tax types recorded for the analyses experienced growth, except for property tax which experienced a -1.01% decrease in Idaho.

Significant growth in the corporate income tax category between states can be explained by Affected Business Entity (ABE) elections. This was a response to the \$10,000 cap on the federal individual income tax deduction for state and local taxes that was enacted by the Tax Cuts and Jobs Act (Idaho Legislature 2021). The election resulted in a shift of individual income to corporate income. The decrease in property tax revenue can be explained by ongoing rate decreases (ISTC 2024).

Highest Rise and Fall in Rank Change For Each Category					
Personal Income			Per Capita		
Tax Type	State	Rank Change	Tax Type	State	Rank Change
Property Tax	Washington	4	Property Tax	New Mexico	3
Property Tax	ME, WA	-5	Property Tax	Idaho	-3
Sales Tax	Dist. Of Col.	14	Sales Tax	Wyoming	6
Sales Tax	Nebraska	-8	Sales Tax	Conneticut	-12
Individual Income Tax	GA, NJ	13	Individual Income Tax	GA,ME	7
Individual Income Tax	Nebraska	-9	Individual Income Tax	NE, WI	-5
Corporate Income Tax	Alaska	29	Corporate Income Tax	Alaska	24
Corporate Income Tax	Montana	-10	Corporate Income Tax	Alaska	-20
Motor Vehicle	California	19	Motor Vehicle	Indiana	9
Motor Vehicle	Washington	-9	Motor Vehicle	Georgia	-5
Overall	Alaska	27	Overall	Alaska	31
Overall	AR, WI	-10	Overall	Missouri	-6

Table 2: Highest Rise and Fall in Rank Change by Category

Table 2 above summarizes the most significant changes in rank for any given state 2021-2022 including the Dist. Of Columbia. When the rank rises, moving closer to 1, then the tax effort has gone up. When the rank lowers, moving closer to 51, then the tax effort has gone down. The most significant change in rank observed in the table came from Alaska. Alaska saw a rank change of 27 for the overall category in the variable personal income and 31 for the variable per capita. This result also means that the tax efforts in Alaska substantially increased. This is predominantly explained by how volatile business activity is for Alaska and their reliance on business activity in the extraction of oil, natural gas, and minerals. This is enhanced by a staggering tiered tax rate from 0%-9.4% for corporate income tax.

Some tax types are more volatile than others. The variance in rank change is typically the lowest for property tax, which means it is the least volatile tax type. Sales, individual income and corporate income can have higher variance; they are more volatile. The primary indicator for significant changes is usually connected to policy changes. When a state adjusts their tax structure, by applying updates through policies, statues, or even processes, then the effects are visible in the significant rank changes. The Tax Foundation provides some detailed documentation of year-to-year state changes. For instance, Arkansas adopted a series of tax reforms in January 2021, the corporate income rate was reduced from 6.5% to 6.2% and scheduled to drop to 5.9% in 2022 (Loughead 2021).

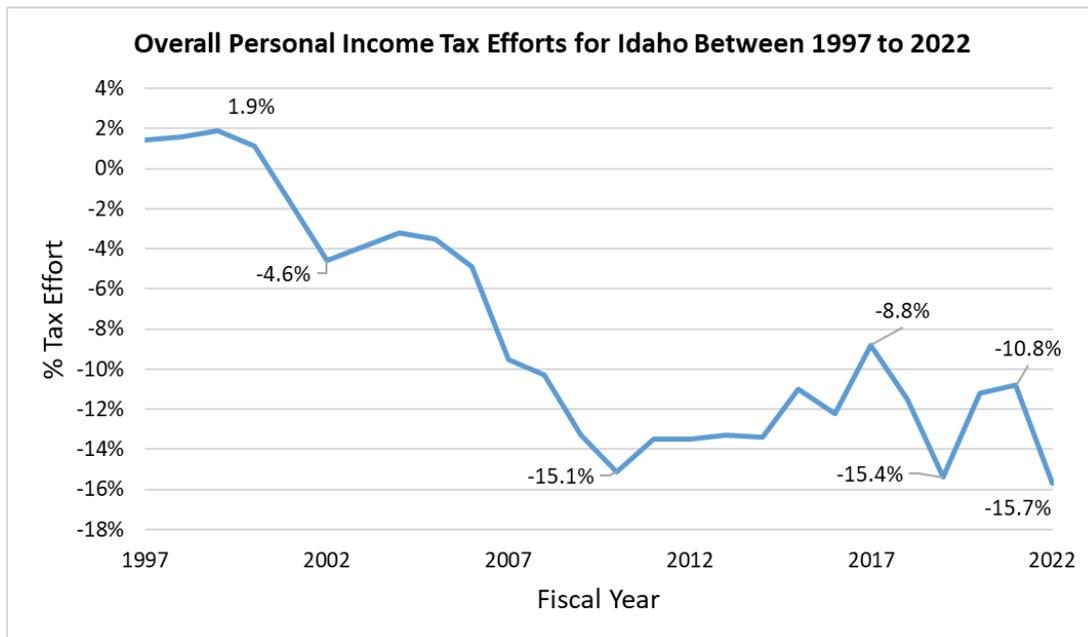


Figure 1: Overall Tax Efforts for Idaho Between 1997 to 2022

Figure 1 above shows how Idaho has utilized its overall tax efforts from 1997 to 2022. Overall is the category which includes all taxable revenue. At the peak in 1999, Idaho overexerted a tax effort of the tax capacity by just 1.9%. This visual should be reassuring for Idahoans because it demonstrates that the relative tax burdens of Idaho taxpayers are moderate but leaning towards less overall burden. The tax capacity for this visual was calculated by using the secondary variable personal income. Results will change slightly if the secondary variable population is used. In this visual the lowest tax effort ever recorded was in 2022 at -15.7%.

