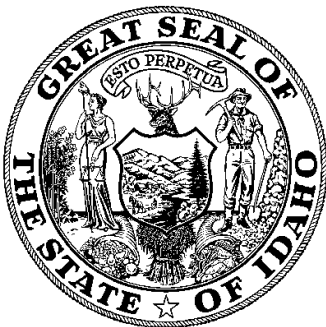


# General Fund Revenue Book

- Economic Forecast
- Revenue Projections
- Tax Structure

Fiscal Year 2019

July 1, 2018 - June 30, 2019



A handwritten signature in black ink, appearing to read "C.L. Butch Otter".

C.L. "Butch" Otter, Governor

State of Idaho  
C.L. “Butch” Otter, Governor

# General Fund Revenue Book

**FY 2019 Executive Budget  
January 2018**

- Economic Forecast
- Revenue Projections
- Tax Structure

Prepared by  
Idaho Division of Financial Management  
Executive Office of the Governor

Costs associated with this publication are available from  
the Idaho Division of Financial Management  
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# INTRODUCTION

The basis for most of the revenue projections made in this book is the *Idaho Economic Forecast* published by the Idaho Division of Financial Management (DFM), which in turn is based on the Idaho Economic Model (IEM)<sup>1</sup>. Each major revenue category (personal income tax, sales tax, and corporate income tax) is specified as a function of relevant explanatory variables.

Although the revenue model is specified in precise quantitative terms, two levels of uncertainty exist. The first of these uncertainties is associated with the statistical process itself and hence may be reduced to probabilities and confidence intervals. The other is related to the uncertainties associated with unknown future events. Weather effects on agriculture are a classic example. A forecast of agricultural production must either assume average weather or project some specific future weather condition. The forecast depends upon an assumed weather pattern actually occurring. Some other weather pattern will result in a different outcome for both farmers and the myriad of entities dependent upon the fortunes of farmers.

The contingent nature of an agricultural model demonstrates the uncertainty associated with any model containing exogenous variables. Both sources of forecast error are present in any model that is dependent on explanatory variables. Since most of Idaho's revenue sectors depend heavily on Idaho income levels, the revenue forecast is particularly sensitive to those factors that influence Idaho's income.

The major foundation of the IEM is economic base theory. Idaho's economy can be divided into "basic" and "domestic" activities (also known respectively as "export" and "residential"). The basic activities, such as agriculture, forestry, mining, manufacturing, tourism, and exported services are characterized by a major dependence on external forces. Domestic activities like construction, trade, local services, and public utilities are characterized by a dependence on influences from within Idaho. The idea is that basic activities form the foundation of Idaho's level of economic activity, while domestic activities essentially follow from basic activities. While not a perfect theory, economic base theory does serve as a useful means of identifying the driving forces behind Idaho's overall level of economic activity.

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<sup>1</sup>The IEM is in turn based on the IHS Markit model of the US economy. Descriptions of both are available in the current *Idaho Economic Forecast*, published by the Idaho Division of Financial Management.

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## *Idaho Economic Forecast*

The following tables and text are taken from the

January 2018 *Idaho Economic Forecast*,

a publication produced by the

Idaho Division of Financial Management.



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## EXECUTIVE SUMMARY

Many people found new jobs in Idaho in 2017. Employment in the nonfarm sector is expected to show 21,800 more jobs than in 2016. The unemployment rate sank below 3.0% in the last few months of the year. Many counties had considerably lower unemployment rates. Idaho's population expanded faster than any other state, making national news. The US Census Bureau found the July 1, 2016, to July 1, 2017, increase in Idahoans at 2.2%. Much of this increase is due to migration into the state. Employers in many areas welcome the influx as labor demand is otherwise running up against local supply limits.

In several ways, Idaho is enjoying the prosperous economy that the nation is enjoying. National figures are also strong. GDP growth has been above 3.0% for two quarters. Unemployment is holding at levels as low as it has been since 2000. Homeownership is stable. Financial markets are both calm and elevated. Oil prices are holding in the range of \$50 to \$60 per barrel. Exports are being helped by a declining dollar and robust global growth. The economic expansion is the second longest in US history.

The national forecast from which this report begins has each of these national features within it, and the Idaho data contains most of the recent news for the state. However, IHS removed from its baseline any fiscal stimulus beginning in its October forecast, and that persists through the December forecast. This report is based upon the November forecast. As such, the impact of the recently-enacted tax reform (signed December 22) is not accounted for within the forecast. IHS is incorporating the new tax legislation into its January US forecast. The Idaho Division of Financial Management will run the numbers again when that forecast becomes available. It is possible that the rosy forecast within this publication could improve further, but it could be that the change is not dramatic. For instance, employers are already finding it difficult to find employees, so employment forecasts may not change appreciably. Similarly, the tax law does not directly change personal income; it changes disposable income once withholding tables are modified.

The IHS forecast sees 2.2% real GDP growth for the full year of 2017; the first quarter figure was closer to the 1.5% figure the US economy produced for 2016. The new year sees all four quarters with steady growth above 2.0%, with the full year to record 2.5% growth. Three years of gentle slowing of growth then bring GDP from 2.2% to 2.0% in 2021. According to the forecast, real personal income should increase 2.4% in 2018, 3.0% in 2019, and 2.6–2.7% to end the forecast. Employment gains moderate from 1.5% in 2017 to 1.3% in 2018, then 1.0% in 2019, match population growth around 0.8% in 2020, and then slide a bit below population growth in 2021. By that year, even the youngest baby boomers will be reaching their sixth decade.

Within Idaho, housing starts are expected to climb above 14,000 units and stay there until 2021 when the 15,000-unit mark should be crossed. The past two years have been very strong within the state's housing market: 2016 saw 20.7% growth, and 2017 is projected to see 8.2% growth. Employment also saw sharp increases in 2016–2017, with both years showing nonfarm employment up over 3.0%. The expectation is that growth will be 2.0% in 2018, then 1.7–1.8% the next three years. These values are sharply greater than the national figures. Total personal income in the state should increase from \$66.4 billion in 2016 to \$69.1 billion in 2017, with an anticipated bump to \$72.0 billion in 2018. Adjusting for inflation, personal income is growing in the mid to high 2% range. Average annual wages in Idaho are expected to finish 2017 with a gain of around \$600 per job. The forecast change for 2018 is a gain of over \$1,400 with a similar gain in 2019 and 2020.

**IDAHO ECONOMIC FORECAST**  
**EXECUTIVE SUMMARY**  
**JANUARY 2018**

|                                  | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>U.S. GDP (BILLIONS)</b>       |         |         |         |         |         |         |         |         |         |         |         |
| Current \$                       | 15,518  | 16,155  | 16,692  | 17,428  | 18,121  | 18,624  | 19,377  | 20,256  | 21,163  | 22,109  | 23,052  |
| % Ch                             | 3.7%    | 4.1%    | 3.3%    | 4.4%    | 4.0%    | 2.8%    | 4.0%    | 4.5%    | 4.5%    | 4.5%    | 4.3%    |
| 2009 Chain-Weighted              | 15,021  | 15,355  | 15,612  | 16,013  | 16,472  | 16,716  | 17,090  | 17,513  | 17,906  | 18,281  | 18,649  |
| % Ch                             | 1.6%    | 2.2%    | 1.7%    | 2.6%    | 2.9%    | 1.5%    | 2.2%    | 2.5%    | 2.2%    | 2.1%    | 2.0%    |
| <b>PERSONAL INCOME - CURR \$</b> |         |         |         |         |         |         |         |         |         |         |         |
| Idaho (Millions)                 | 52,745  | 55,370  | 57,581  | 60,744  | 64,209  | 66,433  | 69,071  | 72,001  | 75,364  | 79,027  | 82,967  |
| % Ch                             | 5.8%    | 5.0%    | 4.0%    | 5.5%    | 5.7%    | 3.5%    | 4.0%    | 4.2%    | 4.7%    | 4.9%    | 5.0%    |
| Idaho Nonfarm (Millions)         | 50,637  | 53,268  | 55,241  | 58,295  | 61,973  | 64,435  | 67,026  | 70,005  | 73,292  | 76,908  | 80,785  |
| % Ch                             | 4.7%    | 5.2%    | 3.7%    | 5.5%    | 6.3%    | 4.0%    | 4.0%    | 4.4%    | 4.7%    | 4.9%    | 5.0%    |
| U.S. (Billions)                  | 13,255  | 13,915  | 14,074  | 14,818  | 15,553  | 15,929  | 16,428  | 17,074  | 17,899  | 18,756  | 19,663  |
| % Ch                             | 6.2%    | 5.0%    | 1.1%    | 5.3%    | 5.0%    | 2.4%    | 3.1%    | 3.9%    | 4.8%    | 4.8%    | 4.8%    |
| <b>PERSONAL INCOME - 2009 \$</b> |         |         |         |         |         |         |         |         |         |         |         |
| Idaho (Millions)                 | 50,643  | 52,173  | 53,547  | 55,646  | 58,647  | 59,963  | 61,349  | 63,033  | 64,856  | 66,584  | 68,511  |
| % Ch                             | 3.3%    | 3.0%    | 2.6%    | 3.9%    | 5.4%    | 2.2%    | 2.3%    | 2.7%    | 2.9%    | 2.7%    | 2.9%    |
| Idaho Nonfarm (Millions)         | 48,619  | 50,192  | 51,370  | 53,403  | 56,604  | 58,158  | 59,532  | 61,286  | 63,072  | 64,799  | 66,709  |
| % Ch                             | 2.2%    | 3.2%    | 2.3%    | 4.0%    | 6.0%    | 2.7%    | 2.4%    | 2.9%    | 2.9%    | 2.7%    | 2.9%    |
| U.S. (Billions)                  | 12,726  | 13,112  | 13,088  | 13,575  | 14,206  | 14,377  | 14,591  | 14,947  | 15,403  | 15,803  | 16,237  |
| % Ch                             | 3.7%    | 3.0%    | -0.2%   | 3.7%    | 4.6%    | 1.2%    | 1.5%    | 2.4%    | 3.0%    | 2.6%    | 2.7%    |
| <b>HOUSING STARTS</b>            |         |         |         |         |         |         |         |         |         |         |         |
| Idaho                            | 4,563   | 7,124   | 9,075   | 9,827   | 10,274  | 12,400  | 13,416  | 14,176  | 14,844  | 14,841  | 15,200  |
| % Ch                             | -12.0%  | 56.1%   | 27.4%   | 8.3%    | 4.5%    | 20.7%   | 8.2%    | 5.7%    | 4.7%    | 0.0%    | 2.4%    |
| U.S. (Millions)                  | 0.612   | 0.784   | 0.928   | 1.001   | 1.107   | 1.177   | 1.190   | 1.253   | 1.372   | 1.435   | 1.470   |
| % Ch                             | 4.5%    | 28.1%   | 18.4%   | 7.8%    | 10.6%   | 6.3%    | 1.0%    | 5.3%    | 9.6%    | 4.5%    | 2.5%    |
| <b>TOTAL NONFARM EMPLOYMENT</b>  |         |         |         |         |         |         |         |         |         |         |         |
| Idaho                            | 610,618 | 622,217 | 638,027 | 654,470 | 672,493 | 693,840 | 715,557 | 730,138 | 742,206 | 755,282 | 768,786 |
| % Ch                             | 1.2%    | 1.9%    | 2.5%    | 2.6%    | 2.8%    | 3.2%    | 3.1%    | 2.0%    | 1.7%    | 1.8%    | 1.8%    |
| U.S. (Thousands)                 | 131,941 | 134,171 | 136,379 | 138,937 | 141,813 | 144,306 | 146,440 | 148,293 | 149,805 | 150,984 | 151,791 |
| % Ch                             | 1.2%    | 1.7%    | 1.6%    | 1.9%    | 2.1%    | 1.8%    | 1.5%    | 1.3%    | 1.0%    | 0.8%    | 0.5%    |
| <b>SELECTED INTEREST RATES</b>   |         |         |         |         |         |         |         |         |         |         |         |
| Federal Funds                    | 0.1%    | 0.1%    | 0.1%    | 0.1%    | 0.1%    | 0.4%    | 1.0%    | 1.6%    | 2.3%    | 2.8%    | 3.2%    |
| Bank Prime                       | 3.3%    | 3.3%    | 3.3%    | 3.3%    | 3.3%    | 3.5%    | 4.1%    | 4.7%    | 5.4%    | 5.9%    | 6.3%    |
| Existing Home Mortgage           | 4.7%    | 3.8%    | 4.0%    | 4.3%    | 4.0%    | 3.9%    | 4.2%    | 4.3%    | 5.0%    | 5.3%    | 5.4%    |
| <b>INFLATION</b>                 |         |         |         |         |         |         |         |         |         |         |         |
| GDP Price Deflator               | 2.1%    | 1.8%    | 1.6%    | 1.8%    | 1.1%    | 1.3%    | 1.8%    | 2.0%    | 2.2%    | 2.3%    | 2.2%    |
| Personal Cons Deflator           | 2.5%    | 1.9%    | 1.3%    | 1.5%    | 0.3%    | 1.2%    | 1.6%    | 1.5%    | 1.7%    | 2.1%    | 2.0%    |
| Consumer Price Index             | 3.1%    | 2.1%    | 1.5%    | 1.6%    | 0.1%    | 1.3%    | 2.1%    | 1.9%    | 2.1%    | 2.6%    | 2.4%    |

**National Variables Forecast by IHS Economics**  
**Forecast Begins the Third Quarter of 2017**

# IDAHO ECONOMIC FORECAST

## EXECUTIVE SUMMARY

JANUARY 2018

|                                  | 2017    |         |         |         | 2018    |         |         |         | 2019    |         |         |         |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                  | Q1      | Q2      | Q3      | Q4      | Q1      | Q2      | Q3      | Q4      | Q1      | Q2      | Q3      | Q4      |
| <b>U.S. GDP (BILLIONS)</b>       |         |         |         |         |         |         |         |         |         |         |         |         |
| Current \$                       | 19,058  | 19,250  | 19,495  | 19,706  | 19,922  | 20,143  | 20,368  | 20,592  | 20,812  | 21,047  | 21,274  | 21,521  |
| % Ch                             | 3.3%    | 4.1%    | 5.2%    | 4.4%    | 4.5%    | 4.5%    | 4.5%    | 4.5%    | 4.3%    | 4.6%    | 4.4%    | 4.7%    |
| 2009 Chain-Weighted              | 16,903  | 17,031  | 17,157  | 17,267  | 17,367  | 17,465  | 17,562  | 17,657  | 17,750  | 17,856  | 17,959  | 18,060  |
| % Ch                             | 1.2%    | 3.1%    | 3.0%    | 2.6%    | 2.3%    | 2.3%    | 2.2%    | 2.2%    | 2.1%    | 2.4%    | 2.3%    | 2.3%    |
| <b>PERSONAL INCOME - CURR \$</b> |         |         |         |         |         |         |         |         |         |         |         |         |
| Idaho (Millions)                 | 68,456  | 68,827  | 69,101  | 69,902  | 70,905  | 71,590  | 72,340  | 73,170  | 74,126  | 74,887  | 75,776  | 76,669  |
| % Ch                             | 9.7%    | 2.2%    | 1.6%    | 4.7%    | 5.9%    | 3.9%    | 4.3%    | 4.7%    | 5.3%    | 4.2%    | 4.8%    | 4.8%    |
| Idaho Nonfarm (Millions)         | 66,100  | 66,624  | 67,306  | 68,073  | 68,909  | 69,570  | 70,348  | 71,194  | 72,059  | 72,845  | 73,685  | 74,579  |
| % Ch                             | 6.3%    | 3.2%    | 4.2%    | 4.6%    | 5.0%    | 3.9%    | 4.5%    | 4.9%    | 4.9%    | 4.4%    | 4.7%    | 4.9%    |
| U.S. (Billions)                  | 16,245  | 16,364  | 16,478  | 16,623  | 16,807  | 16,972  | 17,159  | 17,357  | 17,593  | 17,799  | 17,998  | 18,204  |
| % Ch                             | 5.6%    | 3.0%    | 2.8%    | 3.6%    | 4.5%    | 4.0%    | 4.5%    | 4.7%    | 5.5%    | 4.8%    | 4.6%    | 4.7%    |
| <b>PERSONAL INCOME - 2009 \$</b> |         |         |         |         |         |         |         |         |         |         |         |         |
| Idaho (Millions)                 | 61,014  | 61,303  | 61,318  | 61,763  | 62,435  | 62,813  | 63,220  | 63,665  | 64,254  | 64,605  | 65,087  | 65,477  |
| % Ch                             | 7.3%    | 1.9%    | 0.1%    | 2.9%    | 4.4%    | 2.4%    | 2.6%    | 2.9%    | 3.7%    | 2.2%    | 3.0%    | 2.4%    |
| Idaho Nonfarm (Millions)         | 58,914  | 59,341  | 59,725  | 60,147  | 60,678  | 61,042  | 61,479  | 61,946  | 62,462  | 62,843  | 63,291  | 63,692  |
| % Ch                             | 4.0%    | 2.9%    | 2.6%    | 2.9%    | 3.6%    | 2.4%    | 2.9%    | 3.1%    | 3.4%    | 2.5%    | 2.9%    | 2.6%    |
| U.S. (Billions)                  | 14,479  | 14,576  | 14,622  | 14,687  | 14,799  | 14,891  | 14,996  | 15,103  | 15,250  | 15,355  | 15,459  | 15,547  |
| % Ch                             | 3.3%    | 2.7%    | 1.3%    | 1.8%    | 3.1%    | 2.5%    | 2.8%    | 2.9%    | 4.0%    | 2.8%    | 2.8%    | 2.3%    |
| <b>HOUSING STARTS</b>            |         |         |         |         |         |         |         |         |         |         |         |         |
| Idaho                            | 11,669  | 13,372  | 14,931  | 13,692  | 13,875  | 14,067  | 14,264  | 14,496  | 14,714  | 14,851  | 14,909  | 14,904  |
| % Ch                             | -19.4%  | 72.4%   | 55.5%   | -29.3%  | 5.5%    | 5.6%    | 5.7%    | 6.7%    | 6.1%    | 3.8%    | 1.6%    | -0.1%   |
| U.S. (Millions)                  | 1.238   | 1.167   | 1.165   | 1.189   | 1.207   | 1.239   | 1.270   | 1.294   | 1.318   | 1.350   | 1.394   | 1.428   |
| % Ch                             | -3.4%   | -21.0%  | -0.6%   | 8.5%    | 6.3%    | 11.0%   | 10.3%   | 7.6%    | 7.6%    | 10.0%   | 13.8%   | 10.0%   |
| <b>TOTAL NONFARM EMPLOYMENT</b>  |         |         |         |         |         |         |         |         |         |         |         |         |
| Idaho                            | 708,792 | 713,731 | 718,012 | 721,691 | 725,460 | 728,480 | 731,750 | 734,863 | 737,756 | 740,606 | 743,682 | 746,780 |
| % Ch                             | 4.8%    | 2.8%    | 2.4%    | 2.1%    | 2.1%    | 1.7%    | 1.8%    | 1.7%    | 1.6%    | 1.6%    | 1.7%    | 1.7%    |
| U.S. (Thousands)                 | 145,712 | 146,197 | 146,668 | 147,185 | 147,626 | 148,082 | 148,508 | 148,958 | 149,312 | 149,648 | 149,988 | 150,272 |
| % Ch                             | 1.5%    | 1.3%    | 1.3%    | 1.4%    | 1.2%    | 1.2%    | 1.2%    | 1.2%    | 1.0%    | 0.9%    | 0.9%    | 0.8%    |
| <b>SELECTED INTEREST RATES</b>   |         |         |         |         |         |         |         |         |         |         |         |         |
| Federal Funds                    | 0.7%    | 1.0%    | 1.2%    | 1.2%    | 1.4%    | 1.5%    | 1.7%    | 2.0%    | 2.2%    | 2.2%    | 2.4%    | 2.5%    |
| Bank Prime                       | 3.8%    | 4.0%    | 4.3%    | 4.3%    | 4.5%    | 4.5%    | 4.8%    | 5.0%    | 5.3%    | 5.3%    | 5.5%    | 5.5%    |
| Existing Home Mortgage           | 4.4%    | 4.1%    | 4.2%    | 4.2%    | 4.2%    | 4.2%    | 4.4%    | 4.5%    | 4.8%    | 5.0%    | 5.1%    | 5.1%    |
| <b>INFLATION</b>                 |         |         |         |         |         |         |         |         |         |         |         |         |
| GDP Price Deflator               | 2.0%    | 1.0%    | 2.2%    | 1.7%    | 2.1%    | 2.2%    | 2.3%    | 2.2%    | 2.2%    | 2.1%    | 2.0%    | 2.4%    |
| Personal Cons Deflator           | 2.2%    | 0.3%    | 1.5%    | 1.7%    | 1.4%    | 1.4%    | 1.6%    | 1.8%    | 1.5%    | 1.9%    | 1.8%    | 2.3%    |
| Consumer Price Index             | 3.1%    | -0.3%   | 2.0%    | 2.5%    | 2.1%    | 1.4%    | 1.9%    | 2.3%    | 1.8%    | 2.5%    | 2.1%    | 3.0%    |

**National Variables Forecast by IHS Economics  
Forecast Begins the Third Quarter of 2017**

## NATIONAL FORECAST DESCRIPTION

### **The Forecast Period is the Third Quarter of 2017 through the Fourth Quarter of 2021**

For the two most recent quarters in the record book, real GDP growth has been at or above a 3.0% annual rate, an achievement many economic projections suggest is above the typical growth that will occur in the coming years. The November IHS forecast, which is the basis of this publication, projects 2.5% growth for 2018. It does not have the major legislative development of December, tax legislation becoming law, within its scope. There may be a boost to growth in the near term. A preliminary estimate is all that is available from IHS. It is not yet incorporated into a full forecast of the economy. The early figure adds an additional quarter of a percentage point of real growth in 2018. This gives a bit of a picture as to the scope of the potential boost. It does not draw how that boost will transpire. Magnitudes and timings of where the extra growth materializes are not projected at a level of detail sufficient to answer industry or even sector questions.