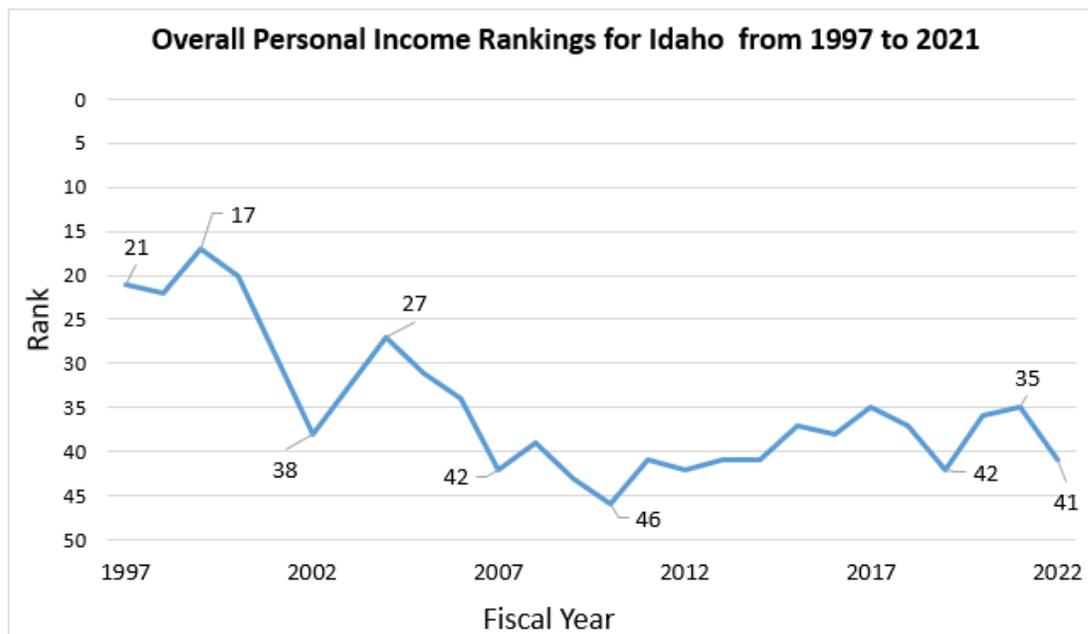


Figure 2: Overall Personal Income Rankings for Idaho from 1997 to 2022

Figure 2 from page 9 shows the overall tax ranking of Idaho from 1997 to 2022 using the secondary variable personal income. A rank of 51 would indicate that the state has the lowest tax rate or tax effort while a rank of 1 would represent that a state has the highest tax rate or tax effort. According to the visual, the average Idaho taxpayer had the least amount of relative tax burden for fiscal year 2010, the rank was 46. In fiscal year 1999, the average Idaho taxpayer had the highest amount of relative tax burden, the rank was 17.

Idaho Summary Ranking and Effort Table				
	Based on Income		Based on Population	
Tax Type	Tax Effort %	Rank*	Tax Effort %	Rank*
Property	64.5%	45	55.3%	45
Sales	105.3%	18	90.2%	27
Individual Income	86.6%	34	74.2%	33
Corporate Income	130.7%	9	112.1%	11
Motor Vehicle	142.1%	5	121.8%	12
Overall	84.3%	41	72.3%	43

Table 3: Idaho Summary Ranking and Effort Table

Table 3 above shows the 6 tax types included for the study, with their ranks and efforts for the state of Idaho by both secondary variables' personal income and population. For the tax type property, both combinations of secondary variables returned similar ranks. Property tax ranked 45 for personal income and 45 for population. The range for tax effort may vary depending on the variable used. Of the tax types from the variable personal income, the lowest effort was property at 64.5% and the highest effort was motor vehicle at 142.1%. Of the tax types from the variable per capita, the lowest effort was property at 55.3% and the highest effort was motor vehicle at 121.8%. These comparisons can help to explain the effective difference in rank and effort depending on the secondary variable selected.

A notable observation from Table 3 is on secondary variable bias. Notice that the ranks are relatively lower for the secondary variable per capita. This demonstrates that population is a somewhat biased indicator for rank, when compared to personal income. This is true except for individual income; in which case, the rank is higher for the variable population. The efforts are equally important and in each tax type the tax effort is consistently lower for the variable population.

Table 3 reveals that of the two secondary variables, population performs better for Idaho. Which is to say, population is a somewhat biased indicator for rank in the analysis. When per capita is calculated, the proportion of population to tax revenue, it then demonstrates more favorable tax burdens for Idaho citizens compared to other states.

Idaho Tax Ranks Since 2002 Income Basis for Rank							
Fiscal Year	Property	Sales	Individual Income	Corporate Income	Motor Vehicle	Overall	Per Capita Income
2002	31	27	22	30	3	38	44
2004	31	18	21	27	5	27	46
2005	32	17	22	26	6	31	43
2006	31	26	18	23	5	34	46
2007	41	21	18	32	6	42	44
2008	41	19	19	27	8	39	45
2009	39	24	26	26	8	43	45
2010	38	27	25	37	6	46	50
2011	38	27	25	37	6	41	50
2012	38	28	30	21	7	42	49
2013	37	26	31	23	6	41	50
2014	36	25	30	25	9	41	48
2015	35	25	27	22	7	37	49
2016	38	25	30	24	3	38	44
2017	37	26	25	19	2	35	45
2018	37	23	25	18	5	37	44
2019	37	26	34	21	5	42	44
2020	38	19	26	27	6	36	45
2021	41	16	27	29	5	35	45
2022	45	18	34	9	5	41	43
# of States w Tax	51	47	44	47	51	51	51

Table 4: Longitudinal Tax Ranks by Personal Income for Idaho Since 1997

Table 4 provides additional longitudinal information for every tax type included in the analysis, and additionally includes the per capita income ranks. Per capita income is calculated by taking the state's personal income divided by the population. At the bottom of the table, the number of states which are included in the ranking are displayed. Every state is included for the tax types of property and motor vehicle. Some states do not have a sales, individual, or corporate tax. Of the tax types included for the analysis, the least number of states included for any tax type is individual income, 44.

When observing ranks, the median can be a useful point of reference for distinguishing whether the tax type is within a moderate range. For example, if 50 states plus Dist. Of Columbia are included then the median rank is 26. Looking at property tax for example, there has never been a year in which the Idaho rank went higher than the median. This method for reference is most helpful for a tax type such as sales, where the rank dips and rises from the median of 22.5 frequently. Since 1997, the motor vehicle category has consistently ranked high. Of the tax types motor vehicle has the most room to be balanced and this can be observed by taking the difference between the actual rank and the median.

Idaho Tax Ranks Since 2002 Population Basis for Rank						
Fiscal Year	Property	Sales	Individual Income	Corporate Income	Motor Vehicle	Overall
2002	37	39	30	34	8	44
2004	37	31	31	30	13	43
2005	38	29	30	33	13	43
2006	38	38	27	30	11	46
2007	42	29	23	35	13	46
2008	42	29	26	33	13	46
2009	41	34	32	33	19	48
2010	41	37	32	40	18	51
2011	41	38	33	29	15	49
2012	41	38	33	29	18	49
2013	42	35	35	32	17	49
2014	41	36	34	29	19	48
2015	40	37	33	29	18	48
2016	42	34	33	29	7	46
2017	39	35	31	26	8	44
2018	41	33	32	26	9	45
2019	40	34	34	29	10	48
2020	40	33	31	29	10	45
2021	42	30	31	31	11	43
2022	45	27	33	11	12	43
# of States w Tax	51	47	44	47	51	51

Table 5: Longitudinal Tax Ranks by Population for Idaho Since 1997

Table 5 above includes the same formatting seen in Table 4 but is for the secondary variable population. The category per capita income is excluded because the information would be the same. Considering the findings observed from Table 3, the expectation should be that the ranks observed in this table will on average be lower than the ranks observed in Table 4. Comparing the two tables can be especially helpful for either affirming the statement that the secondary variable population performs better for Idaho.

There are 120 measures which are shared between tables 4 and 5. Property, sales, individual income, corporate income, motor vehicle, and overall multiplied by the number of years included in the analysis 20, would equal 120. That means that there are 120 points for indicating how often population as a basis for rank is higher than personal income as a basis for rank. Out of 120, there were only 3 times in which population as a basis for rank was higher than personal income as a basis for rank and two cases in which there was no difference in rank. The most significant difference was for the fiscal year 2011 for corporate income where population was 8 ranks higher than personal income.