Here are the non-granular changes available at a preliminary estimate stage with regard to the tax legislation. Unemployment may fall further, with the low about six-tenths of a percent below the baseline reached in 2020–2022. Inflation may rise further. Core personal consumption expenditures, the inflation measure the Federal Reserve is targeting at 2.0%, grows further each year until 2023 when this value is one quarter of a percentage point above the baseline, and a smidgen above a third of a percentage point above the Federal Reserve target. This gives context to a dramatically steeper rise in the federal funds rate, the short-term interest rate that the Federal Reserve most directly influences. One extra hike would be likely in 2018 above the three included in the baseline, then two extra hikes in 2019 above the two already penciled into the baseline for that year, and an additional two in 2020 as well. All told, for 2021–2023, the federal funds rate could be above 1.5 percentage points higher than in the baseline; it could reach 4.8% in 2021. This then impacts the debt service burden that the federal government incurs, raising interest costs substantially. While the tax legislation is budgeted as costing under \$1.5 trillion dollars over a decade, the initial estimate from IHS is that federal debt grows by an extra \$2.1 trillion over the decade.

Those essentially are the only initially predicted features available at the time of this writing with regard to the economic effects of the tax legislation. Most of these effects are expected to be temporary as well, in the sense that the trajectories of these variables are expected to converge towards the baseline projections of those variables once the time scale reaches one decade. In 2027, real GDP growth is expected to be unaffected by the 2017 tax legislation, as is the unemployment rate and even the federal funds rate. The debt trajectory, though, under IHS's preliminary forecast, would have a persistent change; it would remain higher throughout the next decade under the new tax legislation.

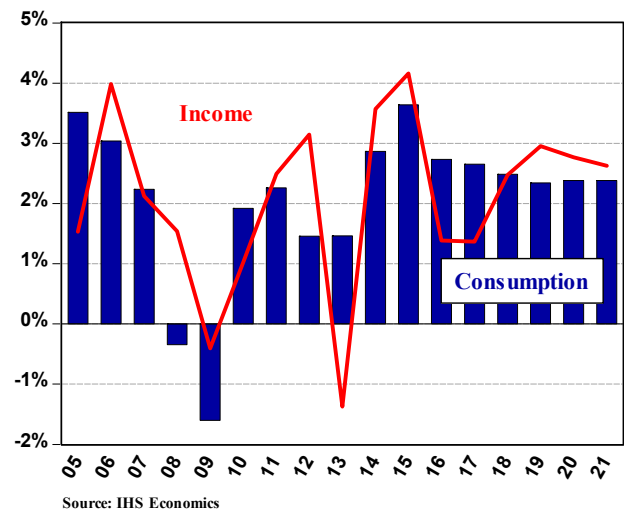
Here are the national features of the November IHS baseline forecast. Real disposable income is projected to grow 2.3% in 2018, a full percentage point faster than in 2017. That should grow to 3.0% in 2019. Productivity is expected to stay stationary at 1.5% per year throughout the forecast. That is a dramatic improvement from the 2016 value which was 0.0%. Oil prices, when adjusted for general inflation, are projected to lag in 2018 but be up in 2019 by two dollars per barrel, growing to eight dollars per barrel in 2020 before dropping back down to a premium of four dollars per barrel over the inflation adjusted price to end the forecast. Existing housing sales are expected to remain within the range given by 5.5–5.8 million units per year throughout the forecast, with the trend being generally upwards; they were at 5.4 million units in 2016. The factory operating rate is expected to remain steady between 75% and 76%. It was below 71% in 2010. Full employment without an overheating economy corresponds to an operating rate at 82% according to the US economic model IHS uses. Light vehicle

sales are expected to slow from 17 million vehicles to 16 million vehicles by 2021. These gradually evolving values support the modest expansion of real GDP in the baseline forecast: 2.5% growth in 2018, 2.2% in 2019, and 2.0–2.1% in the following years.

## SELECTED NATIONAL ECONOMIC INDICATORS

**Consumer Spending:** The holiday shopping season is occurring, and the prediction is that up to 18% of that shopping will occur online. Initial reports for the period just after Thanksgiving confirm that online shopping is grabbing an increasing share. IHS has predicted 4.1% growth for holiday sales this year over last year with online holiday sales growing 13.1%. These forecasts rest upon optimistic consumers. Both major national surveys of consumer sentiment (from the University of Michigan as well as the Conference Board) have risen to levels which had been unattained for over a decade. Sentiment may be boosted by rising home values and stock markets, but employment gains and incremental wage gains actually provide the day-to-day means of boosting purchasing. Total compensation as measured by the employment cost index has been increasing above the 2% mark for six quarters, and has averaged 2.2% since the beginning of 2014. With the backdrop of mild inflation, this means that real compensation is up over 1.0% per year. Couple those rises with a drop in under- and unemployment (the broad U-6 measurement) from 12.7% at the start of 2014, and even 9.4% at the start of 2017, to 8.0% in November, and an expansion of consumer activity is almost inevitable. IHS forecasts the real expansion of consumption at 2.7% for 2017, then 2.5% on tap for 2018, with rates 2.2–2.3% for 2019–2021. The pool of available workers is rapidly shallowing, so that portion of the gain in consumer activity must abate. IHS expects that wage pressures will materialize fairly soon, perhaps by 2019, and if those cause wages to rise, consumer activity may feel a boost due to that as well. The balancing feature would then be what occurs with inflation. If the Federal Reserve monetary policy tightening is well managed, as it seems to have been so far, then the Goldilocks economy will continue. Indeed, in many ways, that is what this forecast is: with economic conditions quite favorable at the moment, and those conditions being widespread globally, it would take considerable countermeasures to halt the expansion. In the national economy, the previous nemesis which knocked the economy into recession, household debt, is nominally high, but not when adjusted for population growth and inflation in the intervening decade. Making those adjustments, debt is only 6.7% above the post-recession low it reached in 2013. The splurge that holiday shopping represents is not worrisome macro-economically. One final point IHS makes is that the current forecast does not assume any change to average effective tax rates, but it acknowledges that any such reduction would lift the consumer sector for the next couple of years.

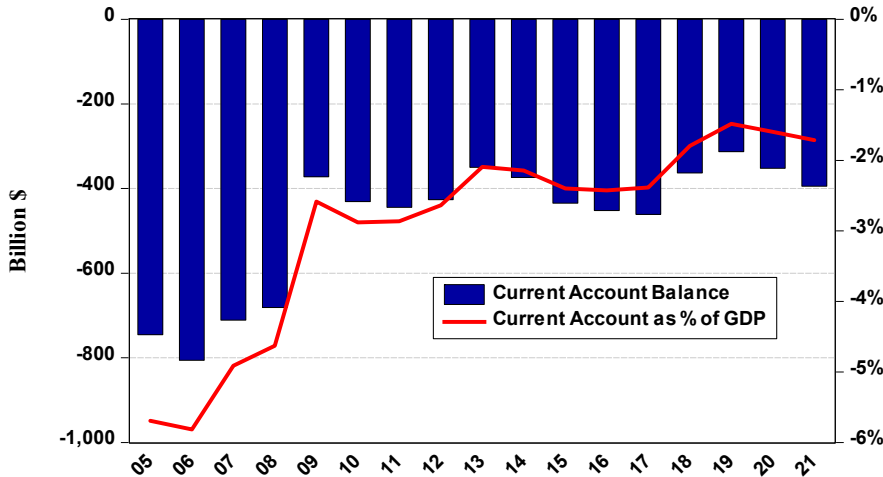
US Real Consumption and Disposable Personal Income Growth



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**International:** There are no shortages of developments in the international sector to draw one’s attention. Deciding which will have economic impact is a serious endeavor even before deciding what those impacts will be. North Korean difficulties are among the most devastating possibilities, but the likelihoods are assessed as quite low, with probabilities in the single digits. On the other hand, Brexit, while certainly contentious, is a near certainty but with much less devastation; real GDP for the UK is

### US Current Account Trade Deficit

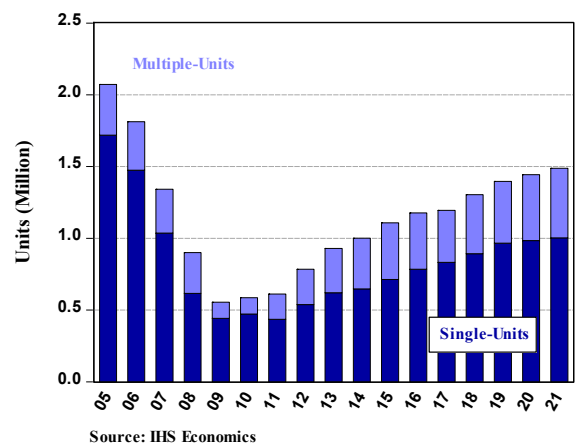


expected to drop only below 1.0% (so still growing) should a hard Brexit emerge. However, a soft Brexit is much more likely. Similarly, NAFTA renegotiations appear acrimonious, particularly given the backdrop of new tariffs on airplanes and timber that the administration has imposed on Canadian goods. Still, many businesses rely upon all three of the countries in the North American supply chain, and hence reconciliation is almost foregone. Stories which are not

front-page news will actually drive a lot of the economic dynamics in the next couple of years. China is financially engineering a transition from an emerging economy dependent upon expansion of infrastructure through debt as well as exports of goods, towards a major economy based upon consumption resting upon personal income. Doing so without popping a housing bubble is the tricky part. India, vying with China as the most populous country, is expected to grow at rates at or above 7.5% for the next few years. Much as the economic transformation of China lifted millions out of poverty, India has the opportunity to reshape global wealth. Brazil and Russia have emerged from recession. South America is just eking by with growth. Saudi Arabia has been intermittently meddling in regional affairs while simultaneously liberalizing its internal strictures and corralling OPEC into modest production curbs, all in advance of the anticipated IPO of Aramco, the state oil firm, which could be the most highly valued company of all time. Many people view the economic diversification that stock market debut will afford as so indispensable to the kingdom as to prevent it from entering a long-term fracas now. Indonesia, Iran, Egypt, Ethiopia, and Iraq are all expected to have strong real growth in the next few years. These latter represent several of the countries in the next demographic wave; opportunities will be needed for their young populations. As mentioned in the past report, many of the international “surprises” seem to be coming from predictable locales and seem as though they are being handled with measured responses. The independence vote in Catalonia, the building of a coalition government in Germany, and the prime minister travails in Lebanon are three examples of this. That cool under pressure, perhaps embodied by French diplomacy at the moment, on top of the widespread economic fundamentals, color the international landscape as interesting but not currently frightening.

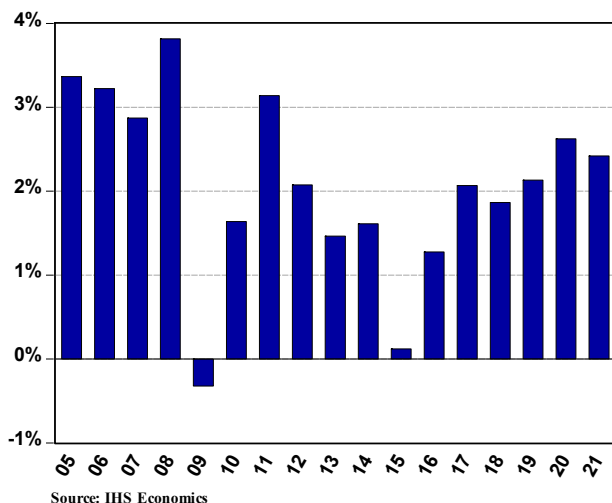
**Construction:** The story for the construction sector has fewer bright spots, particularly if the past two quarters are indicative. However, one of those is the “unsustainable, but-not-yet-alarming” rise in home prices. IHS believes that points to strong demand, which should eventually be met by increased construction. In the meantime, home sales and residential investments have dropped for two quarters. Core construction, which also includes public projects and other structures, has also fallen the past two quarters. It is possible that this slowing is due, being mid-business-cycle. The rapid pace of early cycle expansion typically drops into sustainable growth with the middle of the business cycle. Slowing on the housing side has

### US Housing Starts



perhaps more factors at play; ongoing low household formation rates and student debt may be demand factors while availability of desirable building lots and workforce shortages in the construction sector may be supply factors. Of these four, household formation is the most likely to turn quickly since student debt is among the fastest growing categories of debt and enticing a new cohort into construction, given that the strength of the labor economy will be challenging. This forecast, like the last, no longer assumes an infrastructure investment boom due to federal governmental policy changes. With many states facing budget pressures, local boosts to infrastructure are likely to be thin. One bright spot had been tied to an increase in well drilling. A lot of that had to do with how dramatically drilling had fallen with the collapse of oil prices a couple years ago. Recently, rig counts have been fairly stable, a bit above double the lowest figure of that crash. The US is now an exporter of petroleum products and natural gas, and the administration looks favorably to pipeline construction. OPEC looks likely to stay consistent with its curbs on production, leaving more volume due to expanding demand from the generally strong world economy for US production to fill. Accordingly, IHS sees mining and petroleum construction as the strongest nonresidential category, with expansion above 3.5% for the next two years. As to housing prices, the widespread increases in the 5–10% range are unsustainable given the current wage increases. However, the federal tax law changes may dampen that increase because they devalue mortgage interest with regard to taxes.

**US Consumer Price Inflation**



**Inflation:** The employment cost index is expected to increase 2.5% when 2017 data becomes available. The forecast for 2018 has this rising to 2.8% with 3.1–3.2% growth finishing the forecast. Producer goods are expected to clock 1.0% rises for the past year, with 1.8% growth in 2018 and 0.9–1.2% growth to end the forecast. Consumer goods likely saw 3.5% price increases in 2017, with that slowing to 1.4% in 2018, then 2.5–3.0% increases in store for the last three years of the forecast. Going forward, health insurance costs are likely to rise faster than they have recently. The past year saw health insurance advance only 1.2%; the prior two years it was increasing 2.8–2.9% per year. In 2018, the inflation in healthcare insurance costs is pegged at 2.9%; that then grows to 3.3% in 2019 and 3.6–3.7% in the final two years. These projections,

particularly on health insurance, are based upon the healthcare system as it existed in November. The individual mandate was still in effect for 2019, something the tax legislation reverses. If analysis of the tax plan is correct, there may be upside risk to the health insurance inflation rate. However, the inflation values common to the IHS forecast are all historically quite mild; health insurance inflation was running in the double-digits in the 2002–2003. Inflation colors perceptions of other economic measurements, particularly in hindsight, and its current tame trajectory implies that other economic variables can be improving even though they too have tame trajectories. The outlook IHS has for CPI inflation is for 1.9% in 2018, 2.1% in 2019, 2.6% in 2020, and 2.4% in 2021.

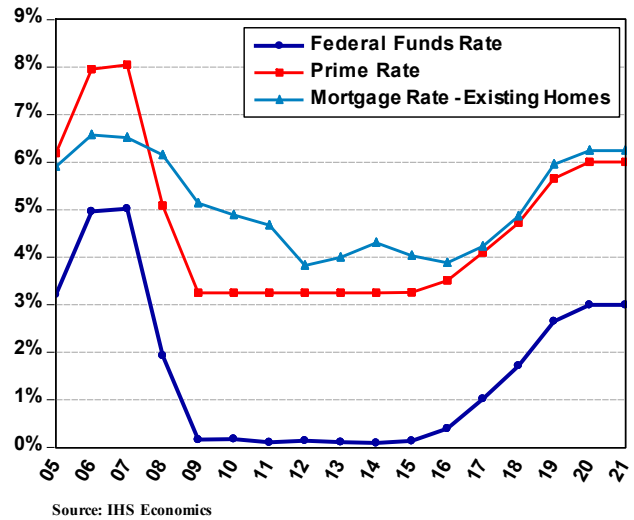
**Monetary Policy:** Janet Yellen’s tenure at the Federal Reserve is now nearly complete. Her rather short term is notable. The economy only expanded while she was Chair. The next Chair is expected to be Jerome Powell, who is currently a Federal Reserve Governor. Also gathering new authority is Randall Quarles, the new Federal Reserve Governor in charge of bank supervision; he had previously worked for the US Treasury office during the Bush administrations. Several other such governor positions remain vacant, so leadership at the Federal Reserve is in flux. However, policy from the Federal Reserve seems



to be firm. After a slow start to raising short-term interest rates, the board raised the rate three times in 2017. Each such move was well communicated in advance to the markets. Similarly, the gradual removal of assets from its balance sheet has been telegraphed ahead of time and its implementation at the September meeting was uneventful. December brought the first incremental increase in the value of bonds which are not to be rolled over to new maturities under that process. Again, the effect was expected and hardly received coverage because of that expectation. The new year is expected to bring three additional increases to short-term interest rates, moving those from the current 1.25–1.5% range into the 2.0–2.25% range. The IHS forecast sees short term rates stabilizing around 3.2% in 2021–2022.

Concurrent to that, long-term interest rates, which are only indirectly controlled by the Federal Reserve, rise from the current 2.35% to 3.31% in 2019 and on to 3.58% to end the forecast. It should be noted that these interest rates are not markedly different from the short-term rates. Should the future unfold as in the forecast, this would be a shallowing of the yield curve. Typically, but not always, this occurs as economic growth slows. The preliminary estimate from IHS of the effects of the new tax legislation on yields indicates an inversion of the yield curve in 2020. Inversion of the yield curve is one of the stronger harbingers of recession, so it will be important to see if this preliminary estimate persists through future forecasts. Currently, monetary policies due to other central banks, notably the Bank of Japan and the European Central Bank (ECB), are dampening long-term interest rates. Japan is targeting 0% for its 10-year bonds, and the ECB continues to buy bonds on the open market, in contrast to the gradual maturation and non-renewal of bonds that the US Federal Reserve is allowing to occur. The ECB is continuing its bond buying through 2018, though at a lower level than it had sustained for much of 2017.