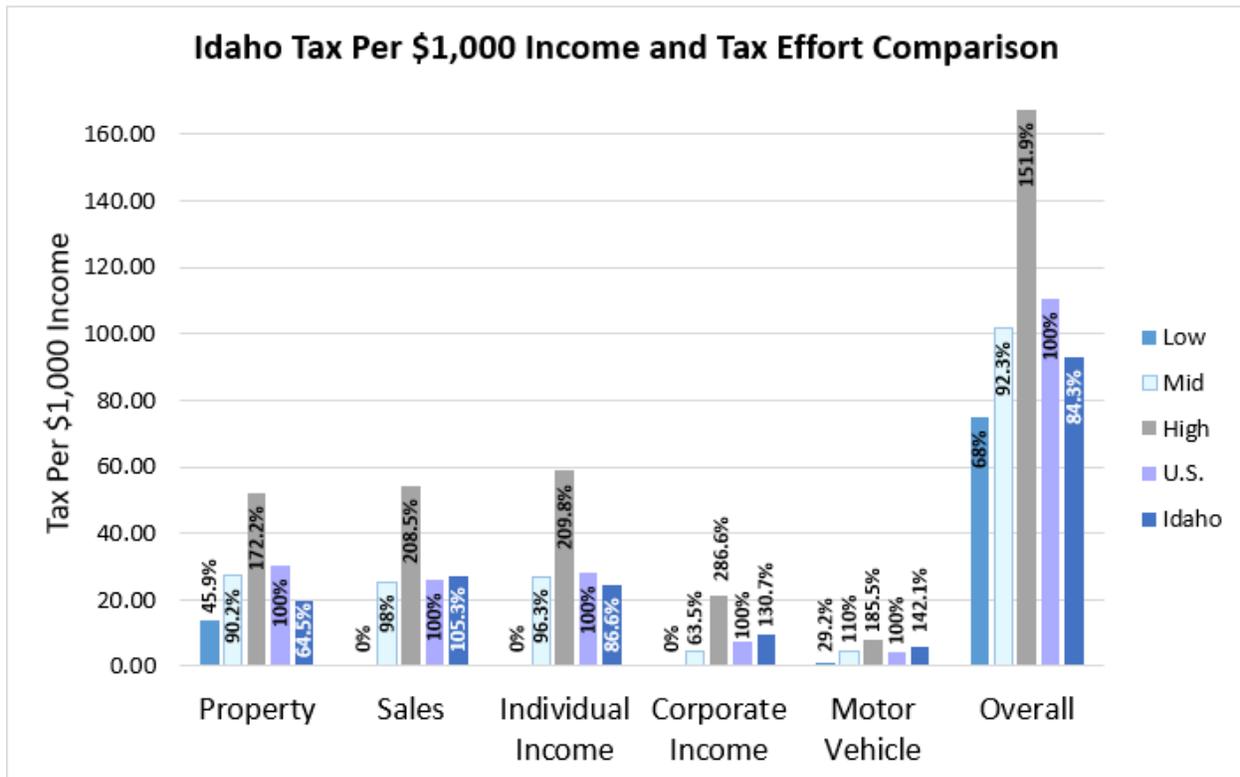


Figure 3: Idaho Tax per \$1,000 Income and Tax Effort Comparison

Figure 3 above helps to visualize the distribution of revenue generated by tax type for the secondary variable personal income. The tax types of property, sales and individual income generate the most revenue. Proportionately, corporate income and motor vehicle generate less revenue. In the visual, the legend includes low, mid, high, U.S. and Idaho. These are all reference points to form interpretations of the data. For any tax type where there is no low bar, then there is a state which does not tax that type. For every tax type U.S. is equal to 100% because all states are compared to the U.S. tax effort which is the benchmark for effort analysis.

To understand which states, represent the low, mid, or high, then refer to *Table 6* on page 16. In the overall category the low is South Dakota, the mid is Nevada, and the high is New York. Relatively, Idaho is lower than the the U.S. tax efforts for property, individual income, and overall, but over the U.S. tax effort in the tax types, sales, corporate income, and motor vehicle.

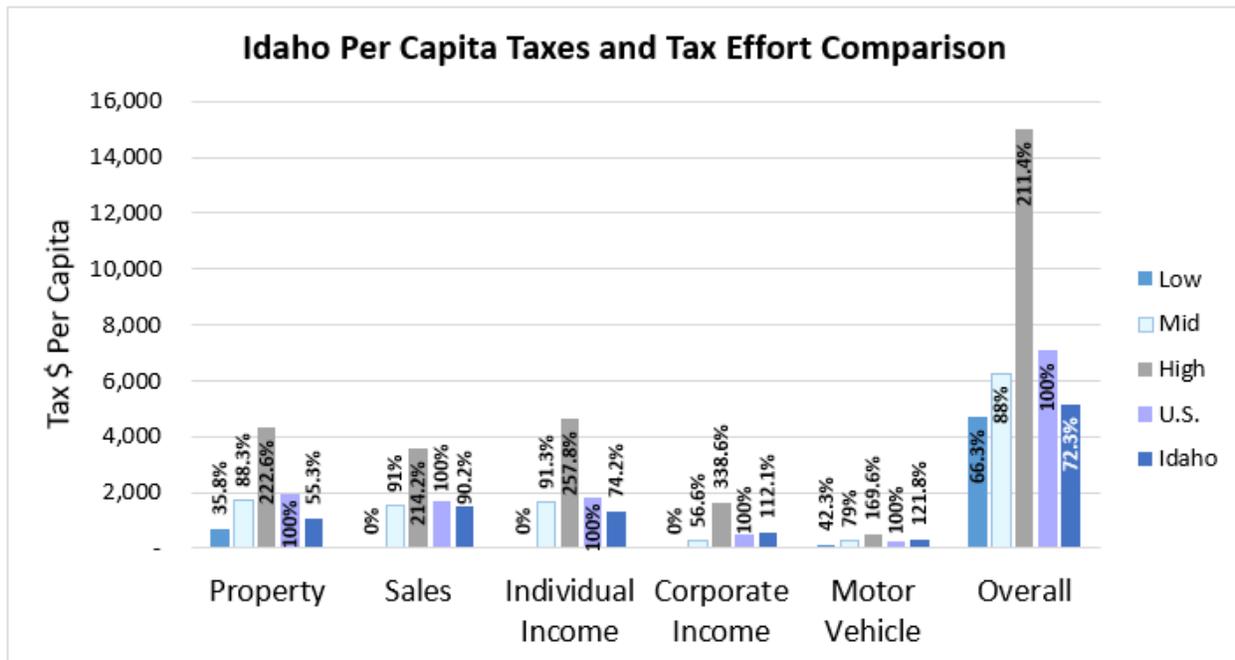


Figure 4: Idaho Tax per Capita and Tax Effort Comparison

Figure 4 above helps to visualize the distribution of revenue generated by tax type for the secondary variable population. The visual is nearly identical to Figure 3 but replaces the secondary variable to per capita. The difference in ranges mentioned in the narrative for Table 3 are observable in Figures 3 and 4. Noticeably, the high bars for each tax type is significantly higher than the low bars for per capita, and this relationship is most noticeable with the overall category.

Relatively, Idaho is below the U.S. tax effort in the tax types, for property, sales, individual income, and overall, for the secondary variable per capita. Relatively, Idaho is over the U.S. tax effort in the tax types for just motor vehicle and corporate income, for the secondary variable per capita. One significant finding that is observable between both figures 3 and 4, is that sales can either be above or below the national tax effort. This observation helps to visually support that sales tax in Idaho can be subjectively over or underutilized.

National Analysis with Idaho Comparison		Low	Median	High	U.S.	Idaho
Individual Income	Personal income	0	26.96	58.72	27.99	24.24
	Tax Effort	0%	96.3%	209.8%	100%	86.6%
	State	Alaska ^{a.}	Iowa	New York	U.S.	Idaho
	Per Capita	0	1,646.0	4,645.6	1,802.18	1,338.09
	Tax Effort	0%	91.3%	257.8%	100%	74.2%
	State	Alaska ^{a.}	Nebraska	Dist. of Col	U.S.	Idaho
Corporate Income	Personal income	0	4.72	21.32	7.44	9.70
	Tax Effort	0%	63.5%	286.6%	100%	130.7%
	State	Nevada ^{b.}	Utah	New York	U.S.	Idaho
	Per Capita	0	271.37	1,622.16	479.07	536.85
	Tax Effort	0%	56.6%	338.6%	100%	112.1%
	State	Nevada ^{b.}	Arkansas	New York	U.S.	Idaho
Sales	Personal income	0.0	25.44	54.14	25.96	27.33
	Tax Effort	0%	98.0%	208.5%	100.0%	105.3%
	State	Delaware ^{c.}	North Carolina	Hawaii	U.S.	Idaho
	Per Capita	0	1,520.61	3,580.90	1,671.84	1,508.38
	Tax Effort	0%	91.0%	214.2%	100%	90.2%
	State	Delaware ^{c.}	Indiana	Washington	U.S.	Idaho
Property	Personal income	13.89	27.27	52.07	30.24	19.50
	Tax Effort	45.9%	90.2%	172.2%	100%	64.5%
	State	Alabama	South Carolina	Vermont	U.S.	Idaho
	Per Capita	696.86	1718.93	4334.37	1,947.46	1,076.48
	Tax Effort	35.8%	88.3%	222.6%	100%	55.3%
	State	Alabama	Pennsylvania	Dist. of Col	U.S.	Idaho
Motor Vehicle	Personal income	1.24	4.69	7.91	4.26	6.06
	Tax Effort	29.2%	110.0%	185.5%	100%	142.1%
	State	Dist. of Col	Mississippi	Iowa	U.S.	Idaho
	Per Capita	116.24	262.37	465.57	274.51	334.28
	Tax Effort	42.3%	79.0%	169.6%	100%	121.8%
	State	New Jersey	Maryland	Iowa	U.S.	Idaho
Overall	Personal income	74.97	101.78	167.60	110.32	93.03
	Tax Effort	68.0%	92.3%	151.9%	100%	84.3%
	State	South Dakota	Nevada	New York	U.S.	Idaho
	Per Capita	4,707.39	6,255.12	15,019.87	7,104.39	5,134.58
	Tax Effort	66.3%	88.0%	211.4%	100%	72.3%
	State	Alabama	Wyoming	Dist. of Col	U.S.	Idaho

a. No IIT in Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming

b. No CIT in Nevada, Texas, Washington, and Wyoming

c. No sales tax in Delaware, Montana, New Hampshire, and Oregon

Table 6: National Analysis with Idaho Comparison

National Analysis

Results illustrated in *Table 6* on page 15 reveal the relative tax burden picture of Idaho and all other states included by tax type for the U.S. Dollar signs were removed from measures per capita and personal income to save space. The analysis is organized into reference points low, median, and high, which adds additional context for interpretations. A zero represents a state which does not tax that type. The narrative is in descending order from individual income.

In Idaho the individual income tax per \$1,000 was \$24.24, which was \$2.72 lower than the median claimed by Iowa and \$3.75 below the U.S. average. Idaho's tax effort was 86.6%, which was 9.7% below the median and 13.4% below the U.S. average. The individual income per capita was \$1,338.09, which was -\$307.94 lower than the median claimed by Nebraska and \$464.09 below the U.S. average. Idaho's tax effort was 74.2%, which was -17.1% below the median and -25.8% below the U.S. average.

The corporate income tax per \$1,000 was \$9.70, which was \$4.98 higher than the median claimed by Utah and \$2.26 higher than the U.S. average. Idaho's tax effort was 130.7%, which was 67.26% above the median and 30.7% above the U.S. average. The corporate income tax per capita was \$536.85, which was \$265.48 above the median claimed by Arkansas and \$57.78 above the U.S. average. Idaho's tax effort was 112.1%, which was 55.4% above the median and 12.1% above the U.S. average.

The sales tax per \$1,000 was \$27.33, which was \$1.89 above the median claimed by North Carolina and \$1.37 above the U.S. average. Idaho's tax effort was 105.3%, which was 7.28% above the median and 5.3% above the U.S. average. The sales tax per capita was \$1,508.38, which was \$12.23 lower than the median claimed by Indiana and \$163.46 below the U.S. average. Idaho's tax effort was 90.2%, which was .7% below the median and 9.8% below the U.S. average.

The property tax per \$1,000 was \$19.50, which was \$7.77 lower than the median claimed by South Carolina and \$10.74 below the U.S. average. Idaho's tax effort was 64.5%, which was 25.69% below the median and 35.5% below the U.S. average. The property tax per capita was \$1,076.48, which was \$642.45 lower than the median claimed by Pennsylvania and \$870.98 below the U.S. average. Idaho's tax effort was 55.3%, which was -33% below the median and 44.7% below the U.S. average.