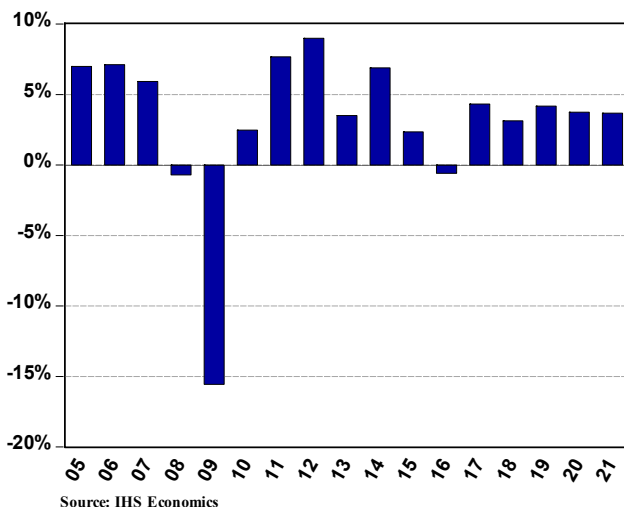
Selected US Interest Rates



**Business Investment:** The treatment of expensing or depreciating business investments in the new tax plan could potentially alter the computations behind each business investment decision. How the tax plan alters repatriation of foreign earnings is also unknown, as is what businesses would choose to do

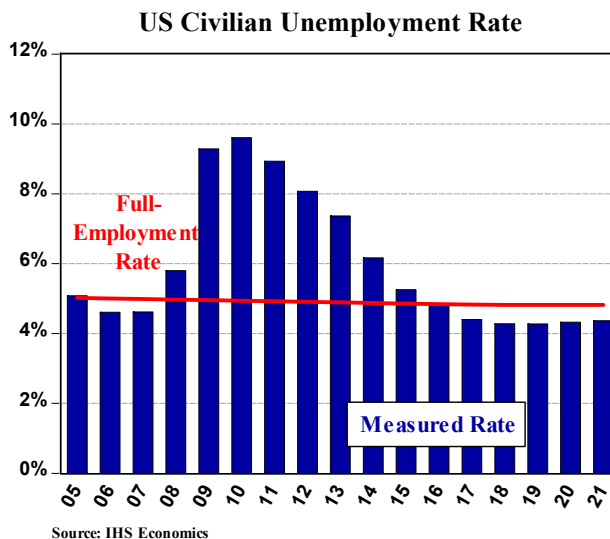
with those earnings. However, since IHS's current forecast does not incorporate a restructured tax code, these considerations are only current weaknesses of the forecast. Recent business investment has been mixed. Equipment spending is strong; spending on structures is weak; intellectual property spending is steady. Each of these categories is expected to continue that trajectory for the next two years. In terms of real GDP, inventory adjustment added a remarkably large 0.73 percentage points in the third quarter of 2017. Inventory is expected to continue to expand, but more modestly; for the next half of a year, it should add 0.2 percentage points to real GDP. One portion of the inventory adjustment is associated with farms; this inventory is expanding again after contracting in 2016, and that expansion is expected to

Real US Business Investment Growth



persist throughout the forecast. On the nonfarm side, while not even a fifth as large as light vehicles in terms of economic activity, investments in aircraft are expected to be the strongest growing component in transportation over the next two years. Growth is in the mid-to-high teens. Since aircraft are a commodity commonly exported, this growth aids both real GDP growth and the trade deficit. Net exports added 0.41 percentage points to real GDP in the third quarter of 2017. Light vehicles, for which the US production is not as export oriented as aircraft, actually account for just a bit less than 1.0% of GDP. Construction is just under 3.0%. Information processing equipment is around 1.6% of GDP. It added 0.21 percentage points to third quarter growth. Manufacturing is poised for three years of investment and gains, with production growth above 2.0%. Food manufacturing, wood products, and chemicals all should enjoy steady production growth during the next two years.

**Employment:** Both the headline U-3 unemployment rate and the broader U-6 unemployment rate (which includes those working part-time who would prefer to be working full time) have fallen considerably. The headline value is at 4.1%, down from 4.6% in November of 2016, and the U-6 rate has fallen from 9.3% to 8.0% in that time. In initial reports, it seemed that the streak of job gains was ended by the hurricanes this past fall, but when revised figures were released, the September value swung from a 33,000 job loss to an 18,000 job gain, meaning that the streak (over 85 months) continues. The November IHS forecast sees unemployment continuing to be low with the rate holding at 4.0% for seven consecutive quarters beginning in the first quarter of 2018. The rate then gradually increases, first resting at 4.1% for two quarters before moving up again. By 2021, the unemployment rate is 4.3%. Some of this is due to these rates being under what is considered the natural rate of unemployment which is consistent with non-accelerating inflation; such a condition cannot persist forever, with either inflation or unemployment required to budge. Another part of the gradual climb has to do with a slightly increasing labor force participation rate. This is expected to climb by 0.4 percentage points between the beginning of 2018 and the middle of 2020. While that change seems small, when carried out across the potential labor force, this amounts to an extra 1 million individuals in the labor force. At the current expansion rate of new jobs, which is over 500,000 per quarter, a million job seekers requires six months to clear; however, job changes going forward are expected to slow from that rate through just over 400,000 per quarter and on to around 200,000 per quarter in early 2020. Current estimates are that just fewer than 100,000 new jobs are needed per month in order to hold the unemployment rate constant given a constant labor force participation rate. As more baby boomers reach retirement, that value will shrink, but the expected labor force participation rate will counteract that contraction. These forces are roughly in balance through 2019, and it is only in 2020 that change is envisioned.



## IDAHO FORECAST DESCRIPTION

### **The Forecast Period is the Third Quarter of 2017 through the Fourth Quarter of 2021**

Anecdotes are not causal proof, but there is a point when they become the story. With this being a forecast, there is a need to be a bit ahead of potential stories. The growing chorus of anecdotes about shortages of labor, particularly labor with skills, is drawing closer to the theme of stronger wages. This is partly visible through the national forecast. This is partly heard through regional news. This is partly due to rising wage floors coming into regulatory effect with the turn of the new year. While it will be some time before the actual wage story is known, particularly within Idaho, at a time with national unemployment already very low, state level unemployment lower still, and the fiscal stimulus through federal tax change, it is difficult to ignore those anecdotes.

The average annual wage in Idaho has grown 2.5% per year since 2013, or just slightly ahead of the national rate which is 2.4%. In between the two most recent downturns, the average wage in Idaho was often above 76% of the national average wage, but since 2013, that average has been below 73% until 2016 when it crept just above that mark. The national average annual wage is forecast by IHS to accelerate to 3.4% growth through 2021, and in this forecast, the Idaho version also accelerates, but only to 2.9%. To the extent that Idaho is like the nation, there is additional room for wage growth.

One measure by which Idaho progressed in 2015 was real per capita personal income. The growth bested the national value by 0.3 percentage points, at 4.2% versus 3.9%. The state also rose above the nation in 2013 because the state's return was positive, whereas the nation lost ground that year. However, the state only occasionally sees such victories, as verified by looking at recent history. Part of that has to do with the denominator of the computation of per capita personal income. The state's population growth rate is consistently ahead of the nation. A lot of this has to do with migration into the state. Some of it has to do with larger families here. For over a decade, the state population growth rate has met or beat the national value. It was just released from the US Census that from July 1, 2016, to July 1, 2017, Idaho was the fastest growing state in terms of population. People moving to the state helped to bring Idaho's resident population up by 2.2% while the nation expanded by 0.7% in residency.

Forecast population growth remains high, at 1.5% on average through the forecast. Housing stock is forecast to grow at or above that rate going forward. Housing starts are expected to pass 14,000 units in 2018, more than double what they were in 2012, but they remain nearly 40% below the peak value attained in 2005. The growth rate for housing starts is expected to cool, but at 5.7% in 2018 and 4.7% in 2019, builders will still be expanding their workforce. Indeed, the construction workforce is expected to be up 7.2% in 2017, an additional 3.8% in 2018, and 1.9% in 2019. Employers will likely still find it difficult to find labor, and households and businesses will also find it difficult to find contractors with availability.

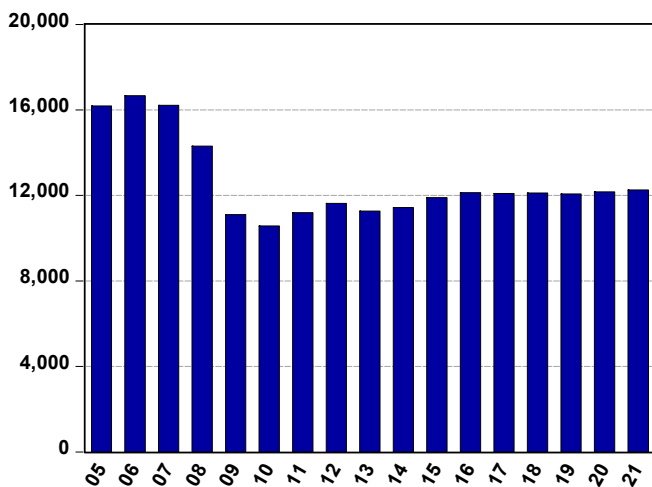
On total jobs, Idaho is projected to end 2017 with a yearlong average nonfarm employment figure of 715,600 jobs, an increase of 21,800 over 2016. An additional 14,500 net jobs are expected to be created in the state in 2018 and then 12,200 more in 2019. These translate to growth rates of 3.1%, 2.0%, and 1.7%, respectively, each ahead of the national rate, and each ahead of the population growth rate. To understand the slowing of job growth, there must be job seekers with the requisite skills in the locations of the job openings. With statewide unemployment holding at only 2.9%, alignment of these features is challenging. Personal income is expected to expand by 4.2% in the state after a 4.0% expansion in 2017. That growth accelerates a bit to 4.7% in 2019. After an inflation adjustment, and even after a per capita adjustment as well, these rates remain above 2.7% and ahead of the values in 2017.

Among the broad sectors of the economy, goods production, nongoods production (which includes services), trade, and federal governmental employments are all expected to grow more quickly in the state than at the national level. Only state and local governmental employment in Idaho is expected to lag the national trend.

**Agriculture:** Ada County has transferred agricultural land into urban land; between 2001 and 2011, developed areas grew 10% and agricultural land shrank 5%. This transfer occurs throughout the state, most visibly in the rapidly expanding urban centers: Canyon, Twin Falls, Kootenai, Bingham, and Bonneville counties. Still, agricultural production remains strong within the state. Increased yields partly compensate for the losses in acreage. Diversity of crops helps to mitigate the effects of commodity price fluctuations. Higher value crops and livestock also counteract the loss of land to development. While Idaho has processed foods for a long time, a renewal of growth in the food processing industry helps to keep markets open for Idaho production. The Magic Valley dairy industry has recently exemplified this last feature, but even with its remarkable growth, having 72% of the 600,000 dairy cattle in the state, it is still possible to oversupply with hay, and this seems to be the case this year. Local hay prices are \$60 to \$90 less per ton than those in Washington or California. When the local market cannot process all of the production, exports release supply pressures. This year, Pocatello has a hay press; it compresses hay to make shipments overseas less bulky. When those markets find the quality of Idaho products agreeable, they can become long-term markets. That is the case for Idaho wheat (used for Asian noodles) and for Idaho beans (popular in Mexico). The quality of the 2017 wheat crop is among the highest; wheat acreage was down less than 3%. Wheat is the third most exported agricultural commodity in the state, behind dairy and potatoes. Mexico accounts for 24% of Idaho’s agricultural export market. Local food processing facilities have had many advances this year that will benefit the state’s commodity producers. The CS Beef Packers plant in Kuna will add value to Idaho beef cattle. Mill 95 in Wilder will be a growing processor for Idaho hops. Markets are expanding in the state. Farm proprietors’ income is expected to have a bounce in 2017, be slightly down in 2018, then settle into three years of sustained growth. The 2016 figure was \$1.3 billion, and the 2017 and 2018 figures are in the \$1.3–1.4 billion range, with 2019–2021 showing growth from \$1.4 billion to \$1.5 billion.

**Computer and Electronics Manufacturing:** HPE, the portion of Hewlett-Packard focused upon servers and networking, will have a new CEO on February 1 as Meg Whitman, the CEO who split the parent company into two businesses two years ago, steps down. Both daughter companies have operations at the Boise campus. HP, the other company, has the top market share of personal computers. Both companies operate in markets with many players. Micron is already six months into leadership under the new CEO, Sanjay Mehrotra, who comes to Micron from SanDisk. Semiconductor manufacturing has just a few players, particularly for DRAM where there are only three worldwide, partly the result of market consolidation due to mergers and acquisitions. The other two manufacturers are Korean: Samsung and HK Hynix. China is looking to field another competitor. Another main product of Micron, NAND flash memory, has a slightly wider pool of competitors. The sale of Toshiba’s memory business has been the main uncertainty for much of the year. It appears that a consortium of buyers has

**Idaho Computer and Electronic Products Employment**

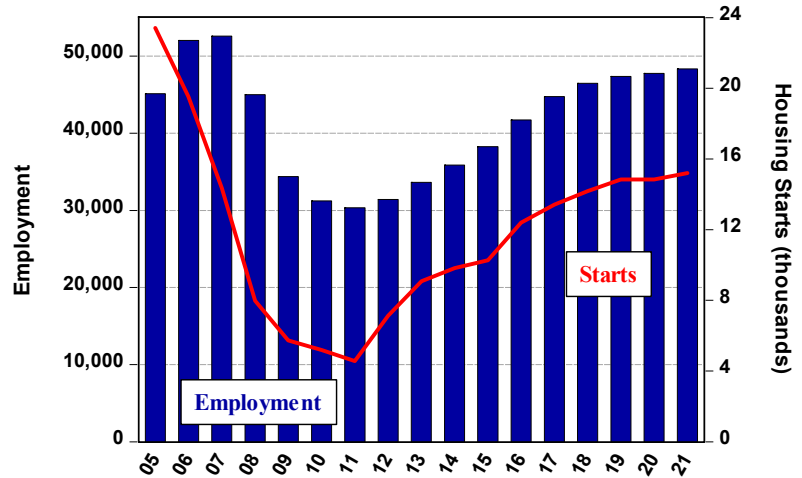


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finally addressed objections. HK Hynix is part of that consortium. Another large employer in Idaho in the computer and electronics manufacturing sector is ON Semiconductor. Spun off from Motorola in 1999, it has also acquired other firms since 2007, three of which are semiconductor manufacturers. Its Idaho manufacturing operations are primarily in Pocatello, followed by Nampa, with a design office in Meridian. It has engineering and technician positions open at its Idaho branches. Employment in this sector has been fairly steady for the past two years at 12,100 jobs, and the forecast sees that value holding through until 2021 when a couple hundred more are expected to be employed.

**Construction:** Road work and building schools each received major funding boosts in 2017. Now a portion of sales tax revenue is dedicated toward transportation funding in addition to funds from gas taxes. Improving I-84 between Nampa and Caldwell and the Siphon Road interchange in Pocatello are major road projects for the coming year. November elections brought over \$92 million in bond and levy funds to local school districts; many of these funds will be used for maintenance, and some will be used to fund new school buildings. March elections brought over \$300 million in such bonds and levies.

**Idaho Construction Employment and Housing Starts**

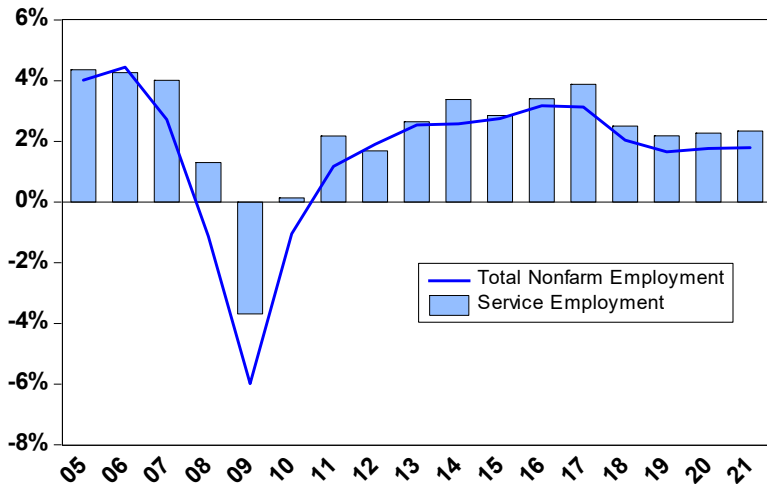


Construction of major buildings continues within downtown Boise, with hotel construction near Capitol Boulevard segueing to apartments near Fifth Street. Outside the capital, housing projects are being planned. Blackfoot is seeing development return after the housing crash a decade ago, with three separate subdivisions. Eagle is getting senior housing. Development is occurring north of Star. Finding workers for projects remains difficult. Associated General Contractors of Idaho indicates that unskilled general laborers are paid double the minimum wage. Finding housing is also difficult. Brundage is making efforts to find housing for the resorts’ seasonal workers. Fewer distressed sales are happening nationally, and the same seems to be holding locally. Up to 14.1% were distressed sales a year ago; now it is down to 1 in 8 (12.5%). The tax bill in Congress also weighs in on home ownership, changing the value of mortgage interest which is deductible, as well as how state property taxes may be deducted. Competition for the properties which do become available keeps prices rising. More than 1 in 4 sales is to an all-cash buyer. Prices in Ada County are almost \$270,000, up over 10.0% from a year ago. The Idaho National Laboratory (INL) will be, for some time to come, a construction hotbed in the state; the \$1.6 billion waste reprocessing project dwarfs others in terms of value with over \$500 million in construction, but also duration, with construction slated at multiple years and operation set to begin in 2024. A recent large project to reach completion has been in Lewiston, with the \$160 million digester upgrade at Clearwater Paper. Construction employment has had recent growth at 9.1% in 2016, an expected 7.2% for 2017, and the forecast is for 3.8% growth in 2018. That will bring the jobs tally to 46,500 in the state, and by 2021, an additional 1,900 jobs are expected.

**Employment:** Many agricultural and forestry businesses in the state use the federal worker programs called H2 visas. These are permits for bringing foreign workers into the country to perform work. The permit is temporary and the work is regulated. Among the reasons for continued use of these programs is the difficulty in finding domestic workers for those positions, as well as the expertise the foreign workers provide. Some H2 workers within the state have been returning to the same farms for years.



**Idaho Employment Growth**

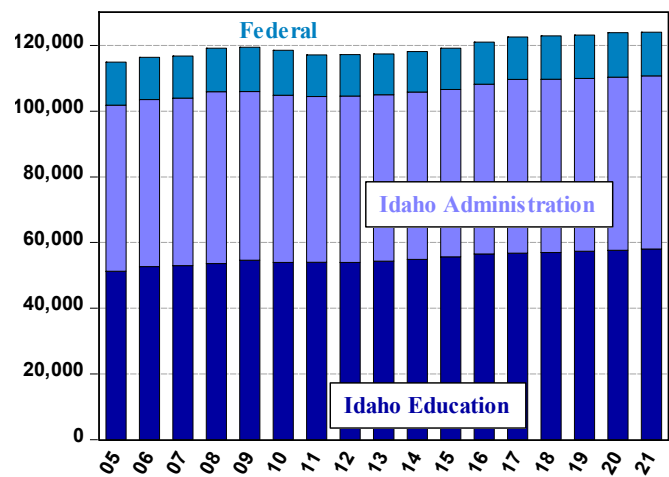


Demand for these workers is actually increasing: H2-A applications are up almost a third in the past two years within the state, and this is actually mirroring the national trend. Minimum wage for an H2-A worker is \$11.66 per hour. Workers under the H2-B visa program can be found in Idaho forests, providing thinning as well as tree planting. The Idaho Department of Labor helps employers navigate the visa process and educates workers on their rights under the visa. Other assistance is provided by the Snake River Farmers' Association. Veterans are another slice of the Idaho workforce, and

unemployment among veterans is higher than the general population. Local jobs fairs have been organized with the aim of being particularly attractive to this workforce. One in northern Idaho drew 100 employers. Other initiatives bring incarcerated individuals and those experiencing homelessness back to work. The City of Boise Parks Department has piloted a program for homeless individuals. This summer, the Agriculture Work Program brought fruit pickers to the Marsing area from the Southern Idaho Correctional Institution. Each of these illustrates a possible supply of labor amid the tight Idaho labor market. A region of the state which is benefiting from economic expansion and which has a tight labor market is south-central Idaho. The US Bureau of Labor Statistics reports an average weekly wage below \$800 for Idaho while the national average is above \$1,100. In south-central Idaho, the highest average was just over \$900 in Camas County; Jerome, Cassia, and Minidoka counties averaged under \$700 per week. Of these counties, Camas had the lowest unemployment at 2.1%; Jerome had the highest at a still very low 3.1%. Each of these weekly wages actually represents strong growth from a year ago. With state unemployment levels very low, it is likely that Idaho will witness wage pressures. IHS is suggesting that this pressure may translate into change by 2019.

**Government:** Idaho has floated the bonds to buy the HP campus in Boise. The Idaho Transportation Department has earmarked additional funding for the expansion of I-84 between Nampa and Caldwell. Twin Falls has been designated as the state's newest Metropolitan Statistical Area (MSA) by the Office of Management and Budget. INL will restart a test reactor and continues to pursue small modular reactor design. These are among the major activities involving government within the state. The first and last examples represent state and federal government initiatives to capture future opportunity. The road construction project represents government responding to local needs, and the consequences of the MSA designation will mean higher levels of commitment to local transportation integration. This year brought many school bond requests to voters. Most passed, so now construction and maintenance on schools is expanding. Enrollment continues to increase in Idaho schools. It is up about 500 students from last year. Public Safety is also encountering population expansion. Idaho State Police just

**Idaho Government Employment**

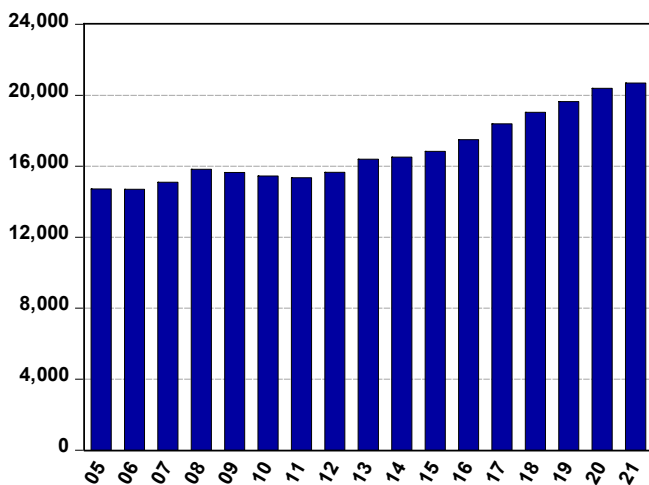


opened a new facility in Pocatello; this facility processes many of the chemical analysis tools and tests used by police statewide. A recent study found that Canyon County is in need of additional inmate housing. While education uses the largest portion of Idaho’s General Fund, a growing need will be for funds to address the aging population. By 2025, the portion of the population which is 75 years or older is expected to grow 23% in the state. The portion which is under 5 years old is expected to expand by 4%. The scale by which governments will be both responding to changing demographics and anticipating future needs and opportunities is likely to only augment across the next decade. State and local government employment is expected to remain relatively constant through 2021, with job growth of only 1,100 jobs over the 2017 level. Education should be up 1,200 jobs, leaving a drop of 100 jobs for the remainder of government. Federal employment within the state is expected to expand by a bit over 300 jobs during the forecast period.

**Technical Services:** Clearwater Analytics and TSheets are Idaho high-tech firms which have been bought in the past two years. The first occurred in 2016; the latter happened in early December of 2017. Both firms intend to stay invested in Idaho. Clearwater Analytics now has a year of doing so under the new ownership. TSheets reiterated that it is invested in Idaho at the Associated Taxpayers of Idaho conference and included the possibility of expansion into more of the space in the new Eagle headquarters. Clearwater Analytics helps track firms’ liquid assets. TSheets helps employers track employee time. Paylocity, a software-oriented human resources firm, is decamping from downtown Boise to the Ten Mile Crossing development in Meridian, with the move part of an expansion from 150 employees towards 500. Kochava, a Sandpoint firm, has current openings; it provides ways for firms to understand digital traffic. While the FBI expansion in Pocatello would be mostly counted under government employment, that expansion is paving the way for the private sector in technical services there as well. Buchanan & Edwards entered the Pocatello marketplace; it provides technology services to governmental agencies. Technical services are part of the professional and business services sector within the Idaho Economic Model. This larger, encompassing sector employed over 90,000 people in the state for the first time in 2017. Growth is expected to bring that total to 100,000 people by 2021.

**Food processing:** The Magic Valley is a hub of food processing in Idaho. Before turning to the dairy industry there, an important story is that McCain foods is to begin hiring in the new year for the line at its Burley expansion, and wages are expected to average over \$20 per hour. This is partly due to training efforts in conjunction with the Idaho Department of Labor. High wages are also part of the story at Chobani; the Idaho workers for that company average \$15 per hour. Chobani just announced a \$20 million expansion of its Twin Falls facility, which will be its global research and development center.

**Idaho Food Processing Employment**



Fourteen million dollars is for the building. The addition brings 70,000 square feet of additional space to the existing one million square foot plant. Despite the growth of dairy processing within the state, increasing milk production in Idaho is likely to lead to dairy herd reductions, a view held by the Idaho Dairymen’s Association. This parallels the market difficulty with hay that farmers face, and may exacerbate it. CS Beef Packers in Kuna is also using Department of Labor programs to train 700 potential new workers for its facility; starting wages there are over \$17 per hour. High productivity within food processing today is indicated by these wages which are all more than double the Idaho minimum wage. On the horizon,

though, is the possibility of wage pressures coming from worker shortages. In Weston, Oregon, which is midway between Pendleton and Walla Walla, Washington, short-time labor has become scarce in the food processing industry, to the point where shifts are running short by 10 people in a facility that has 100 fulltime employees. Idaho food processing is expected to close 2017 with a 5.2% gain in employment, double the national gain. Local expansion then should remain above 3.2% for three years. Total employment in the sector should reach 20,700 jobs by 2021.

**Mining:** There has been little recent change in US employment in the industry, notwithstanding reports that employment in mining and drilling is doing well. It is the drilling component of that sector which has seen the expansion. This dynamic seems to be occurring locally as well, and since mining is the bigger of the two in the Gem State, this means that employment in mines has yet to see much of a change. There are possible developments, though. The addition of a cobalt mine near Salmon and a processing facility near Blackfoot seem to be furthest along. Others are less certain. HiTest from Canada is interested in placing a silicon smelter in the border town of Newport, Washington, and Oldtown, Idaho. The Kalispel tribe has opposed the smelter, citing the air pollution it would bring to the river valley. Hecla Mining, which has a copper and silver project in northwestern Montana, is being asked for additional investigations regarding groundwater before being permitted to go further according to a Record of Decision by the United States Forest Service (USFS). Meanwhile, as of December 14, Hecla indicates that “no meaningful progress” was made at a recent mediation session between the union and the Lucky Friday mine. At issue are six contentions, prominently including ones related to scheduling and coworkers. At the other end of the state, Agrium is to sell its phosphate operations near Conda, Idaho, to Itafos in order to address regulatory concerns raised by its merger with Potash Corporation. The sale includes an agreement between the two companies for continued operation and cross deliveries, with ammonia due to the mine and monoammonium phosphate due to Agrium. The sale leaves the environmental obligations on Agrium’s books. Meanwhile, the Canadian firm CuMo is interested in creating an open pit molybdenum mine north of Idaho City. It has held meetings in the surrounding towns in early December regarding a court ordered Supplemental Information Report regarding Sacajawea’s Bitterroot (plant). The comment period is open until January 8; The CuMo project indicates that analysis of the proposed mine has been ongoing for ten years. That small remark is perhaps indicative as to why employment in mining is not undergoing gyrations. Mines are complex operations, and mining companies are well aware of the timeframes involved. Employment in this sector is likely to remain fairly constant over the forecast, with growth notably behind the national forecast. This is due to national growth being driven by growth in drilling activity, not necessarily in metals mining.

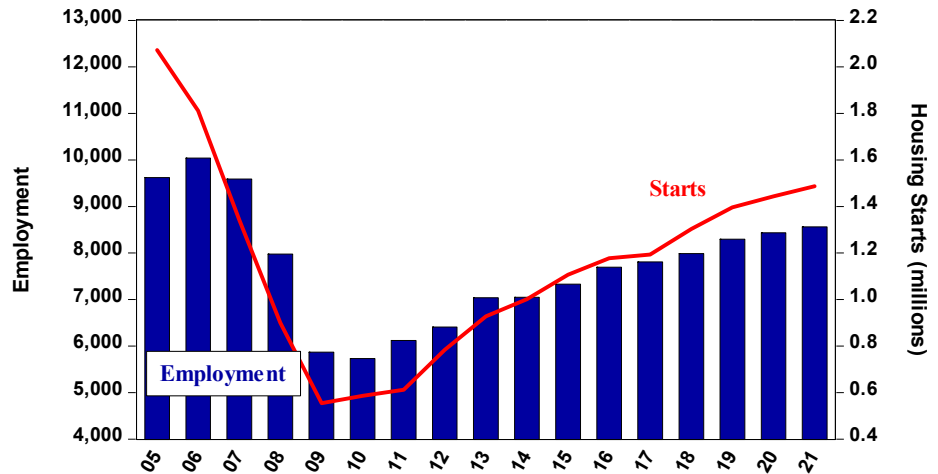
**Utilities:** The two largest electric utilities in the state made changes in 2017. Idaho Power has put in plans to shut down its coal fired power plant in Nevada. Avista is being acquired by Hydro One, a Canadian company. Part of that proposed sale involves a 10-year rate of credit with a planned increase midway, to which Idaho customers would be eligible. Hydropower makes up half of the electricity generated in Idaho. Relicensing of dams can be a decade-long process, while gas-fired power plants can make it through regulation in under half of that time. Meanwhile, other renewable sources are of growing importance to the utilities. Solar generation can boost voltage across long transmission lines; this has been put to use north of Shoshone. Installing a new line would have been the alternative, and that is a more costly endeavor. The Department of the Interior put in place a Record of Decision (RoD) going forward with a 300-mile-long transmission line from Boardman (Oregon) to Hemingway (near Melba). That project is expected to start in 2021 and last two to three years, costing just above one billion dollars. The Hemingway station is the destination of the Gateway West Transmission Line Project from Wyoming (near Casper), and this project is likewise receiving RoDs in the regulatory process. Its construction is envisioned to be between 2020 and 2024. Another example of a line project finished this summer. In 2016–2017, the circa 1962 line from Hagerman to north of Hailey was rebuilt,



finishing a project that began in 2007. Modeling of the increasingly complex electrical grid and the sources and the demands placed upon it is being conducted at INL. This project uses cybersecurity capabilities at the lab as well as the site’s physical infrastructure, including solar panel power generation. Utilities are grouped together with transportation and warehousing in the Idaho Economic Model. The employment figures in this publication show growth in that sector, bringing it from 24,300 jobs in 2017 to 25,200 jobs in 2019, on to 26,000 jobs in 2021. Utilities represent about one eighth of that sector.

**Wood:** With longer fire seasons, including December fires in California, land management will continue to be debated at the national level. One component of this is expedited salvage logging operations in catastrophic fire areas. Legal avenues to expedite salvage logging have found a receptive audience within Idaho. The Good Neighbor Authority has been used by the Idaho Department of Lands to streamline such activities on recent fires in the

**Idaho Wood Product Employment and U.S. Housing Starts**



state, and that authority has resulted in ongoing salvage operations. Such work has resulted in timber sales in northern Idaho, but southern Idaho, even though it lacks the mills of the north, also has salvage sales. The standing dead trees from the Pioneer Fire from two summers ago are currently being logged. This process was brought about through an Emergency Situation Determination, a process internal to the USFS. Roughly 8% of the fire’s 194,000-acre area is to be logged under this authority. Other avenues to quicken timber harvests are available under the Health Forest Restoration Act of 2009 as well as the 2014 Farm Bill. These routes are finding use in the Nez Perce-Clearwater National Forest. The sourcing of timber can be an issue, particularly for smaller mills unassociated with large land holdings. A recent transaction illustrates this: Tricon Timber’s stud mill in St. Regis was acquired by Idaho Forest Group. The wood sector is expected to finish 2017 with a gain of around 150 jobs over 2016, and 2018 should see an additional 200, with one to two hundred new jobs in each of the remaining years of the forecast. Total employment in 2018 is expected near 8,100 jobs and above 8,600 jobs in 2021.

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## ALTERNATIVE FORECAST

In its November 2017 release, IHS places its optimistic alternative forecast at 15% likely and gives a 20% chance to its pessimistic alternative. These likelihoods have not changed since the previous *Idaho Economic Forecast*.

A snapshot of the *Baseline Scenario* across 2018–2021 is:

- Real GDP growth is forecast at 2.2% in 2017, 2.5% in 2018, 2.2% in 2019, and 2.0–2.1% thereafter.
- Nonfarm payrolls grow 1.5% in 2017, 1.3% in 2018, 1.0% in 2019, and 0.5–0.8% thereafter.
- Headline (U-3) unemployment drops from a 4.4% rate in 2017 to 4.0%. The 4.0% rate persists through two years, 2018 and 2019. It then ascends from 4.0% to 4.3% during 2020–2021.
- CPI inflation in 2017 is forecast at 2.1%, to be followed by 1.9%, 2.1%, 2.6%, 1.6%, and 1.7%.
- The US federal governmental runs deficits of \$500–\$900 billion per fiscal year, with growth in the deficit accelerating from roughly \$70 billion per year to over \$100 billion per year.

## PESSIMISTIC SCENARIO

IHS continues to counter the probability of this scenario occurring through its description of the scenario's features. Indeed, one of its opening lines for the narrative of the *Pessimistic Scenario* states that “given the largely solid current macroeconomic indicators, the expansion looks bound to continue.” Still, this forecast continues to have a mild recession as the pessimistic alternative, with the same two possible triggers being given. Commercial real estate could drop, and that could make confidence sag. Following current Federal Reserve policy, interest rates would continue to move higher, and housing starts would decline beginning in early 2018. The US economy slips into a recession, contracting in the last two quarters of 2018. Housing starts would not surpass 1.5 million units per year before 2022 is crossed. The unemployment rate reaches a historically mild 5.5% in 2019 before descending towards 5.0% to end the forecast.

In this case, the federal deficit grows sharply in FY 2019, increasing by \$225 billion, though the end fiscal deficit is similar to the baseline at \$945 billion versus \$917 billion. Light vehicle sales drop more than 1.3 million units to below the 16-million-unit mark in 2019, and they bounce along there through 2022. The S&P 500 drops to below 2300 in 2018 and 2019; it is currently above 2650, a level to which it does not return until at least 2022. While the federal funds rate is predicted to slowly grow to 3.2% in 2022 under the baseline, in this pessimistic case, the rate only grows to 2.7%. In each case, these statistics illustrate that the recession the *Pessimistic Scenario* envisions is mild, but its effect would lengthen the economic anemia.

Within Idaho, the anemia is not quite as pronounced as at the national level. Real personal income grows at a slower pace, averaging 3.8% in 2018–2019, slowing from 5.1% in the baseline. National growth slows to 3.1% from 4.4% at the same time. While the percentage point reduction is the same at the state and national levels, the greater base of growth in the state would cushion the effect here. Total nonfarm employment growth slows to 0.9% within the state in 2019 rather than the 1.7% seen in the baseline, but nationally, the change is from 1.0% growth to 0.3% contraction; again, the percentage point decrease is similar, but the effect is quite different—growth locally amid a shrinking national backdrop. The local goods-producing sector continues growth with the slowest expansion of 0.5% in 2019, but there is a 1.1% contraction in that sector nationally. Locally, the nongoods-producing sectors also keep growing, slowing to only 0.9% growth in 2019, whereas nationally there is a slight 0.2% contraction then.

**IDAHO ECONOMIC FORECAST  
BASELINE AND ALTERNATIVE FORECASTS  
JANUARY 2018**

|                                  | BASELINE |         |         |         |         | OPTIMISTIC |         |         |         |         | PESSIMISTIC |         |         |         |         |
|----------------------------------|----------|---------|---------|---------|---------|------------|---------|---------|---------|---------|-------------|---------|---------|---------|---------|
|                                  | 2017     | 2018    | 2019    | 2020    | 2021    | 2017       | 2018    | 2019    | 2020    | 2021    | 2017        | 2018    | 2019    | 2020    | 2021    |
| <b>U.S. GDP (BILLIONS)</b>       |          |         |         |         |         |            |         |         |         |         |             |         |         |         |         |
| Current \$                       | 19,377   | 20,256  | 21,163  | 22,109  | 23,052  | 19,390     | 20,573  | 21,809  | 22,920  | 23,997  | 19,356      | 19,886  | 20,471  | 21,549  | 22,533  |
| % Ch                             | 4.0%     | 4.5%    | 4.5%    | 4.5%    | 4.3%    | 4.1%       | 6.1%    | 6.0%    | 5.1%    | 4.7%    | 3.9%        | 2.7%    | 2.9%    | 5.3%    | 4.6%    |
| 2009 Chain-Weighted              | 17,090   | 17,513  | 17,906  | 18,281  | 18,649  | 17,103     | 17,734  | 18,321  | 18,798  | 19,248  | 17,071      | 17,210  | 17,374  | 17,878  | 18,279  |
| % Ch                             | 2.2%     | 2.5%    | 2.2%    | 2.1%    | 2.0%    | 2.3%       | 3.7%    | 3.3%    | 2.6%    | 2.4%    | 2.1%        | 0.8%    | 1.0%    | 2.9%    | 2.2%    |
| <b>PERSONAL INCOME - CURR \$</b> |          |         |         |         |         |            |         |         |         |         |             |         |         |         |         |
| Idaho (Millions)                 | 69,071   | 72,001  | 75,364  | 79,027  | 82,967  | 69,084     | 72,588  | 77,440  | 82,500  | 87,539  | 69,071      | 71,712  | 74,356  | 78,189  | 82,259  |
| % Ch                             | 4.0%     | 4.2%    | 4.7%    | 4.9%    | 5.0%    | 4.0%       | 5.1%    | 6.7%    | 6.5%    | 6.1%    | 4.0%        | 3.8%    | 3.7%    | 5.2%    | 5.2%    |
| U.S. (Billions)                  | 16,428   | 17,074  | 17,899  | 18,756  | 19,663  | 16,432     | 17,223  | 18,365  | 19,443  | 20,477  | 16,423      | 16,917  | 17,442  | 18,331  | 19,304  |
| % Ch                             | 3.1%     | 3.9%    | 4.8%    | 4.8%    | 4.8%    | 3.2%       | 4.8%    | 6.6%    | 5.9%    | 5.3%    | 3.1%        | 3.0%    | 3.1%    | 5.1%    | 5.3%    |
| <b>PERSONAL INCOME - 2009 \$</b> |          |         |         |         |         |            |         |         |         |         |             |         |         |         |         |
| Idaho (Millions)                 | 61,349   | 63,033  | 64,856  | 66,584  | 68,511  | 61,367     | 63,508  | 66,653  | 69,624  | 72,476  | 61,349      | 62,785  | 64,049  | 65,961  | 68,016  |
| % Ch                             | 2.3%     | 2.7%    | 2.9%    | 2.7%    | 2.9%    | 2.3%       | 3.5%    | 5.0%    | 4.5%    | 4.1%    | 2.3%        | 2.3%    | 2.0%    | 3.0%    | 3.1%    |
| U.S. (Billions)                  | 14,591   | 14,947  | 15,403  | 15,803  | 16,237  | 14,596     | 15,069  | 15,807  | 16,409  | 16,954  | 14,587      | 14,811  | 15,024  | 15,464  | 15,961  |
| % Ch                             | 1.5%     | 2.4%    | 3.0%    | 2.6%    | 2.7%    | 1.5%       | 3.2%    | 4.9%    | 3.8%    | 3.3%    | 1.5%        | 1.5%    | 1.4%    | 2.9%    | 3.2%    |
| <b>TOTAL NONFARM EMPLOYMENT</b>  |          |         |         |         |         |            |         |         |         |         |             |         |         |         |         |
| Idaho                            | 715,557  | 730,138 | 742,206 | 755,282 | 768,786 | 715,681    | 733,890 | 755,223 | 779,881 | 803,897 | 715,559     | 728,133 | 734,330 | 748,559 | 764,144 |
| % Ch                             | 3.1%     | 2.0%    | 1.7%    | 1.8%    | 1.8%    | 3.1%       | 2.5%    | 2.9%    | 3.3%    | 3.1%    | 3.1%        | 1.8%    | 0.9%    | 1.9%    | 2.1%    |
| U.S. (Thousands)                 | 146,440  | 148,293 | 149,805 | 150,984 | 151,791 | 146,458    | 148,908 | 151,440 | 153,348 | 154,584 | 146,381     | 146,935 | 146,431 | 147,740 | 149,285 |
| % Ch                             | 1.5%     | 1.3%    | 1.0%    | 0.8%    | 0.5%    | 1.5%       | 1.7%    | 1.7%    | 1.3%    | 0.8%    | 1.4%        | 0.4%    | -0.3%   | 0.9%    | 1.0%    |
| <b>GOODS-PRODUCING SECTOR</b>    |          |         |         |         |         |            |         |         |         |         |             |         |         |         |         |
| Idaho                            | 114,789  | 118,142 | 120,508 | 122,441 | 123,839 | 114,887    | 119,932 | 123,618 | 126,478 | 129,289 | 114,798     | 117,032 | 117,572 | 121,898 | 123,695 |
| % Ch                             | 4.4%     | 2.9%    | 2.0%    | 1.6%    | 1.1%    | 4.5%       | 4.4%    | 3.1%    | 2.3%    | 2.2%    | 4.4%        | 1.9%    | 0.5%    | 3.7%    | 1.5%    |
| U.S. (Thousands)                 | 20,029   | 20,407  | 20,854  | 21,267  | 21,554  | 20,058     | 20,642  | 21,429  | 22,024  | 22,320  | 20,022      | 20,131  | 19,915  | 20,283  | 20,974  |
| % Ch                             | 1.5%     | 1.9%    | 2.2%    | 2.0%    | 1.4%    | 1.6%       | 2.9%    | 3.8%    | 2.8%    | 1.3%    | 1.4%        | 0.5%    | -1.1%   | 1.8%    | 3.4%    |
| <b>NONGOODS-PRODUCING SECTOR</b> |          |         |         |         |         |            |         |         |         |         |             |         |         |         |         |
| Idaho                            | 600,768  | 611,996 | 621,698 | 632,841 | 644,947 | 600,793    | 613,958 | 631,605 | 653,403 | 674,608 | 600,762     | 611,101 | 616,757 | 626,661 | 640,448 |
| % Ch                             | 2.9%     | 1.9%    | 1.6%    | 1.8%    | 1.9%    | 2.9%       | 2.2%    | 2.9%    | 3.5%    | 3.2%    | 2.9%        | 1.7%    | 0.9%    | 1.6%    | 2.2%    |
| U.S. (Thousands)                 | 126,412  | 127,886 | 128,950 | 129,718 | 130,237 | 126,400    | 128,265 | 130,012 | 131,324 | 132,264 | 126,360     | 126,804 | 126,517 | 127,457 | 128,311 |
| % Ch                             | 1.5%     | 1.2%    | 0.8%    | 0.6%    | 0.4%    | 1.5%       | 1.5%    | 1.4%    | 1.0%    | 0.7%    | 1.4%        | 0.4%    | -0.2%   | 0.7%    | 0.7%    |
| <b>SELECTED INTEREST RATES</b>   |          |         |         |         |         |            |         |         |         |         |             |         |         |         |         |
| Federal Funds                    | 1.0%     | 1.6%    | 2.3%    | 2.8%    | 3.2%    | 1.0%       | 1.6%    | 2.3%    | 2.9%    | 3.5%    | 1.0%        | 1.1%    | 0.6%    | 1.4%    | 2.6%    |
| Bank Prime                       | 4.1%     | 4.7%    | 5.4%    | 5.9%    | 6.3%    | 4.1%       | 4.7%    | 5.4%    | 6.0%    | 6.6%    | 4.1%        | 4.2%    | 3.6%    | 4.4%    | 5.6%    |
| Existing Home Mortgage           | 4.2%     | 4.3%    | 5.0%    | 5.3%    | 5.4%    | 4.2%       | 4.5%    | 5.4%    | 5.7%    | 5.8%    | 4.2%        | 5.0%    | 4.8%    | 4.5%    | 5.0%    |
| <b>INFLATION</b>                 |          |         |         |         |         |            |         |         |         |         |             |         |         |         |         |
| GDP Price Deflator               | 1.8%     | 2.0%    | 2.2%    | 2.3%    | 2.2%    | 1.8%       | 2.3%    | 2.6%    | 2.4%    | 2.3%    | 1.8%        | 1.9%    | 2.0%    | 2.3%    | 2.3%    |
| Personal Cons Deflator           | 1.6%     | 1.5%    | 1.7%    | 2.1%    | 2.0%    | 1.6%       | 1.5%    | 1.7%    | 2.0%    | 1.9%    | 1.6%        | 1.4%    | 1.6%    | 2.1%    | 2.0%    |
| Consumer Price Index             | 2.1%     | 1.9%    | 2.1%    | 2.6%    | 2.4%    | 2.1%       | 2.8%    | 2.9%    | 2.8%    | 2.5%    | 2.1%        | 1.8%    | 2.0%    | 2.6%    | 2.5%    |