The motor vehicle tax per \$1,000 was \$6.06, which was \$1.37 above the median claimed by Maine and \$1.79 above the U.S. average. Idaho's tax effort was 142.1%, which was 32.11% above the median and 42.1% above the U.S. average. The motor vehicle per capita was \$334.28, which was \$71.90 above the median claimed by Maryland and \$59.76 above the U.S. average. Idaho's tax effort was 121.8%, which was 42.8% above the median and 21.8% above the U.S. average.

The overall tax per \$1,000 was \$93.03, which was \$8.75 lower than the median claimed by Nevada and \$17.30 below the U.S. average. Idaho's tax effort was 84.3%, which was 7.93% below the median and 15.7% below the U.S. average. In Idaho the overall tax per capita was \$5,134.58, which was \$1,120.53 lower than the median claimed by Wyoming and \$1,969.81 below the U.S. average. Idaho's tax effort was 72.3%, which was 15.8% below the median and 27.7% below the U.S. average.

Western Regional Analysis

Results illustrated in *Table 7* found on the next page include 13 states which make up the western region of the U.S. The western regional analysis provides an additional lens for forming conclusions about Idaho's relative tax structure. The purpose of this analysis is to see how Idaho's regional results compare with its national results. In the national analysis for 2022, Idaho's tax structure is observed as leaning conservative. In the regional analysis, the median rank can be a useful point of reference for determining how conservative Idaho is in reference to the other western states. In this analysis, the median rank is 7.

For individual income, of the 13 western regional states, Idaho ranked 7th in its tax efforts with individual income for both variables personal income and per capita. Two other states ranked lower than Idaho for both variables and 4 states had no individual income tax. For both variables in individual income, California ranked the highest. Six other states had higher relative state and local tax burdens than Idaho for individual income.

For corporate income, of the 13 western regional states, Idaho ranked 2nd in its tax efforts for the variable personal income and 3rd in per capita. One state ranked higher than Idaho for the variable personal income and two states ranked higher for the variable per capita. For both variables in corporate income, California ranked the highest. Tax efforts in corporate income were high for Idaho and can be explained by ABE election changes.

For sales tax, of the 13 western regional states, Idaho ranked 7th in its tax efforts for personal income and 10th in per capita. Six other states ranked lower than Idaho for personal income and three states ranked lower for per capita. For the variable personal income, Hawaii ranked the highest, and for the variable per capita, Washington ranked the highest. In both variables Idaho is at, and below, the median rank of 7.

For property tax, of the 13 western regional states, Idaho ranked 13th in its tax efforts for both personal income and per capita. Idaho is the most advantageous state of the western states for property owners. This result can be misleading, however, since Idaho does not have the lowest property tax rates. Hawaii, for instance, has a lower property tax rate but the median home value is much higher in Hawaii and that increases the overall property tax burden for those taxpayers.

For motor vehicle tax, of the 13 western regional states, Idaho ranked 1st in its tax efforts for personal income and 2nd in per capita. Idaho exerts the highest tax effort of any western state through the variable personal income and has the second highest tax efforts for the variable per capita. Hawaii was the only state to rank higher in tax efforts through the variable per capita.

For the overall category, of the 13 western regional states, Idaho ranked 11th in its tax efforts for personal income and 13th in per capita. Just two other states ranked lower than Idaho for personal income, but Idaho ranked the lowest for the variable per capita. That means only two western states had more advantageous overall tax structures for taxpayers than Idaho for the variable personal income. Idaho was the most advantageous western state for taxpayers through the variable per capita.