## OPTIMISTIC SCENARIO

Despite legislative progress on taxes, for the IHS November forecast, all three scenarios use the same fiscal outlook, which incorporates neither a tax reform or overhaul, nor an infrastructure boost. Instead, what aids the economy in the current *Optimistic Scenario* is increasing household formation, increased productivity, and high consumer confidence. Productivity growth has been elusive in the recovery from the Great Recession. The most recent quarter's productivity reading is a 3.0% advance. It means that productivity has been improving since the first quarter of 2016, when the last contraction occurred. The full year value for productivity was 0.0% in 2016, an expected 1.4% in 2017, and the optimistic route has this growing to 2.4% in 2018. It then stays above 1.7% for the remainder of the forecast. With these readings, together with low unemployment rates, it is unsurprising that real GDP growth attains high rates such as 3.7% in 2018, 3.3% in 2018, and above 2.3% through the remainder of the forecast.

Household formation drives housing starts to 1.5 million units in 2018, then up by an additional 100,000 units in the next two years after that. This piece of the favorable scenario actually addresses a lingering conundrum—why housing has been recovering so slowly—and softens a current hiccup. There has been a general slowdown in construction across the nation. Light vehicle sales re-attain their 2016 levels in 2018 after dropping 400,000 units in 2017, and that market continues to grow modestly through 2020. Stock markets continue to rally, with the S&P 500 up 11.4% in 2018. All this purchasing occurs with rising consumer confidence. Purchases are not just expanding in the private sector; federal borrowing grows by an additional \$100 billion per year most years of the forecast.

The *Optimistic Scenario* produces greater real personal income gains for Idaho. Growth hits an average 5.9% for the next two years, whereas it averages 4.5% in the baseline. This produces \$4.5 billion dollars of extra value for Idaho personal income for the year 2021. Total nonfarm employment in Idaho would be 35,100 jobs stronger by 2021 if the optimistic case holds. The split of these extra jobs is roughly 5.5 to 1 favoring the nongoods-producing sector over the goods-producing sector, but both see robust growth in this scenario.

# *Idaho General Fund Revenue*

## History and Projections

The following pages describe the sources of General Fund revenue, provide both tax rates and distribution formulas, historical and projected collections, and summarize the basis of each revenue source's forecast.

The three largest revenue categories (individual income tax, corporate income tax, and sales tax) typically account for more than 90% of Idaho's General Fund revenue. These three revenue sources are forecast using a combination of econometric methods and judgment. The econometric method employed is multiple regression, using variables contained in the Idaho Economic Model (IEM). Exogenous forecast data are obtained from the January 2018 *Idaho Economic Forecast*. Both are products of the Idaho Division of Financial Management. The judgmental factors considered include the effects of rate changes, other law changes, judicial decisions, and knowledge not reflected in the econometric analysis.

Product taxes and miscellaneous revenue sources are forecast using collections history, trend analysis, law changes, receipts to date, and a broad array of contacts with individuals involved with the collection of each revenue category. The largest miscellaneous revenue category, insurance premium tax, is forecast by the Department of Insurance, using a simulation model to account for relevant variables and parameters that affect the cash flow into the General Fund.

**GENERAL FUND REVENUE**  
(\$ MILLION)

| SOURCE                       | ACTUAL            |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                              | FY 2001           | FY 2002           | FY 2003           | FY 2004           | FY 2005           | FY 2006           | FY 2007           | FY 2008           | FY 2009           | FY 2010           |
| <b>INDIVIDUAL INCOME TAX</b> | <b>\$1,023.97</b> | <b>\$835.85</b>   | <b>\$837.80</b>   | <b>\$902.13</b>   | <b>\$1,035.54</b> | <b>\$1,216.49</b> | <b>\$1,400.16</b> | <b>\$1,429.74</b> | <b>\$1,167.89</b> | <b>\$1,061.88</b> |
| % CHANGE                     | 6.6%              | -18.4%            | 0.2%              | 7.7%              | 14.8%             | 17.5%             | 15.1%             | 2.1%              | -18.3%            | -9.1%             |
| <b>CORPORATE INCOME TAX</b>  | <b>\$141.53</b>   | <b>\$76.30</b>    | <b>\$93.13</b>    | <b>\$103.02</b>   | <b>\$139.56</b>   | <b>\$194.13</b>   | <b>\$190.22</b>   | <b>\$189.28</b>   | <b>\$141.03</b>   | <b>\$97.02</b>    |
| % CHANGE                     | 13.3%             | -46.1%            | 22.1%             | 10.6%             | 35.5%             | 39.1%             | -2.0%             | -0.5%             | -25.5%            | -31.2%            |
| <b>SALES TAX</b>             | <b>\$647.29</b>   | <b>\$657.12</b>   | <b>\$700.24</b>   | <b>\$886.08</b>   | <b>\$950.83</b>   | <b>\$880.77</b>   | <b>\$1,077.46</b> | <b>\$1,141.44</b> | <b>\$1,022.20</b> | <b>\$955.91</b>   |
| % CHANGE                     | 3.2%              | 1.5%              | 6.6%              | 26.5%             | 7.3%              | -7.4%             | 22.3%             | 5.9%              | -10.4%            | -6.5%             |
| CIGARETTE TAX                | \$7.98            | \$8.00            | \$8.26            | \$30.04           | \$7.81            | \$7.98            | \$1.00            | \$6.54            | \$7.77            | \$16.90           |
| TOBACCO PRODUCTS             | \$4.06            | \$4.31            | \$4.67            | \$5.49            | \$5.75            | \$6.16            | \$6.55            | \$7.20            | \$7.36            | \$7.82            |
| BEER TAX                     | \$1.82            | \$1.88            | \$1.91            | \$1.96            | \$1.95            | \$1.99            | \$2.13            | \$2.15            | \$2.04            | \$2.07            |
| WINE TAX                     | \$1.90            | \$1.88            | \$1.97            | \$2.14            | \$2.33            | \$2.43            | \$2.48            | \$2.58            | \$3.28            | \$3.00            |
| LIQUOR SURCHARGE             | \$4.95            | \$4.95            | \$4.95            | \$4.95            | \$4.95            | \$4.95            | \$10.24           | \$8.38            | \$9.29            | \$11.39           |
| <b>PRODUCT TAXES</b>         | <b>\$20.70</b>    | <b>\$21.02</b>    | <b>\$21.75</b>    | <b>\$44.57</b>    | <b>\$22.79</b>    | <b>\$23.50</b>    | <b>\$22.41</b>    | <b>\$26.84</b>    | <b>\$29.74</b>    | <b>\$41.18</b>    |
| % CHANGE                     | 29.7%             | 1.5%              | 3.5%              | 104.9%            | -48.9%            | 3.1%              | -4.6%             | 19.8%             | 10.8%             | 38.5%             |
| KILOWATT-HOUR TAX            | \$1.80            | \$1.79            | \$1.80            | \$1.83            | \$1.53            | \$2.29            | \$2.26            | \$1.60            | \$2.02            | \$2.14            |
| MINE LICENSE TAX             | \$0.12            | \$0.82            | \$0.04            | \$0.07            | \$0.03            | \$0.27            | \$2.35            | \$2.52            | \$0.94            | \$1.80            |
| INTEREST EARNINGS            | \$22.30           | \$11.33           | \$2.98            | \$4.97            | \$8.92            | \$18.12           | \$17.17           | \$11.37           | \$0.76            | (\$1.32)          |
| COURT FEES AND FINES         | \$5.49            | \$5.19            | \$5.29            | \$4.98            | \$4.66            | \$4.79            | \$5.04            | \$5.33            | \$5.35            | \$5.38            |
| INSURANCE PREMIUM TAX        | \$55.88           | \$55.37           | \$59.49           | \$62.77           | \$60.85           | \$60.38           | \$59.78           | \$56.34           | \$55.48           | \$53.63           |
| ALCOHOLIC BEVERAGE LICENSES  | \$1.22            | \$1.36            | \$1.39            | \$1.61            | \$1.64            | \$1.72            | \$1.81            | \$1.92            | \$1.61            | \$1.47            |
| UCC FILINGS                  | \$2.01            | \$2.03            | \$2.14            | \$2.39            | \$2.69            | \$3.02            | \$3.00            | \$2.82            | \$2.42            | \$2.42            |
| UNCLAIMED PROPERTY           | \$5.81            | \$0.88            | \$3.76            | \$3.69            | \$9.83            | \$1.99            | \$3.31            | \$5.63            | \$1.78            | \$8.22            |
| LANDS                        | \$0.34            | \$0.35            | \$0.36            | \$0.33            | \$0.53            | \$0.33            | \$0.47            | \$0.69            | \$0.98            | \$0.65            |
| ONE-TIME TRANSFERS           | \$11.19           | \$7.11            | \$5.46            | \$51.40           | \$0.86            | \$0.54            | \$1.54            | \$2.24            | \$1.43            | \$1.54            |
| ESTATE TAX                   | \$35.81           | \$7.59            | \$13.65           | \$4.43            | \$3.30            | \$1.11            | \$0.12            | \$0.03            | \$0.24            | (\$0.17)          |
| OTHER DEPTS & TRANSFERS      | \$9.18            | \$16.31           | \$14.67           | \$22.84           | \$24.14           | \$21.89           | \$25.40           | \$30.18           | \$31.70           | \$32.71           |
| <b>MISC. REVENUE</b>         | <b>\$151.15</b>   | <b>\$110.14</b>   | <b>\$111.02</b>   | <b>\$161.31</b>   | <b>\$118.98</b>   | <b>\$116.43</b>   | <b>\$122.25</b>   | <b>\$120.67</b>   | <b>\$104.71</b>   | <b>\$108.47</b>   |
| % CHANGE                     | 63.5%             | -27.1%            | 0.8%              | 45.3%             | -26.2%            | -2.1%             | 5.0%              | -1.3%             | -13.2%            | 3.6%              |
| <b>TOTAL GENERAL FUND*</b>   | <b>\$1,984.64</b> | <b>\$1,700.43</b> | <b>\$1,763.95</b> | <b>\$2,097.10</b> | <b>\$2,267.69</b> | <b>\$2,431.31</b> | <b>\$2,812.49</b> | <b>\$2,907.98</b> | <b>\$2,465.57</b> | <b>\$2,264.46</b> |
| % CHANGE                     | 9.0%              | -14.3%            | 3.7%              | 18.9%             | 8.1%              | 7.2%              | 15.7%             | 3.4%              | -15.2%            | -8.2%             |

\* Totals may not add due to rounding.

**GENERAL FUND REVENUE**  
(\$ MILLION)

| SOURCE                       | ACTUAL            |                   |                   |                   |                   |                   |                   | FORECAST          |                   |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                              | FY 2011           | FY 2012           | FY 2013           | FY 2014           | FY 2015           | FY 2016           | FY 2017           | FY 2018           | FY 2019           |
| <b>INDIVIDUAL INCOME TAX</b> | <b>\$1,152.65</b> | <b>\$1,206.41</b> | <b>\$1,284.38</b> | <b>\$1,329.26</b> | <b>\$1,470.86</b> | <b>\$1,513.17</b> | <b>\$1,651.20</b> | <b>\$1,754.10</b> | <b>\$1,834.65</b> |
| % CHANGE                     | 8.5%              | 4.7%              | 6.5%              | 3.5%              | 10.7%             | 2.9%              | 9.1%              | 6.2%              | 4.6%              |
| <b>CORPORATE INCOME TAX</b>  | <b>\$168.95</b>   | <b>\$187.01</b>   | <b>\$198.66</b>   | <b>\$188.29</b>   | <b>\$215.40</b>   | <b>\$186.87</b>   | <b>\$214.02</b>   | <b>\$211.10</b>   | <b>\$224.76</b>   |
| % CHANGE                     | 74.1%             | 10.7%             | 6.2%              | -5.2%             | 14.4%             | -13.2%            | 14.5%             | -1.4%             | 6.5%              |
| <b>SALES TAX</b>             | <b>\$972.38</b>   | <b>\$1,027.34</b> | <b>\$1,109.83</b> | <b>\$1,145.73</b> | <b>\$1,218.77</b> | <b>\$1,303.03</b> | <b>\$1,382.42</b> | <b>\$1,466.17</b> | <b>\$1,531.36</b> |
| % CHANGE                     | 1.7%              | 5.7%              | 8.0%              | 3.2%              | 6.4%              | 6.9%              | 6.1%              | 6.1%              | 4.4%              |
| CIGARETTE TAX                | \$14.40           | \$11.60           | \$13.08           | \$3.70            | \$3.34            | \$7.90            | \$9.98            | \$7.31            | \$10.81           |
| TOBACCO PRODUCTS             | \$8.48            | \$8.93            | \$10.01           | \$9.88            | \$10.50           | \$11.60           | \$12.65           | \$13.77           | \$14.05           |
| BEER TAX                     | \$1.97            | \$1.94            | \$1.93            | \$1.89            | \$1.91            | \$1.93            | \$1.94            | \$1.94            | \$1.97            |
| WINE TAX                     | \$3.21            | \$3.45            | \$3.91            | \$4.13            | \$4.24            | \$4.48            | \$4.65            | \$4.79            | \$4.98            |
| LIQUOR SURCHARGE             | \$14.76           | \$17.25           | \$20.93           | \$24.21           | \$25.48           | \$25.89           | \$28.88           | \$30.96           | \$32.49           |
| <b>PRODUCT TAXES</b>         | <b>\$42.82</b>    | <b>\$43.17</b>    | <b>\$49.85</b>    | <b>\$43.81</b>    | <b>\$45.47</b>    | <b>\$51.80</b>    | <b>\$58.09</b>    | <b>\$58.77</b>    | <b>\$64.30</b>    |
| % CHANGE                     | 4.0%              | 0.8%              | 15.5%             | -12.1%            | 3.8%              | 13.9%             | 12.1%             | 1.2%              | 9.4%              |
| KILOWATT-HOUR TAX            | \$2.43            | \$2.98            | \$1.92            | \$1.84            | \$1.92            | \$1.88            | \$2.11            | \$2.40            | \$2.10            |
| MINE LICENSE TAX             | \$1.54            | \$2.02            | \$0.53            | \$0.52            | \$0.07            | (\$0.25)          | \$0.05            | \$0.20            | \$0.30            |
| INTEREST EARNINGS            | (\$0.43)          | (\$0.60)          | \$0.36            | (\$0.37)          | (\$1.57)          | \$0.32            | (\$0.15)          | (\$0.83)          | \$1.94            |
| COURT FEES AND FINES         | \$5.12            | \$4.85            | \$4.59            | \$4.36            | \$6.14            | \$6.02            | \$8.44            | \$8.58            | \$8.71            |
| INSURANCE PREMIUM TAX        | \$54.12           | \$56.58           | \$55.62           | \$59.36           | \$61.75           | \$72.12           | \$75.42           | \$69.54           | \$69.53           |
| ALCOHOLIC BEVERAGE LICENS    | \$1.52            | \$1.56            | \$0.13            | \$0.00            | (\$0.00)          | \$0.00            | \$0.00            | (\$0.00)          | \$0.00            |
| UCC FILINGS                  | \$2.41            | \$2.43            | \$2.54            | \$2.70            | \$2.76            | \$3.01            | \$3.17            | \$3.56            | \$3.71            |
| UNCLAIMED PROPERTY           | \$4.51            | \$8.89            | \$7.00            | \$5.65            | \$6.29            | \$9.93            | \$10.37           | \$9.00            | \$9.00            |
| LANDS                        | \$0.62            | \$1.04            | \$0.83            | \$1.23            | \$0.72            | \$0.00            | \$0.13            | \$0.18            | \$0.05            |
| ONE-TIME TRANSFERS           | \$4.88            | \$16.16           | \$4.53            | \$4.22            | \$1.99            | \$8.60            | \$14.34           | \$5.06            | \$0.00            |
| ESTATE TAX                   | \$0.52            | (\$0.02)          | \$0.06            | \$0.30            | \$0.00            | \$0.00            | \$0.00            | \$0.00            | \$0.00            |
| OTHER DEPTS & TRANSFERS      | \$30.43           | \$27.90           | \$29.45           | \$28.51           | \$26.20           | \$27.19           | \$28.80           | \$27.98           | \$30.05           |
| <b>MISC. REVENUE</b>         | <b>\$107.68</b>   | <b>\$123.78</b>   | <b>\$107.56</b>   | <b>\$108.33</b>   | <b>\$106.26</b>   | <b>\$128.83</b>   | <b>\$142.68</b>   | <b>\$125.67</b>   | <b>\$125.39</b>   |
| % CHANGE                     | -0.7%             | 15.0%             | -13.1%            | 0.7%              | -1.9%             | 21.2%             | 10.8%             | -11.9%            | -0.2%             |
| <b>TOTAL GENERAL FUND*</b>   | <b>\$2,444.47</b> | <b>\$2,587.71</b> | <b>\$2,750.28</b> | <b>\$2,815.43</b> | <b>\$3,056.77</b> | <b>\$3,183.69</b> | <b>\$3,448.41</b> | <b>\$3,615.81</b> | <b>\$3,780.47</b> |
| % CHANGE                     | 7.9%              | 5.9%              | 6.3%              | 2.4%              | 8.6%              | 4.2%              | 8.3%              | 4.9%              | 4.6%              |

\* Totals may not add due to rounding.



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# INDIVIDUAL INCOME TAX

**Description:** (Title 63, Chapter 30, *Idaho Code*)

Collections from the individual income tax are based on a graduated scale of tax rates that are applied to brackets of Idaho taxable income. Beginning with tax year 2000, Idaho's income tax brackets have been adjusted annually for inflation. Current and past individual income tax rates and brackets are detailed in the following table.