Western Regional Analysis		Alaska	Arizona	California	Colorado	Hawaii	Idaho	Montana	Nevada	New Mexico	Oregon	Utah	Washington	Wyoming
Individual Income	Personal Income	0	18.0	49.1	27.3	43.0	24.24	35.9	0	20.2	44.9	34.4	0	0
	Western Rank	10	9	1	6	3	7	4	10	8	2	5	10	10
	Tax Effort	0%	64.2%	175.6%	97.4%	153.6%	86.6%	128.4%	0%	72.2%	160.4%	122.9%	0%	0%
	Per Capita	0	1,022.29	3,744.56	2,000.67	2,612.10	1,338.09	2,125.79	0	1,027.77	2,811.92	2,014.76	0	0
	Western Rank	10	9	1	6	3	7	4	10	8	2	5	10	10
	Tax Effort	0%	56.7%	207.8%	111.0%	144.9%	74.2%	118.0%	0%	57.0%	156.0%	111.8%	0%	0%
Corporate Income	Personal Income	8.5	2.81	15.5	3.5	3.6	9.7	4.4	0	4.6	6.5	4.7	0	0
	Western Rank	3	10	1	9	8	2	7	11	6	4	5	11	11
	Tax Effort	113.8%	37.7%	207.8%	47.3%	48.4%	130.7%	58.9%	0%	61.3%	87.3%	63.5%	0%	0%
	Per Capita	563.46	159.79	1178.4	258.3	218.75	536.85	259.3	0	232.22	407.03	276.67	0	0
	Western Rank	2	10	1	7	9	3	6	11	8	4	5	11	11
	Tax Effort	117.6%	33.4%	246.0%	53.9%	45.7%	112.1%	54.1%	0%	48.5%	85.0%	57.8%	0%	0%
Sales	Personal Income	5.9	39.0	24.8	25.3	54.1	27.3	0.0	45.0	48.8	4.6	31.2	48.7	25.5
	Western Rank	11	5	10	9	1	7	13	4	2	12	6	3	8
	Tax Effort	22.7%	150.0%	95.5%	97.5%	208.5%	105.3%	0%	173.4%	188.1%	18%	120.1%	187%	98.4%
	Per Capita	391.86	2,217.60	1,888.62	1,857.36	3,290.77	1,508.38	0	2,727.42	2,485.00	286.961369	1,827.3	3,580.90	1,856.83
	Western Rank	11	5	6	7	2	10	13	3	4	12	9	1	8
	Tax Effort	23%	132.6%	113.0%	111.1%	196.8%	90.2%	0%	163.1%	148.6%	17.2%	109.3%	214.2%	111.1%
Property	Personal Income	35.9	22.1	28.0	28.9	26.4	19.5	32.5	22.2	21.7	30.2	23.0	27.1	29.6
	Western Rank	1	11	6	5	8	13	2	10	12	3	9	7	4
	Tax Effort	119%	73.1%	92.7%	95.7%	87.4%	64.5%	107%	73.4%	71.9%	99.7%	76.1%	89.7%	97.8%
	Per Capita	2,389.44	1,259.16	2,136.87	2,123.30	1,606.63	1,076.48	1,921.84	1,344.77	1,105.97	1,889.53	1,347.35	1,994.97	2,148.87
	Western Rank	1	11	3	4	8	13	6	10	12	7	9	5	2
	Tax Effort	122.7%	64.7%	109.7%	109%	82.5%	55.3%	98.7%	69%	56.8%	97.0%	69.2%	102.4%	110.3%
Motor Vehicle	Personal Income	2.21	2.7	5.47	2.76	7.47	6.06	7.52	4.75	4.75	5.9	4.23	4.49	5.83
	Western Rank	13	12	6	11	2	3	1	7	8	4	10	9	5
	Tax Effort	51.8%	62.4%	128.4%	64.7%	175.2%	142.1%	176.5%	111.4%	111.4%	137.8%	99.2%	105%	136.7%
	Per Capita	147.06	151.37	417.2	202.24	453.93	334.28	444.92	287.81	241.65	368.12	247.76	330.67	423.6
	Western Rank	13	12	4	11	1	6	2	8	10	5	9	7	3
	Tax Effort	53.6%	55.1%	152.0%	73.7%	165.4%	121.8%	162.1%	104.8%	88.0%	134.1%	90.3%	120.5%	154.3%
Overall	Personal Income	104.09	91.39	135.75	98.84	156.81	93.03	98.02	101.78	152.47	110.75	106.64	100.82	86.07
	Western Rank	6	12	3	9	1	11	10	7	2	4	5	8	13
	Tax Effort	94.4%	82.8%	123.0%	89.6%	142.1%	84.3%	88.8%	92.3%	138.2%	100%	97%	91.4%	78.0%
	Per Capita	6,926.20	5,203.27	10,345.77	7,252.17	9,531.25	5,134.58	5,797.44	6,166.21	7,759.57	6,938.21	6,247.35	7,416.53	6,255.1
	Western Rank	7	12	1	5	2	13	11	10	3	6	9	4	8
	Tax Effort	97.5%	73.2%	145.6%	102%	134.2%	72.3%	81.6%	86.8%	109.2%	97.7%	87.9%	104.4%	88.0%

* Personal income is the tax category revenue per 1000\$ personal income.

** Per Capita is the revenue by tax category divided by the population.

Table 7: Western Regional Analysis

Discussion

Historically, perspectives surrounding tax effort ranks have shifted depending on the intentions of the studies they came from. The Southern Regional Education Board and the Advisory Commission on Intergovernmental Relations initially observed tax effort ranks to strengthen arguments for leveraging taxes for the sake of producing more revenue for desired programs. In those studies, if a state ranked 51 for their tax effort in any pillar of their tax structure, then there would be solid evidence to support adjusting policies for that tax type. From a state taxpayer's viewpoint, a 51 would be the best possible result, because it would mean the lowest tax burden. A third perspective is that a median rank or a tax effort of 100% is best, because fair taxation means balancing funds for public programs and the tax burdens of the state and local citizens. In the *Idaho Potential Tax Comparative*, the purpose of analysis is to identify whether Idaho's tax structure based on 6 categories is fair.

In this study, fair taxation is identified when a state is either closest to the mean or median, depending on the analysis, to determine moderation. A moderate tax burden is typified by a state which has a tax effort equal to 100%, which is the national state average. Some states forgo revenue in certain tax types and so their burden is effectively 0 in those types. Typically, states which forgo taxation in any major category have developed alternative primary revenue sources. Alaska, for instance forgoes an individual income tax but has a heavy reliance on its severance taxes. Nevada forgoes an individual income tax and a corporate income tax but has a heavy reliance on gambling. Wyoming is unique because it forgoes an individual income tax and a corporate income tax, has one of the lowest relative state and local tax burdens of any U.S. state, has the smallest population of any U.S. state, and a resource intensive economy.