## INDIVIDUAL INCOME TAX RATE HISTORY

| Tax Years         | Tax Rates on the Portion of Taxable Income <sup>1</sup> |                      |                      |                      |                      |                       |                        |                  |           |
|-------------------|---|----------------------|----------------------|----------------------|----------------------|-----------------------|------------------------|------------------|-----------|
|                   | \$0-1,000   | \$1,001-2,000        | \$2,001-3,000        | \$3,001-4,000        | \$4,001-5,000        | \$5,001-6,000         | \$6,001-7,500          | \$7,501-20,000   | \$20,001+ |
| 1931              | 1.0%  | 1.0%                 | 2.0%                 | 2.0%                 | 3.0%                 | 3.0%                  | 4.0%                   | 4.0%             | 4.0%      |
| 1933              | 1.0%  | 2.0%                 | 3.0%                 | 4.0%                 | 5.0%                 | 6.0%                  | 6.0%                   | 6.0%             | 6.0%      |
| 1935              | 1.5%  | 3.0%                 | 4.0%                 | 5.0%                 | 6.0%                 | 8.0%                  | 8.0%                   | 8.0%             | 8.0%      |
| 1955 <sup>2</sup> | 1.61%   | 3.23%                | 4.30%                | 5.38%                | 6.45%                | 8.60%                 | 8.60%                  | 8.60%            | 8.60%     |
| 1957 <sup>3</sup> | 2.0%  | 4.0%                 | 5.5%                 | 6.6%                 | 7.7%                 | 8.8%                  | 8.8%                   | 8.8%             | 8.8%      |
| 1959              | 3.5%  | 5.0%                 | 6.5%                 | 7.5%                 | 8.5%                 | 9.5%                  | 9.5%                   | 9.5%             | 9.5%      |
| 1963              | 3.4%  | 5.5%                 | 7.2%                 | 8.25%                | 9.35%                | 10.5%                 | 10.5%                  | 10.5%            | 10.5%     |
| 1965              | 2.5%  | 5.0%                 | 6.0%                 | 7.0%                 | 8.0%                 | 9.0%                  | 9.0%                   | 9.0%             | 9.0%      |
| 1972              | 2.0%  | 4.0%                 | 4.5%                 | 5.5%                 | 6.5%                 | 7.5%                  | 7.5%                   | 7.5%             | 7.5%      |
| 1987              | 2.0%  | 4.0%                 | 4.5%                 | 5.5%                 | 6.5%                 | 7.5%                  | 7.5%                   | 7.8%             | 8.2%      |
| 2000              | <b>\$0-1,022</b>  | <b>\$1,023-2,044</b> | <b>\$2,045-3,066</b> | <b>\$3,067-4,088</b> | <b>\$4,089-5,110</b> | <b>\$5,111-7,666</b>  | <b>\$7,667-20,442</b>  | <b>\$20,443+</b> |           |
|                   | 1.9%  | 3.9%                 | 4.4%                 | 5.4%                 | 6.4%                 | 7.4%                  | 7.7%                   | 8.1%             |           |
| 2001              | <b>\$0-1,056</b>  | <b>\$1,057-2,113</b> | <b>\$2,114-3,169</b> | <b>\$3,170-4,226</b> | <b>\$4,227-5,282</b> | <b>\$5,283-7,923</b>  | <b>\$7,924-21,129</b>  | <b>\$21,130+</b> |           |
|                   | 1.6%  | 3.6%                 | 4.1%                 | 5.1%                 | 6.1%                 | 7.1%                  | 7.4%                   | 7.8%             |           |
| 2002              | <b>\$0-1,087</b>  | <b>\$1,088-2,173</b> | <b>\$2,174-3,260</b> | <b>\$3,261-4,346</b> | <b>\$4,347-5,433</b> | <b>\$5,434-8,149</b>  | <b>\$8,150-21,730</b>  | <b>\$21,731+</b> |           |
| 2003              | <b>\$0-1,104</b>  | <b>\$1,105-2,207</b> | <b>\$2,208-3,311</b> | <b>\$3,312-4,415</b> | <b>\$4,416-5,518</b> | <b>\$5,519-8,278</b>  | <b>\$8,279-22,074</b>  | <b>\$22,075+</b> |           |
| 2004              | <b>\$0-1,129</b>  | <b>\$1,130-2,258</b> | <b>\$2,259-3,387</b> | <b>\$3,388-4,515</b> | <b>\$4,516-5,644</b> | <b>\$5,645-8,466</b>  | <b>\$8,467-22,577</b>  | <b>\$22,577+</b> |           |
| 2005              | <b>\$0-1,158</b>  | <b>\$1,159-2,317</b> | <b>\$2,318-3,476</b> | <b>\$3,477-4,635</b> | <b>\$4,636-5,793</b> | <b>\$5,794-8,691</b>  | <b>\$8,692-23,177</b>  | <b>\$23,178+</b> |           |
| 2006              | <b>\$0-1,198</b>  | <b>\$1,199-2,396</b> | <b>\$2,397-3,594</b> | <b>\$3,595-4,793</b> | <b>\$4,794-5,991</b> | <b>\$5,992-8,986</b>  | <b>\$8,987-23,963</b>  | <b>\$23,964+</b> |           |
| 2007              | <b>\$0-1,237</b>  | <b>\$1,238-2,474</b> | <b>\$2,475-3,710</b> | <b>\$3,711-4,947</b> | <b>\$4,948-6,184</b> | <b>\$6,185-9,276</b>  | <b>\$9,277-24,736</b>  | <b>\$24,737+</b> |           |
| 2008              | <b>\$0-1,271</b>  | <b>\$1,272-2,543</b> | <b>\$2,544-3,815</b> | <b>\$3,816-5,087</b> | <b>\$5,088-6,359</b> | <b>\$6,360-9,539</b>  | <b>\$9,540-25,440</b>  | <b>\$25,441+</b> |           |
| 2009              | <b>\$0-1,320</b>  | <b>\$1,321-2,641</b> | <b>\$2,642-3,962</b> | <b>\$3,963-5,283</b> | <b>\$5,284-6,603</b> | <b>\$6,604-9,906</b>  | <b>\$9,907-26,417</b>  | <b>\$26,418+</b> |           |
| 2010              | <b>\$0-1,315</b>  | <b>\$1,316-2,631</b> | <b>\$2,632-3,947</b> | <b>\$3,948-5,263</b> | <b>\$5,264-6,579</b> | <b>\$6,580-9,869</b>  | <b>\$9,870-26,319</b>  | <b>\$26,320+</b> |           |
| 2011              | <b>\$0-1,337</b>  | <b>\$1,338-2,675</b> | <b>\$2,676-4,013</b> | <b>\$4,014-5,351</b> | <b>\$5,352-6,689</b> | <b>\$6,690-10,034</b> | <b>\$10,035-26,759</b> | <b>\$26,760+</b> |           |
| 2012              | <b>\$0-1,380</b>  | <b>\$1,381-2,760</b> | <b>\$2,761-4,140</b> | <b>\$4,141-5,520</b> | <b>\$5,521-6,900</b> | <b>\$6,901-10,349</b> | <b>\$10,350+</b>       |                  |           |
| 2013              | <b>\$0-1,409</b>  | <b>\$1,410-2,818</b> | <b>\$2,819-4,227</b> | <b>\$4,228-5,636</b> | <b>\$5,637-7,045</b> | <b>\$7,046-10,568</b> | <b>\$10,569+</b>       |                  |           |
| 2014              | <b>\$0-1,429</b>  | <b>\$1,430-2,858</b> | <b>\$2,859-4,287</b> | <b>\$4,288-5,716</b> | <b>\$5,717-7,145</b> | <b>\$7,146-10,718</b> | <b>\$10,719+</b>       |                  |           |
| 2015              | <b>\$0-1,452</b>  | <b>\$1,453-2,904</b> | <b>\$2,905-4,356</b> | <b>\$4,357-5,808</b> | <b>\$5,809-7,260</b> | <b>\$7,261-10,890</b> | <b>\$10,891+</b>       |                  |           |
| 2016              | <b>\$0-1,454</b>  | <b>\$1,455-2,908</b> | <b>\$2,909-4,362</b> | <b>\$4,363-5,816</b> | <b>\$5,817-7,270</b> | <b>\$7,271-10,905</b> | <b>\$10,906+</b>       |                  |           |
| 2017              | <b>\$0-1,472</b>  | <b>\$1,473-2,945</b> | <b>\$2,946-4,417</b> | <b>\$4,418-5,890</b> | <b>\$5,891-7,362</b> | <b>\$7,363-11,043</b> | <b>\$11,044+</b>       |                  |           |
|                   | 1.6%  | 3.6%                 | 4.1%                 | 5.1%                 | 6.1%                 | 7.1%                  | 7.4%                   |                  |           |

1. Income bracket amounts shown are for single and married filing separate returns.  
For all other filing status returns double the income bracket amounts for each rate.
2. Rates shown include 7.5% surcharge on all brackets. Effective in 1955 and 1956.
3. Rates shown include 10% surcharge on brackets greater than \$2000. Effective in 1957 and 1958.

Idaho taxable income is derived from federal taxable income. 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. Again, for a complete delineation of Idaho's income tax structure, please refer to the Tax Structure section of this publication.

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. 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. Beginning in FY 2001, withholding collections on Idaho lottery winnings are distributed to public schools and counties.

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 checkoffs 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.

### **Basis of Projection:**

The projections of General Fund revenue from the individual income tax for FY 2018 and FY 2019 are based on a combination of econometric analysis and judgment.

The analysis begins with the IEM, an in-house, econometric base model of Idaho's economy that is used to forecast employment by industry and income by type. Idaho wage and salary payments data and seasonal factors are used to project withholding collections. Filing collections are estimated using a national equity market index and Idaho personal income from dividends, interest, and rent as the explanatory variables. The sum of withholding collections and filing payments is gross individual income tax collections. Net individual income tax collections are derived by subtracting projected refunds from gross collections. General Fund receipts are net collections less miscellaneous distributions.

All forecasts for the individual income tax components are adjusted to reflect: a) new features of the tax law that are expected to impact future collections and accruals and b) effects of other factors that are expected to have impacts not reflected in the econometric analysis.

The forecast is consistent with current laws; it anticipates no further law changes over the forecast period.

**Historical Data:**

**INDIVIDUAL INCOME TAX**

(\$ THOUSANDS)

| Year |            | Gross Collections | Distributions          |             |                     |                               |
|------|------------|-------------------|------------------------|-------------|---------------------|-------------------------------|
|      |            |                   | Refunds                | Gen. Fund   | Perm. Building Fund | Misc. & "Check-Off" Donations |
| FY81 | Actual     | 242,743.6         | 42,265.5               | 196,892.1   | 1,093.2             | 2,492.8                       |
| FY82 | Actual     | 264,162.3         | 45,074.0               | 215,835.5   | 1,082.1             | 2,170.7                       |
| FY83 | Actual     | 272,845.0         | 56,708.2               | 212,356.6   | 1,064.1             | 2,716.1                       |
| FY84 | Actual     | 287,957.0         | 54,732.2               | 230,002.0   | 3,008.0             | 214.8                         |
| FY85 | Actual     | 314,955.9         | 62,164.8               | 249,277.9   | 3,322.7             | 190.5                         |
| FY86 | Actual     | 324,704.5         | 63,132.6               | 258,065.2   | 3,275.8             | 230.9                         |
| FY87 | Actual     | 331,393.7         | 63,191.4               | 264,128.9   | 3,842.1             | 231.3                         |
| FY88 | Actual     | 340,376.7         | 50,486.1               | 287,156.0   | 2,581.4             | 153.2                         |
| FY89 | Actual     | 394,403.4         | 47,582.5               | 343,077.5   | 3,551.4             | 192.0                         |
| FY90 | Actual     | 459,019.4         | 56,873.5               | 398,284.0   | 3,668.1             | 193.8                         |
| FY91 | Actual     | 508,711.2         | 72,282.6               | 432,218.3   | 3,984.1             | 226.2                         |
| FY92 | Actual     | 543,233.5         | 80,435.4               | 459,438.2   | 3,157.0             | 202.9                         |
| FY93 | Actual     | 609,443.1         | 96,209.4               | 508,023.1   | 4,998.9             | 211.7                         |
| FY94 | Actual     | 671,419.7         | 107,859.3              | 559,166.6   | 4,215.4             | 178.4                         |
| FY95 | Actual     | 724,809.1         | 123,717.5              | 596,457.5   | 4,459.0             | 175.2                         |
| FY96 | Actual     | 770,804.9         | 115,072.5              | 650,850.0   | 4,708.5             | 173.9                         |
| FY97 | Actual     | 830,855.9         | 121,650.3              | 704,819.9   | 4,236.1             | 149.7                         |
| FY98 | Actual     | 914,961.2         | 133,761.8 <sup>1</sup> | 776,192.0   | 4,817.3             | 190.1                         |
| FY99 | Actual     | 989,401.5         | 142,174.4              | 841,865.0   | 5,107.5             | 254.6                         |
| FY00 | Actual     | 1,113,448.3       | 147,853.6              | 960,163.7   | 5,041.1             | 389.9                         |
| FY01 | Actual     | 1,200,254.7       | 169,727.3              | 1,023,970.2 | 6,073.1             | 484.1                         |
| FY02 | Actual     | 1,033,900.3       | 191,524.7              | 835,854.8   | 5,636.6             | 884.2                         |
| FY03 | Actual     | 1,033,471.1       | 189,691.0              | 837,798.6   | 5,358.3             | 623.2                         |
| FY04 | Actual     | 1,097,096.6       | 189,116.2              | 902,125.5   | 5,346.8             | 508.0                         |
| FY05 | Actual     | 1,241,292.8       | 190,269.1              | 1,035,542.5 | 5,160.5             | 10,320.8 <sup>2</sup>         |
| FY06 | Actual     | 1,425,769.1       | 203,019.6              | 1,216,486.7 | 5,408.6             | 854.2                         |
| FY07 | Actual     | 1,630,854.6       | 224,139.7              | 1,400,159.0 | 5,716.2             | 839.6                         |
| FY08 | Actual     | 1,705,036.2       | 267,118.5              | 1,429,738.8 | 6,389.6             | 1,789.4                       |
| FY09 | Actual     | 1,478,272.7       | 302,638.7              | 1,167,889.1 | 6,379.0             | 1,365.9                       |
| FY10 | Actual     | 1,370,681.4       | 301,304.4              | 1,061,875.2 | 6,064.8             | 1,437.0                       |
| FY11 | Actual     | 1,454,668.9       | 284,806.4              | 1,152,651.0 | 5,887.6             | 11,324.0 <sup>2</sup>         |
| FY12 | Actual     | 1,514,529.5       | 300,615.5              | 1,206,406.5 | 5,793.3             | 1,714.2                       |
| FY13 | Actual     | 1,609,389.8       | 316,171.1              | 1,284,383.9 | 6,452.1             | 2,382.7                       |
| FY14 | Actual     | 1,654,830.0       | 317,555.4              | 1,329,264.6 | 6,297.4             | 1,712.8                       |
| FY15 | Actual     | 1,809,574.8       | 330,705.5              | 1,470,857.0 | 6,282.6             | 1,729.8                       |
| FY16 | Actual     | 1,889,855.0       | 367,858.8              | 1,513,168.5 | 7,136.2             | 1,691.5                       |
| FY17 | Actual     | 2,035,920.6       | 376,102.7              | 1,651,195.6 | 7,008.4             | 1,614.0                       |
| FY18 | Projection | 2,154,350.3       | 391,305.3              | 1,754,095.1 | 7,111.4             | 1,838.6                       |
| FY19 | Projection | 2,253,764.7       | 409,896.7              | 1,834,652.3 | 7,220.9             | 1,994.8                       |

1. Includes a \$1.1 million increase in the refund balance.

2. Includes the impact from a large lottery prize.

## CORPORATE INCOME TAX

**Description:** (Title 63, Chapter 30, *Idaho Code*)

Collections from the corporate income tax are based on a flat rate of 7.4% applied to taxable income. For a listing of earlier rates refer to the following table. Beginning with tax year 1987, Idaho conformed to the changes made by the Tax Reform Act of 1986, except for the federal investment tax credit repeal. 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. See the Tax Structure section of this publication for details. Also, since September 1987, Idaho has required that corporations file quarterly payments of estimated taxes. This provision is based upon federal rules and was phased in over a two-year period.

| <b>CORPORATE INCOME TAX RATE HISTORY</b>      |  |         |         |         |         |         |         |
|---|--|---------|---------|---------|---------|---------|---------|
| <b>Greater Than<br/>But Not<br/>More Than</b> | <b>Tax Rates on the Portion of Income</b>  |         |         |         |         |         |         |
|   | \$0  | \$1,000 | \$2,000 | \$3,000 | \$4,000 | \$5,000 | \$6,000 |
|   | \$1,000                                    | \$2,000 | \$3,000 | \$4,000 | \$5,000 | \$6,000 |         |
| 1931  | 1.0%                                       | 1.0%    | 2.0%    | 2.0%    | 3.0%    | 3.0%    | 4.0%    |
| 1933  | 1.0%                                       | 2.0%    | 3.0%    | 4.0%    | 5.0%    | 6.0%    | 6.0%    |
| 1935  | 1.5%                                       | 3.0%    | 4.0%    | 5.0%    | 6.0%    | 6.0%    | 8.0%    |
| 1954  | 1.28%                                      | 2.55%   | 3.40%   | 4.25%   | 5.10%   | 5.10%   | 6.80%   |
| 1955  | 7.5%                                       | 7.5%    | 7.5%    | 7.5%    | 7.5%    | 7.5%    | 7.5%    |
| 1957  | 8.0% + 10% Surcharge in 1957 and 1958.     |         |         |         |         |         |         |
| 1959  | 9.5%                                       | 9.5%    | 9.5%    | 9.5%    | 9.5%    | 9.5%    | 9.5%    |
| 1963  | 10.5%                                      | 10.5%   | 10.5%   | 10.5%   | 10.5%   | 10.5%   | 10.5%   |
| 1965  | 6.0%                                       | 6.0%    | 6.0%    | 6.0%    | 6.0%    | 6.0%    | 6.0%    |
| 1972  | 6.5%                                       | 6.5%    | 6.5%    | 6.5%    | 6.5%    | 6.5%    | 6.5%    |
| 1981  | 6.5% + 0.2% franchise tax up to \$250,000. |         |         |         |         |         |         |
| 1983  | 7.7%                                       | 7.7%    | 7.7%    | 7.7%    | 7.7%    | 7.7%    | 7.7%    |
| 1987  | 8.0%                                       | 8.0%    | 8.0%    | 8.0%    | 8.0%    | 8.0%    | 8.0%    |
| 2001  | 7.6%                                       | 7.6%    | 7.6%    | 7.6%    | 7.6%    | 7.6%    | 7.6%    |
| 2012  | 7.4%                                       | 7.4%    | 7.4%    | 7.4%    | 7.4%    | 7.4%    | 7.4%    |

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.

**Basis of Projection:**

Projections of the General Fund revenue from the corporate income tax in FY 2018 and FY 2019 are based on a combination of econometric analysis and judgment.

**Historical Data:**

**CORPORATE INCOME TAX**

(\$ THOUSANDS)

| Year |            | Gross Collections | Distributions |           |                     |                         |
|------|------------|-------------------|---------------|-----------|---------------------|-------------------------|
|      |            |                   | Refunds       | Gen. Fund | Perm. Building Fund | Multi-State Tax Compact |
| FY81 | Actual     | 50,875.5          | 4,416.2       | 46,288.4  | 127.2               | 43.6                    |
| FY82 | Actual     | 45,602.0          | 5,418.2       | 40,010.6  | 146.4               | 26.3                    |
| FY83 | Actual     | 39,673.6          | 10,191.3      | 29,281.3  | 149.0               | 51.9                    |
| FY84 | Actual     | 42,226.7          | 15,504.7      | 26,535.3  | 116.6               | 70.1                    |
| FY85 | Actual     | 49,660.1          | 6,698.2       | 42,788.0  | 133.6               | 40.3                    |
| FY86 | Actual     | 50,253.2          | 6,900.6       | 43,138.4  | 150.2               | 63.9                    |
| FY87 | Actual     | 53,276.8          | 6,878.1       | 46,165.9  | 190.9               | 41.9                    |
| FY88 | Actual     | 74,230.7          | 10,070.2      | 63,906.1  | 160.3               | 94.0                    |
| FY89 | Actual     | 80,394.1          | 7,152.7       | 72,962.6  | 209.6               | 69.3                    |
| FY90 | Actual     | 82,635.9          | 9,914.5       | 72,492.0  | 212.3               | 17.2                    |
| FY91 | Actual     | 72,265.0          | 11,995.9      | 60,017.2  | 252.0               | 0.0                     |
| FY92 | Actual     | 71,443.1          | 13,162.9      | 57,971.3  | 194.2               | 114.7                   |
| FY93 | Actual     | 83,582.6          | 13,194.3      | 70,003.8  | 282.0               | 102.5                   |
| FY94 | Actual     | 102,772.3         | 14,870.6      | 87,628.2  | 196.8               | 76.7                    |
| FY95 | Actual     | 152,809.5         | 20,818.3      | 131,636.1 | 250.7               | 104.4                   |
| FY96 | Actual     | 173,392.5         | 21,128.3      | 151,979.2 | 246.7               | 38.3                    |
| FY97 | Actual     | 138,276.6         | 15,479.0      | 122,357.2 | 249.5               | 190.9                   |
| FY98 | Actual     | 136,996.0         | 19,301.9      | 117,286.4 | 283.7               | 124.0                   |
| FY99 | Actual     | 117,073.9         | 20,927.4      | 95,437.7  | 270.0               | 438.8                   |
| FY00 | Actual     | 149,355.2         | 23,495.3      | 124,872.9 | 303.6               | 683.4                   |
| FY01 | Actual     | 173,578.8         | 31,593.0      | 141,527.2 | 349.0               | 109.5                   |
| FY02 | Actual     | 110,751.2         | 33,982.3      | 76,295.6  | 312.0               | 161.4                   |
| FY03 | Actual     | 119,810.7         | 26,320.8      | 93,129.7  | 345.1               | 15.1                    |
| FY04 | Actual     | 126,911.5         | 23,127.1      | 103,015.0 | 367.8               | 401.6                   |
| FY05 | Actual     | 162,696.2         | 22,110.8      | 139,561.5 | 337.1               | 686.8                   |
| FY06 | Actual     | 211,505.2         | 13,202.5      | 194,125.1 | 340.8               | 3,836.7                 |
| FY07 | Actual     | 211,189.8         | 22,945.2      | 190,222.2 | 497.1               | -2,474.6                |
| FY08 | Actual     | 212,879.8         | 22,685.5      | 189,283.5 | 471.1               | 439.7                   |
| FY09 | Actual     | 174,503.0         | 32,262.6      | 141,025.4 | 503.6               | 711.4                   |
| FY10 | Actual     | 136,835.2         | 38,507.9      | 97,021.0  | 490.3               | 816.0                   |
| FY11 | Actual     | 191,154.8         | 20,940.6      | 168,949.8 | 455.3               | 809.1                   |
| FY12 | Actual     | 206,626.7         | 18,037.3      | 187,014.2 | 453.3               | 1,122.0                 |
| FY13 | Actual     | 223,113.6         | 22,773.4      | 198,659.0 | 543.0               | 1,138.2                 |
| FY14 | Actual     | 217,543.7         | 27,209.0      | 188,291.4 | 479.1               | 1,564.2                 |
| FY15 | Actual     | 236,860.1         | 19,778.1      | 215,402.9 | 615.3               | 1,063.9                 |
| FY16 | Actual     | 222,753.1         | 33,757.7      | 186,869.1 | 694.4               | 1,431.8                 |
| FY17 | Actual     | 242,765.0         | 26,124.2      | 214,020.1 | 571.8               | 2,048.9                 |
| FY18 | Projection | 250,680.9         | 37,990.1      | 211,100.8 | 580.3               | 1,009.7                 |
| FY19 | Projection | 266,906.4         | 40,449.0      | 224,764.5 | 589.2               | 1,103.7                 |

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# SALES TAX

**Description:** (Title 63, Chapter 36, *Idaho Code*)

Idaho's sales tax rate is 6% and applies to the sale, rental, or lease of tangible personal property and some services. Sales tax receipts are distributed in the following manner. Revenue sharing receives 11.5% of the gross sales tax collections less refunds and multistate compact revenues. The Transportation Expansion and Congestion Mitigation Fund is allocated 1.0% of the amount remaining after the revenue sharing distribution. The Permanent Building Fund receives \$5,000,000. The Water Pollution Control Fund gets \$4,800,000. Another \$8,487,103 funds the Agricultural Equipment Property Tax Exemption and \$18,889,735 is currently 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.

## SALES TAX RATE AND DISTRIBUTION HISTORY

| Effective Date | Tax Rate    | Gen. Fund | Perm. Building Fund | Revenue Sharing | Alloc. to Counties <sup>1</sup> | Water Pollution Control Fund | Public School Income Fund | Agricultural Equipment Prop. Tax Exemption | Personal Property Tax Exemption | Trans. Expansion | Misc. Dist. |
|----------------|-------------|-----------|---------------------|-----------------|---------------------------------|------------------------------|---------------------------|--|---------------------------------|------------------|-------------|
|                |             |           |                     |                 |                                 |                              |                           |  |                                 | Mitigation Fund  |             |
| Jul-1965       | <u>3.0%</u> | Bal.      | <u>\$500,000</u>    |                 |                                 |                              |                           |  |                                 |                  | 2,3         |
| Jul-1968       | 3.0%        | Bal.      | \$500,000           |                 | <u>5.0%</u>                     |                              |                           |  |                                 |                  | 3           |
| Jul-1969       | 3.0%        | Bal.      | \$500,000           |                 | <u>10.0%</u>                    |                              |                           |  |                                 |                  | 3           |
| Jul-1970       | 3.0%        | Bal.      | \$500,000           |                 | <u>15.0%</u>                    |                              |                           |  |                                 |                  | 3           |
| Jul-1971       | 3.0%        | Bal.      | \$500,000           |                 | <u>20.0%</u>                    |                              |                           |  |                                 |                  | 3           |
| Jul-1975       | 3.0%        | Bal.      | \$500,000           |                 | 20.0%                           |                              |                           |  |                                 |                  | 3,5         |
| Jul-1976       | 3.0%        | Bal.      | \$500,000           |                 | 20.0%                           |                              |                           |  |                                 |                  | 3,5         |
| Jul-1977       | 3.0%        | Bal.      | \$500,000           |                 | 20.0%                           |                              |                           |  |                                 |                  | 3,4,5       |
| Jul-1980       | 3.0%        | Bal.      | \$500,000           |                 | <u>10.0%</u>                    |                              | <u>10.0%</u>              |  |                                 |                  | 3,4,5       |
| Mar-1983       | <u>4.0%</u> | Bal.      | \$500,000           |                 | 10.0%                           |                              | 10.0%                     |  |                                 |                  | 3,4,5       |
| Jun-1983       | <u>4.5%</u> | Bal.      | \$500,000           |                 | 10.0%                           |                              | 10.0%                     |  |                                 |                  | 3,4,5       |
| Jul-1984       | <u>4.0%</u> | Bal.      | \$500,000           | <u>6.25%</u>    | <u>7.5%</u>                     | <u>\$4,800,000</u>           |                           |  |                                 |                  | 4,5         |
| Apr-1986       | <u>5.0%</u> | Bal.      | \$500,000           | 6.25%           | 7.5%                            | \$4,800,000                  |                           |  |                                 |                  | 4,5         |
| Jul-1987       | 5.0%        | Bal.      | \$500,000           | <u>7.75%</u>    | <u>6.0%</u>                     | \$4,800,000                  |                           |  |                                 |                  | 4,5         |
| Jul-1988       | 5.0%        | Bal.      | \$500,000           | 7.75%           | 6.0%                            | \$4,800,000                  |                           |  |                                 |                  | 4,5,6       |
| Jul-1995       | 5.0%        | Bal.      | \$500,000           | 7.75%           | 6.0%                            | \$4,800,000                  |                           |  |                                 |                  | 4,5,6       |
| Jul-1998       | 5.0%        | Bal.      | \$500,000           | 7.75%           | 6.0%                            | \$4,800,000                  |                           |  |                                 |                  | 4,5,6       |
| Jul-2000       | 5.0%        | Bal.      | <u>\$5,000,000</u>  | <u>13.75%</u>   | <u>0.0%</u>                     | \$4,800,000                  |                           |  |                                 |                  | 4,5,6       |
| May-2003       | <u>6.0%</u> | Bal.      | \$5,000,000         | 13.75%          | 0.0%                            | \$4,800,000                  |                           |  |                                 |                  | 4,5,6       |
| Jun-2003       | 6.0%        | Bal.      | \$5,000,000         | <u>11.50%</u>   | 0.0%                            | \$4,800,000                  |                           |  |                                 |                  | 4,5,6       |
| Jul-2004       | 6.0%        | Bal.      | \$5,000,000         | 11.50%          | 0.0%                            | \$4,800,000                  |                           | <u>\$13,448,453</u>                        |                                 |                  | 4,5,6       |
| Jul-2005       | <u>5.0%</u> | Bal.      | \$5,000,000         | 11.50%          | 0.0%                            | \$4,800,000                  |                           | \$13,448,453                               |                                 |                  | 4,5,6       |
| Aug-2005       | 5.0%        | Bal.      | \$5,000,000         | <u>13.75%</u>   | 0.0%                            | \$4,800,000                  |                           | \$13,448,453                               |                                 |                  | 4,5,6       |
| Oct-2006       | <u>6.0%</u> | Bal.      | \$5,000,000         | 13.75%          | 0.0%                            | \$4,800,000                  |                           | \$13,448,453                               |                                 |                  | 4,5,6       |
| Nov-2006       | 6.0%        | Bal.      | \$5,000,000         | <u>11.50%</u>   | 0.0%                            | \$4,800,000                  |                           | <u>\$8,487,103</u>                         |                                 |                  | 4,5,6       |
| Jul-2007       | 6.0%        | Bal.      | \$5,000,000         | 11.50%          | 0.0%                            | \$4,800,000                  |                           | \$8,487,103                                |                                 |                  | 4,5,6,8     |
| Jan-2013       | 6.0%        | Bal.      | \$5,000,000         | 11.50%          | 0.0%                            | \$4,800,000                  |                           | \$8,487,103                                | <u>\$18,933,640</u>             |                  | 4,5,6,7,8   |
| Jul-2017       | 6.0%        | Bal.      | \$5,000,000         | 11.50%          | 0.0%                            | \$4,800,000                  |                           | \$8,487,103                                | \$18,933,640                    | 1.00%            | 4,5,6,7,9   |

1. For the period March 1983 through June 1984 this percentage was applied only to the 3% "base" sales tax rate. Beginning in 2000, this allocation was "folded into" the revenue sharing allocation.
2. Amount equal to one mill of all assessed property values distributed to Teachers Retirement System; \$1,000,000 lump sum (one-time) distribution to Tax Commission.
3. Amount equal to the sum required to be certified by the state controller distributed to the Social Security Trust Fund.
4. Amount equal to the sum required to be certified by the Idaho housing agency.
5. \$1.00 per registration fee on vehicle registration transfers that do not involve sales tax.
6. Amount certified by the Tax Commission as necessary to fund the Circuit Breaker.
7. Amount necessary to fund personal property tax relief.
8. An amount equal to deposits into the Demonstration Pilot Project Fund.



Sales tax funds must be allocated to the Idaho Housing and Finance Association if, within 60 days of the close of the fiscal year, the Chairman of the Housing and Finance Association Board of Commissioners certifies to the State Tax Commission that a deficiency exists in the agency's Capital Reserve Fund. No such certification has ever been made, nor is one anticipated for the current fiscal year. Beginning in 1996, this provision is limited to no more than \$89 million. Also, it only applies to bonds issued prior to 1996, effectively repealing this provision for bonds issued on or after January 1, 1996.

**Basis of Projection:**

The projections of FY 2018 and FY 2019 General Fund accruals from the sales tax are based on econometric analysis and judgment. Historic monthly gross collections data are first adjusted for changes in the tax rate and any major collection anomalies. Idaho personal income, housing starts, and seasonal factors are then used to predict gross sales tax collections. Projected refunds are subtracted from gross collections to arrive at net sales tax receipts. The balance remaining after each fund receives its statutory portion of the net receipts accrues to the General Fund.

## Historical Data:

### SALES TAX (\$ THOUSANDS)

| Year |            | Gross Collections | Distributions |             |                     |                 |                    |                              |                 |                                 |  |   |             |  |                           |
|------|------------|-------------------|---------------|-------------|---------------------|-----------------|--------------------|------------------------------|-----------------|---------------------------------|--|---|-------------|--|---------------------------|
|      |            |                   | Refunds       | Gen. Fund   | Perm. Building Fund | Revenue Sharing | Alloc. to Counties | Water Pollution Control Fund | Circuit Breaker | Personal Property Tax Exemption | Agricultural Equipment Prop. Tax Exemption | Trans. Expansion & Congest. Mitigation Fund | Misc. Dist. |  |                           |
| FY81 | Actual     | 145,008.0         | 220.5         | 97,679.3    | 500.0               |                 | 14,476.0           |                              |                 |                                 |  |   |             |  | 32,132.2 <sup>1,2</sup>   |
| FY82 | Actual     | 146,206.9         | 311.8         | 98,720.2    | 500.0               |                 | 14,607.4           |                              |                 |                                 |  |   |             |  | 32,067.5 <sup>1,2</sup>   |
| FY83 | Actual     | 165,441.1         | 181.2         | 115,407.0   | 500.0               |                 | 15,266.3           |                              |                 |                                 |  |   |             |  | 34,086.6 <sup>1,2</sup>   |
| FY84 | Actual     | 241,838.4         | 596.2         | 188,422.1   | 500.0               |                 | 16,192.2           |                              |                 |                                 |  |   |             |  | 36,127.9 <sup>1,2</sup>   |
| FY85 | Actual     | 238,544.3         | 449.7         | 200,026.6   | 500.0               | 14,876.1        | 17,851.5           | 4,800.0                      |                 |                                 |  |   |             |  | 40.4 <sup>3</sup>         |
| FY86 | Actual     | 250,490.1         | 516.8         | 211,564.2   | 500.0               | 15,036.7        | 18,044.1           | 4,800.0                      |                 |                                 |  |   |             |  | 28.3 <sup>3</sup>         |
| FY87 | Actual     | 297,892.0         | 538.4         | 259,358.6   | 500.0               | 14,853.3        | 17,827.1           | 4,800.0                      |                 |                                 |  |   |             |  | 14.6 <sup>3</sup>         |
| FY88 | Actual     | 311,391.2         | 672.5         | 258,770.8   | 500.0               | 24,084.4        | 18,637.1           | 4,800.0                      | 3,890.1         |                                 |  |   |             |  | 36.2 <sup>3</sup>         |
| FY89 | Actual     | 346,682.3         | 882.4         | 288,780.3   | 500.0               | 26,785.4        | 20,737.1           | 4,800.0                      | 4,171.7         |                                 |  |   |             |  | 25.4 <sup>3</sup>         |
| FY90 | Actual     | 383,096.0         | 1,664.0       | 319,290.7   | 500.0               | 29,540.7        | 22,870.2           | 4,800.0                      | 4,335.5         |                                 |  |   |             |  | 94.9 <sup>3</sup>         |
| FY91 | Actual     | 404,146.4         | 3,403.1       | 335,739.5   | 500.0               | 31,036.1        | 24,028.3           | 4,800.0                      | 4,491.1         |                                 |  |   |             |  | 148.3 <sup>3</sup>        |
| FY92 | Actual     | 435,715.5         | 1,799.1       | 364,323.0   | 500.0               | 33,612.2        | 26,022.6           | 4,800.0                      | 4,606.1         |                                 |  |   |             |  | 52.5 <sup>3</sup>         |
| FY93 | Actual     | 481,357.9         | 1,163.9       | 402,819.5   | 500.0               | 37,195.6        | 28,796.9           | 4,800.0                      | 6,031.2         |                                 |  |   |             |  | 50.8 <sup>3</sup>         |
| FY94 | Actual     | 541,503.6         | 1,739.0       | 452,684.8   | 500.0               | 41,789.3        | 32,353.2           | 4,800.0                      | 7,504.3         |                                 |  |   |             |  | 132.9 <sup>3</sup>        |
| FY95 | Actual     | 576,202.9         | 1,767.4       | 481,958.1   | 500.0               | 44,500.8        | 34,452.2           | 4,800.0                      | 8,241.1         |                                 |  |   |             |  | -16.6 <sup>3</sup>        |
| FY96 | Actual     | 602,573.0         | 2,114.2       | 462,999.7   | 500.0               | 46,554.3        | 36,023.2           | 4,800.0                      | 8,807.0         | 0.0                             |  |   |             |  | 40,774.7 <sup>3</sup>     |
| FY97 | Actual     | 624,631.8         | 2,109.4       | 476,726.1   | 500.0               | 48,240.6        | 37,347.6           | 4,800.0                      | 9,609.0         | 0.0                             |  |   |             |  | 45,299.1 <sup>3</sup>     |
| FY98 | Actual     | 655,182.6         | 2,023.6       | 496,807.8   | 500.0               | 50,572.4        | 39,152.8           | 4,800.0                      | 10,331.1        | 0.0                             |  |   |             |  | 50,994.9 <sup>3</sup>     |
| FY99 | Actual     | 704,734.8         | 2,784.7       | 588,796.7   | 500.0               | 54,237.7        | 41,979.4           | 4,800.0                      | 10,891.7        | 0.0                             |  |   |             |  | 744.6 <sup>3</sup>        |
| FY00 | Actual     | 750,125.9         | 2,741.7       | 627,503.0   | 500.0               | 57,852.8        | 44,754.6           | 4,800.0                      | 11,481.2        | 0.0                             |  |   |             |  | 492.7 <sup>3</sup>        |
| FY01 | Actual     | 778,886.9         | 3,464.1       | 647,293.8   | 5,000.0             | 106,024.7       | 0.0                | 4,800.0                      | 11,711.3        | 0.0                             |  |   |             |  | 593.0 <sup>3</sup>        |
| FY02 | Actual     | 791,623.6         | 4,103.4       | 657,119.2   | 5,000.0             | 108,500.4       | 0.0                | 4,800.0                      | 11,983.5        | 0.0                             |  |   |             |  | 117.0 <sup>3</sup>        |
| FY03 | Actual     | 839,180.9         | 3,119.1       | 700,240.7   | 5,000.0             | 112,947.4       | 0.0                | 4,800.0                      | 12,787.1        | 0.0                             |  |   |             |  | 286.6 <sup>3</sup>        |
| FY04 | Actual     | 1,032,987.5       | 4,312.6       | 886,079.0   | 5,000.0             | 117,825.4       | 0.0                | 4,800.0                      | 14,097.7        | 0.0                             |  |   |             |  | 872.8 <sup>3</sup>        |
| FY05 | Actual     | 1,125,317.0       | 3,478.3       | 950,825.2   | 5,000.0             | 128,485.1       | 0.0                | 4,800.0                      | 14,995.3        | 0.0                             | 16,810.6 <sup>4</sup>                      |   |             |  | 922.5 <sup>3</sup>        |
| FY06 | Actual     | 1,071,204.9       | 7,667.2       | 880,772.9   | 5,000.0             | 143,195.3       | 0.0                | 4,800.0                      | 15,466.7        | 0.0                             | 13,448.5                                   |   |             |  | 854.4 <sup>3</sup>        |
| FY07 | Actual     | 1,272,854.7       | 5,029.1       | 1,077,455.9 | 5,000.0             | 154,818.1       | 0.0                | 4,800.0                      | 15,402.7        | 0.0                             | 9,727.4                                    |   |             |  | 621.5 <sup>3</sup>        |
| FY08 | Actual     | 1,339,278.0       | 9,606.4       | 1,141,439.7 | 5,000.0             | 152,578.2       | 0.0                | 4,800.0                      | 15,405.6        | 0.0                             | 8,487.1                                    |   |             |  | 1,961.1 <sup>3,5</sup>    |
| FY09 | Actual     | 1,201,248.3       | 5,963.3       | 1,022,201.6 | 5,000.0             | 136,994.7       | 0.0                | 4,800.0                      | 15,459.1        | 0.0                             | 8,487.1                                    |   |             |  | 2,342.5 <sup>3,5</sup>    |
| FY10 | Actual     | 1,123,885.3       | 3,088.4       | 955,908.7   | 5,000.0             | 128,496.0       | 0.0                | 4,800.0                      | 15,706.9        | 0.0                             | 8,487.1                                    |   |             |  | 2,398.2 <sup>3,5</sup>    |
| FY11 | Actual     | 1,166,271.5       | 21,124.1      | 972,379.8   | 5,000.0             | 131,214.7       | 0.0                | 4,800.0                      | 16,001.7        | 0.0                             | 8,487.1                                    |   |             |  | 7,264.1 <sup>3,5,6</sup>  |
| FY12 | Actual     | 1,216,228.3       | 8,738.5       | 1,027,344.3 | 5,000.0             | 138,440.4       | 0.0                | 4,800.0                      | 16,069.8        | 0.0                             | 8,487.1                                    |   |             |  | 7,348.3 <sup>3,5,6</sup>  |
| FY13 | Actual     | 1,313,372.0       | 11,087.6      | 1,109,828.5 | 5,000.0             | 149,426.5       | 0.0                | 4,800.0                      | 15,901.5        | 0.0                             | 8,487.1                                    |   |             |  | 8,840.8 <sup>3,5,6</sup>  |
| FY14 | Actual     | 1,369,521.6       | 3,780.6       | 1,145,731.8 | 5,000.0             | 156,568.6       | 0.0                | 4,800.0                      | 15,728.2        | 18,933.6                        | 8,487.1                                    |   |             |  | 10,491.7 <sup>3,5,6</sup> |
| FY15 | Actual     | 1,456,971.4       | 5,534.5       | 1,218,769.7 | 5,000.0             | 166,329.4       | 0.0                | 4,800.0                      | 16,318.8        | 18,921.8                        | 8,487.1                                    |   |             |  | 12,810.1 <sup>3,5,6</sup> |
| FY16 | Actual     | 1,553,033.9       | 4,839.9       | 1,303,027.5 | 5,000.0             | 177,834.0       | 0.0                | 4,800.0                      | 16,606.1        | 18,889.7                        | 8,487.1                                    |   |             |  | 13,549.5 <sup>3,5,6</sup> |
| FY17 | Actual     | 1,643,649.3       | 5,312.6       | 1,382,418.2 | 5,000.0             | 188,174.7       | 0.0                | 4,800.0                      | 16,968.1        | 18,852.1                        | 8,487.1                                    |   |             |  | 13,636.5                  |
| FY18 | Projection | 1,758,680.6       | 6,276.1       | 1,466,174.4 | 5,000.0             | 201,173.1       | 0.0                | 4,800.0                      | 17,220.9        | 18,852.1                        | 8,487.1                                    | 15,481.6                                    |             |  | 15,215.3                  |
| FY19 | Projection | 1,834,758.9       | 6,640.3       | 1,531,358.7 | 5,000.0             | 209,880.2       | 0.0                | 4,800.0                      | 17,482.7        | 18,852.1                        | 8,487.1                                    | 16,151.7                                    |             |  | 16,106.1                  |

1. Social Security Trust.
2. Public School Income.
3. Multi-State Tax Compact. FY 96, FY 97, and FY 98 include amounts to fund public school property tax relief.
4. Amount includes one extra quarterly payment.
5. Demonstration Pilot Project
6. Election Consolidation

## CIGARETTE TAX

**Description:** (Title 63, Chapter 25, *Idaho Code*)

Idaho's cigarette tax rate is 57 cents per pack of 20 cigarettes. The cigarette tax is distributed as follows. The Public School Income Fund and Department of Juvenile Corrections each receive \$3,315,000. The Permanent Building Fund receives \$5,000,000. The Central Tumor Registry Fund receives \$120,000. The Cancer Control Fund receives \$300,000. The General Fund receives an amount needed to fund the School Bond Levy Equalization Program. All remaining revenues are distributed as follows. The first \$4,700,000 is deposited in the Grant Anticipation Revenue Vehicle (GARVEE) Debt Service Fund. The next \$5,000,000 is dedicated to the Secondary Aquifer Planning, Management, and Implementation Fund. All remaining revenue is deposited into the Transportation Expansion and Congestion Mitigation Fund.