Varying factors may influence a person's desirability to live in any state. America's wealthiest individuals target states which benefit them based on the state's tax structure. When the tax structure for a state is moderate, which is typically seen from Idaho, then it becomes advantageous to competitively adjust policies to balance the needs of the state and the individual. Competitive balancing is especially attractive for those who live within a state and grow accustomed to their relative tax burdens and the state programs they benefit from. The study reveals that in Idaho tax efforts are very low for property tax and for individual income tax. Sales tax hovers near 100% tax effort for both variables per capita and personal income. Motor vehicle and corporate income taxes are overutilized.

More research should be invested in Idaho to identify whether taxpayers are satisfied with the allocation of their tax dollars. Since 1997, overall tax efforts in Idaho for 2022 were as low as they have ever been. The concern is that even when tax efforts are this low, if taxpayers disagree with how the tax dollars are effectively managed then the tax structure may still be determined as inefficient. The hypothesis is that when the tax efforts are appropriately adjusted, and the quality of the policies reflect or surpass the dollars invested, then taxpayer sentiments will be highest. Without proper surveying of the state, it becomes incredibly difficult to ensure this level of efficiency in policy development.

Conclusion

This study on tax burden is intended for every Idaho taxpayer who questioned how their relative state and local tax efforts compared across the country. Fifty U.S. states and the Dist. of Columbia were included in the analysis. Idaho, overall, ranked 43rd for the secondary variable personal income, and 41st for the secondary variable population. For the secondary variable personal income, Idaho's overall tax efforts were 15.7% below the national average tax rate and 27.7% below the national average for the secondary variable population. In 2 out of 5 tax types, Idaho underutilizes its tax efforts. Idaho overutilizes its tax efforts for the categories motor vehicle and corporate income taxes. When the secondary variable personal income is applied for analysis then the sales tax type is 5.3% overutilized and when the secondary variable per capita is used, it is 9.8% underutilized. Tax efforts in most categories are favorable for Idaho taxpayers; just motor vehicle, and corporate income taxes are overutilized. The overall tax effort for both variables, population and personal income are quite favorably below 100% for Idahoans.

The tax type which has the greatest potential for increasing revenue while remaining under the national average for tax effort is property. The revenue per capita for property tax is \$1,076.48. and is the third highest source of tax revenue. Sales tax is the second highest source of tax revenue, and individual income is the first. For the variable personal income, the property tax effort is 64.5% and just 55.3% for population.² The tax type motor vehicle is the most overutilized tax type and has the greatest need for an adjustment. Motor vehicle is the combination of the categories motor fuel and motor vehicle license. The category should be split up and investigated separately to see if either one or both are overutilized. When the secondary variable personal income is used for analysis then the tax type motor vehicle is 42.1% overutilized, and when the secondary variable per capita is used, it is 21.8% overutilized.

The 2022 edition of the *Idaho Potential Tax Comparative* helps to address how state and local tax burdens compare between Idaho and the U.S. This literature can be a helpful educational piece for any Idaho taxpayer. This study can be used as a springboard for additional studies, and the tables included in the interactive dashboard can be a helpful tool. This study should be especially helpful for legislation and policy makers. This study helps contribute to the Idaho State Tax Commission's overall mission to, "Benefit Idaho through courteous customer service, education, and fair tax administration." There are two significant limitations to the effective delivery of this study. The first is that this study lacks the more granular tax burden findings which come from a tax incidence study. The second is that there is a void which needs to be filled so that taxpayers understand where their tax dollars go and then can be surveyed to report if they are satisfied with the allocation of their tax dollars. Both are potential studies which would further help promote Idaho State Tax Commission's overall mission and improve state government's relationship with its taxpayers.

² Property tax generates local revenue in the state and is collected by counties. This implication does impact the feasibility for leveraging this revenue, and additionally would not help to generate more revenue for state funded programs.

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Glossary

Overutilization: When the actual collection of the state exceeds the potential tax calculated from the national average, then the state is overutilizing its tax potential.

Per capita: The calculated average per each individual person. Calculated by dividing the population by the respective category, individual income tax, corporate tax and so forth.

Personal income: The income people living in each state and the District of Columbia get from wages, proprietors' income, dividends, interest, rents, and government benefits. These statistics help assess and compare the economic well-being of state residents.

Progressive tax: If the percentage of income paid in taxes increases as income increases then it is a progressive tax. Progressive taxes are generally taxes based on income.

Regressive tax: When the tax liability as a percentage of income increases as taxpayer income declines. Regressive taxes are generally based on sales or property tax.

State and local tax burden: The relative combined state and local tax burden placed on the state population.

Tax: Revenue sources such as sales and property taxes and license fees, as defined by the U.S. Bureau of the Census. The tax system is the aggregate of all taxes used in the state.

Tax burden: The relative burden placed on individual taxpayers or classes of taxpayers.

Tax capacity: Is the yield for each state when the representative tax rate is applied to the standardized measure of the tax base.

Tax collections: Represents the actual yields of a tax or a tax system.

Tax effort: Measures the extent to which the state and their subdivisions tap their available taxable resources.

Tax potential: Represents the yield that would be achieved in a state for any given tax by applying a tax rate equal to the national average to the relevant tax base in the state. Can also be referred to as potential collection.

Revenue per thousand dollars of income: The tax revenue generated on average per \$1,000 of personal income. Calculated by taking the tax revenue generated and multiplying by 1,000, and then dividing that number by the total personal income. Can also be calculated by taking the personal income and dividing by 1,000, and then dividing that number by the tax revenue generated.

Tax incidence: Is the division of a tax burden among the affected parties.

Underutilization: When the potential tax calculated from the national average exceeds the actual collection of the state, then the state is underutilizing its tax potential.