**CIGARETTE TAX RATE AND DISTRIBUTION HISTORY**

| Effective Date | Rate per Cigarette             |                                 |                                 | Distribution of Remaining Receipts                                     |  |                                  |                              |                     |   |                                       |                           |                                    |   |
|----------------|--------------------------------|---------------------------------|---------------------------------|--|--|----------------------------------|------------------------------|---------------------|---|---------------------------------------|---------------------------|------------------------------------|---|
|                | Total                          | Public School Income Fund       | County Juvenile Probation Fund  | Gen. Fund  | Central Tumor Registry Fund <sup>2,3</sup> | Perm. Building Fund <sup>4</sup> | Water Pollution Control Fund | Cancer Control Fund | Economic Recovery Reserve Fund <sup>6</sup> | GARVEE Debt Service Fund <sup>6</sup> | Aquifer Fund <sup>6</sup> | State Highway Account <sup>6</sup> | Trans. Expansion & Congest. Mitigation Fund |
| May-1945       | \$0.001000                     |                                 |                                 | 100.0%   |  |                                  |                              |                     |   |                                       |                           |                                    |   |
| Jul-1947       | <u>\$0.001500</u>              |                                 |                                 | 100.0%   |  |                                  |                              |                     |   |                                       |                           |                                    |   |
| Jul-1955       | <u>\$0.002000</u>              |                                 |                                 | 100.0%   |  |                                  |                              |                     |   |                                       |                           |                                    |   |
| Jul-1959       | <u>\$0.002500</u>              |                                 |                                 | 100.0%   |  |                                  |                              |                     |   |                                       |                           |                                    |   |
| Jul-1961       | <u>\$0.003000</u>              |                                 |                                 | <u>\$0.00250</u>   |  |                                  |                              | \$0.0005            |   |                                       |                           |                                    |   |
| Jul-1963       | <u>\$0.003500</u>              |                                 |                                 | <u>\$0.00300</u>   |  |                                  |                              | <u>\$0.0005</u>     |   |                                       |                           |                                    |   |
| Jul-1972       | <u>\$0.004550</u>              |                                 |                                 | <u>\$0.00350</u>   | <u>\$0.00005</u> to <u>\$40,000</u>        | <u>\$0.0005</u>                  | <u>\$0.0005</u>              |                     |   |                                       |                           |                                    |   |
| Jul-1974       | <u>\$0.004550</u>              |                                 |                                 | Balance  | <u>1.099%</u> to <u>\$40,000</u>           | <u>10.989%</u>                   | <u>10.989%</u>               |                     |   |                                       |                           |                                    |   |
| Jul-1975       | <u>\$0.004550</u>              |                                 |                                 | Balance  | <u>1.099%</u> to <u>\$55,000</u>           | <u>10.989%</u>                   | <u>10.989%</u>               |                     |   |                                       |                           |                                    |   |
| Jul-1978       | <u>\$0.004550</u>              |                                 |                                 | Balance  | <u>1.099%</u> to <u>\$70,000</u>           | <u>10.989%</u>                   | <u>10.989%</u>               |                     |   |                                       |                           |                                    |   |
| Jul-1979       | <u>\$0.004550</u>              |                                 |                                 | Balance  | <u>1.099%</u> to <u>\$70,000</u>           | <u>10.989%</u>                   | <u>10.989%</u>               |                     |   |                                       |                           |                                    |   |
| Jul-1980       | <u>\$0.004550</u>              |                                 |                                 | Balance  | <u>1.099%</u> to <u>\$85,000</u>           | <u>10.989%</u>                   | <u>10.989%</u>               |                     |   |                                       |                           |                                    |   |
| Jul-1982       | <u>\$0.004550</u>              |                                 |                                 | Balance  | <u>1.099%</u> to <u>\$95,000</u>           | <u>10.989%</u>                   | <u>10.989%</u>               |                     |   |                                       |                           |                                    |   |
| Jul-1984       | <u>\$0.004550</u>              |                                 |                                 | Balance  | <u>1.099%</u> to <u>\$100,000</u>          | <u>10.989%</u>                   | <u>10.989%</u>               |                     |   |                                       |                           |                                    |   |
| Mar-1987       | <u>\$0.009000</u> <sup>1</sup> |                                 |                                 | Balance <sup>1</sup>   | <u>1.099%</u> to <u>\$100,000</u>          | <u>10.989%</u>                   | <u>10.989%</u>               |                     |   |                                       |                           |                                    |   |
| Jul-1987       | <u>\$0.009000</u>              |                                 |                                 | Balance  | <u>1.000%</u> to <u>\$100,000</u>          | <u>43.300%</u>                   | <u>6.700%</u>                |                     |   |                                       |                           |                                    |   |
| Jul-1989       | <u>\$0.009000</u>              |                                 |                                 | Balance  | <u>1.000%</u> to <u>\$110,000</u>          | <u>43.300%</u>                   | <u>6.700%</u>                |                     |   |                                       |                           |                                    |   |
| Jul-1994       | <u>\$0.014000</u>              | <u>\$0.005000</u>               |                                 | Balance  | <u>1.000%</u>                              | <u>43.300%</u>                   | <u>6.700%</u>                |                     |   |                                       |                           |                                    |   |
| Mar-1995       | <u>\$0.014000</u>              | <u>\$0.002500</u>               | <u>\$0.002500</u>               | Balance  | <u>1.000%</u>                              | <u>43.300%</u>                   | <u>6.700%</u>                |                     |   |                                       |                           |                                    |   |
| Jul-2000       | <u>\$0.014000</u>              | <u>\$0.002500</u>               | <u>\$0.002500</u>               | Balance  | <u>1.000%</u>                              | <u>43.300%</u>                   | <u>0.000%</u>                |                     |   |                                       |                           |                                    |   |
| Jun-2003       | <u>\$0.028500</u>              | <u>\$0.002587</u>               | <u>\$0.002587</u>               | Balance  | <u>1.000%</u>                              | <u>43.300%</u>                   | <u>0.000%</u>                |                     |   |                                       |                           |                                    |   |
| Jul-2003       | <u>\$0.028500</u>              | <u>\$0.002587</u>               | <u>\$0.002587</u>               | <u>21.25% plus balance up to \$23.5 M</u>                              | <u>0.400%</u>                              | <u>17.300%</u>                   | <u>0.000%</u>                |                     |   |                                       |                           |                                    |   |
| Jul-2004       | <u>\$0.028500</u>              | <u>\$0.002587</u>               | <u>\$0.002587</u>               | <u>21.25%</u>  | <u>0.400%</u>                              | <u>17.300%</u>                   | <u>0.000%</u>                |                     |   |                                       |                           |                                    |   |
| Jul-2006       | <u>\$0.028500</u>              | <u>\$0.002587</u>               | <u>\$0.002587</u>               | <u>Bond Levy Equalization Appropriation</u>                            | <u>0.400%</u>                              | <u>17.300%</u>                   | <u>0.000%</u>                |                     |   |                                       |                           |                                    |   |
|                |                                |                                 |                                 |  |  | <u>+ Balance</u>                 |                              |                     |   |                                       |                           |                                    |   |
| Jul-2009       | <u>\$0.028500</u>              | <u>\$0.002587</u>               | <u>\$0.002587</u>               | <u>Bond Levy Equalization Appropriation less Lottery Contribution.</u> | <u>0.400%</u>                              | <u>17.300%</u>                   | <u>0.000%</u>                |                     |   |                                       |                           |                                    |   |
|                |                                |                                 |                                 |  |  | <u>+ Balance</u>                 |                              |                     |   |                                       |                           |                                    |   |
| Jul-2014       | <u>\$0.028500</u>              | <u>\$3,315,000</u> <sup>5</sup> | <u>\$3,315,000</u> <sup>5</sup> | <u>Bond Levy Equalization Appropriation less Lottery Contribution.</u> | <u>\$120,000</u>                           | <u>\$5,000,000</u>               | <u>\$0</u>                   | <u>\$300,000</u>    | <u>\$0</u>                                  | <u>\$4,700,000</u>                    | <u>\$5,000,000</u>        | <u>Remainder</u>                   |   |
|                |                                |                                 |                                 |  |  | <u>+ Balance</u>                 |                              |                     |   |                                       |                           |                                    |   |
| Jul-2017       | <u>\$0.028500</u>              | <u>\$3,315,000</u>              | <u>\$3,315,000</u>              | <u>Bond Levy Equalization Appropriation less Lottery Contribution.</u> | <u>\$120,000</u>                           | <u>\$5,000,000</u>               | <u>\$0</u>                   | <u>\$300,000</u>    | <u>\$0</u>                                  | <u>\$4,700,000</u>                    | <u>\$5,000,000</u>        | <u>\$0</u>                         | <u>Remainder</u>                            |

1. From March 1, 1987 to July 1, 1987 the additional \$0.00445 per cigarette is directed to the General Fund.  
 2. The Central Tumor Registry Fund receives the lesser of its percentage or its dollar cap.  
 3. On July 1, 1994 the \$110,000 limit was replaced with a limit not to exceed the legislative appropriation.  
 4. Receives balance until the Capitol restoration is funded.  
 5. Fixed distribution to Public School Income and County Juvenile Probation Funds replaces per cigarette distribution.  
 6. These distributions take place after the Capitol restoration is funded.

**Basis of Projection:**

Gross cigarette tax collections for FY 2018 and FY 2019 are based on a subjective assessment of recent collections history, Idaho population growth, cigarette taxes in bordering states, and the trend toward decreased per capita cigarette consumption.

**Historical Data:**

**CIGARETTE TAX**

(\$ THOUSANDS)

| Year |            | Gross Collections | Distributions |                          |                                |         |                              |                     |                             |                           |                                |                                |                          |              |                       |   |     |
|------|------------|-------------------|---------------|--------------------------|--------------------------------|---------|------------------------------|---------------------|-----------------------------|---------------------------|--------------------------------|--------------------------------|--------------------------|--------------|-----------------------|---|-----|
|      |            |                   | Gen. Fund     | Base Perm. Building Fund | Additional Perm. Building Fund | Refunds | Water Pollution Control Fund | Cancer Control Fund | Central Tumor Registry Fund | Public School Income Fund | County Juvenile Probation Fund | Economic Recovery Reserve Fund | GARVEE Debt Service Fund | Aquifer Fund | State Highway Account | Trans. Expansion & Congest. Mitigation Fund |     |
| FY81 | Actual     | 9,331.1           | 6,802.3       | 1,017.8                  | 0.0                            | 70.7    | 1,017.8                      | 337.6               | 85.0                        |                           |                                |                                |                          |              |                       |   |     |
| FY82 | Actual     | 9,244.3           | 6,717.1       | 1,004.7                  | 0.0                            | 99.5    | 1,004.7                      | 333.2               | 85.0                        |                           |                                |                                |                          |              |                       |   |     |
| FY83 | Actual     | 9,288.9           | 6,746.1       | 1,010.8                  | 0.0                            | 91.0    | 1,010.8                      | 335.3               | 95.0                        |                           |                                |                                |                          |              |                       |   |     |
| FY84 | Actual     | 8,989.8           | 6,523.7       | 978.0                    | 0.0                            | 90.8    | 978.0                        | 324.4               | 95.0                        |                           |                                |                                |                          |              |                       |   |     |
| FY85 | Actual     | 8,854.8           | 6,405.2       | 960.1                    | 0.0                            | 114.9   | 960.1                        | 318.5               | 96.0                        |                           |                                |                                |                          |              |                       |   |     |
| FY86 | Actual     | 8,536.9           | 6,150.2       | 922.3                    | 0.0                            | 143.9   | 922.3                        | 305.9               | 92.2                        |                           |                                |                                |                          |              |                       |   |     |
| FY87 | Actual     | 10,552.8          | 8,193.4       | 911.8                    | 0.0                            | 142.2   | 911.8                        | 302.4               | 91.2                        |                           |                                |                                |                          |              |                       |   |     |
| FY88 | Actual     | 15,033.9          | 6,921.0       | 6,399.8                  | 0.0                            | 253.8   | 989.8                        | 369.5               | 100.0                       |                           |                                |                                |                          |              |                       |   |     |
| FY89 | Actual     | 14,782.8          | 6,792.8       | 6,283.4                  | 0.0                            | 271.6   | 972.3                        | 362.8               | 100.0                       |                           |                                |                                |                          |              |                       |   |     |
| FY90 | Actual     | 12,738.7          | 5,884.3       | 5,464.3                  | 0.0                            | 119.1   | 845.5                        | 315.5               | 110.0                       |                           |                                |                                |                          |              |                       |   |     |
| FY91 | Actual     | 14,696.2          | 6,863.4       | 6,356.8                  | 0.0                            | 15.4    | 983.6                        | 367.0               | 110.0                       |                           |                                |                                |                          |              |                       |   |     |
| FY92 | Actual     | 15,205.6          | 7,072.3       | 6,547.2                  | 0.0                            | 85.0    | 1,013.1                      | 378.0               | 110.0                       |                           |                                |                                |                          |              |                       |   |     |
| FY93 | Actual     | 15,029.6          | 6,995.1       | 6,490.5                  | 0.0                            | 40.0    | 1,004.3                      | 374.7               | 125.0                       |                           |                                |                                |                          |              |                       |   |     |
| FY94 | Actual     | 16,394.3          | 7,605.6       | 7,047.1                  | 0.0                            | 119.4   | 1,090.4                      | 406.9               | 125.0                       |                           |                                |                                |                          |              |                       |   |     |
| FY95 | Actual     | 23,270.6          | 7,245.6       | 6,733.5                  | 0.0                            | 63.8    | 1,041.9                      | 388.8               | 141.0                       | 6,537.6                   | 1,118.4                        |                                |                          |              |                       |   |     |
| FY96 | Actual     | 25,228.0          | 7,476.5       | 6,944.0                  | 0.0                            | 281.9   | 1,074.5                      | 400.9               | 141.0                       | 4,454.6                   | 4,454.6                        |                                |                          |              |                       |   |     |
| FY97 | Actual     | 25,053.3          | 7,486.5       | 6,953.0                  | 0.0                            | 74.7    | 1,075.9                      | 401.4               | 141.0                       | 4,460.4                   | 4,460.4                        |                                |                          |              |                       |   |     |
| FY98 | Actual     | 24,951.0          | 7,476.9       | 6,944.3                  | 0.0                            | 3.7     | 1,074.5                      | 400.9               | 141.0                       | 4,454.8                   | 4,454.8                        |                                |                          |              |                       |   |     |
| FY99 | Actual     | 24,195.2          | 7,230.0       | 6,732.5                  | 0.0                            | 8.9     | 1,041.7                      | 388.7               | 155.5                       | 4,318.9                   | 4,318.9                        |                                |                          |              |                       |   |     |
| FY00 | Actual     | 24,417.9          | 7,295.4       | 6,789.7                  | 0.0                            | 22.3    | 1,050.6                      | 392.0               | 156.6                       | 4,355.7                   | 4,355.7                        |                                |                          |              |                       |   |     |
| FY01 | Actual     | 23,550.6          | 7,980.8       | 6,495.7                  | 0.0                            | 214.9   | 0.0                          | 375.0               | 150.0                       | 4,167.1                   | 4,167.1                        |                                |                          |              |                       |   |     |
| FY02 | Actual     | 23,410.3          | 8,000.5       | 6,511.7                  | 0.0                            | 17.0    | 0.0                          | 376.0               | 150.4                       | 4,177.3                   | 4,177.3                        |                                |                          |              |                       |   |     |
| FY03 | Actual     | 24,215.0          | 8,259.9       | 6,722.9                  | 0.0                            | 63.1    | 0.0                          | 388.2               | 155.3                       | 4,312.8                   | 4,312.8                        |                                |                          |              |                       |   |     |
| FY04 | Actual     | 45,718.9          | 30,040.5      | 6,402.0                  | 0.0                            | 254.0   | 0.0                          | 370.1               | 148.0                       | 4,252.1                   | 4,252.1                        |                                |                          |              |                       |   | 0.0 |
| FY05 | Actual     | 45,200.9          | 7,814.9       | 6,362.3                  | 0.0                            | 45.2    | 0.0                          | 367.8               | 147.1                       | 4,209.9                   | 4,209.9                        | 22,043.9                       |                          |              |                       |   |     |
| FY06 | Actual     | 46,372.0          | 7,983.4       | 6,499.5                  | 0.0                            | 105.3   | 0.0                          | 375.7               | 150.3                       | 4,348.8                   | 4,348.8                        | 22,560.3                       |                          |              |                       |   |     |
| FY07 | Actual     | 47,731.8          | 1,000.0       | 6,703.4                  | 30,501.9                       | 8.8     | 0.0                          | 387.5               | 155.0                       | 4,487.6                   | 4,487.6                        | 0.0                            |                          |              |                       |   |     |
| FY08 | Actual     | 46,216.4          | 6,535.0       | 6,486.7                  | 23,948.9                       | 106.2   | 0.0                          | 375.0               | 150.0                       | 4,307.3                   | 4,307.3                        | 0.0                            |                          |              |                       |   |     |
| FY09 | Actual     | 44,391.9          | 7,770.0       | 6,233.1                  | 21,521.8                       | 4.4     | 0.0                          | 360.3               | 144.1                       | 4,179.1                   | 4,179.1                        | 0.0                            |                          |              |                       |   |     |
| FY10 | Actual     | 39,697.2          | 16,900.0      | 5,563.3                  | 9,244.4                        | 39.4    | 0.0                          | 321.6               | 128.6                       | 3,749.9                   | 3,749.9                        | 0.0                            |                          |              |                       |   |     |
| FY11 | Actual     | 39,476.7          | 14,400.0      | 5,540.1                  | 11,635.1                       | 16.1    | 0.0                          | 320.2               | 128.1                       | 3,718.6                   | 3,718.6                        | 0.0                            |                          |              |                       |   |     |
| FY12 | Actual     | 38,250.3          | 11,600.0      | 5,369.9                  | 13,635.6                       | 3.0     | 0.0                          | 310.4               | 124.2                       | 3,603.6                   | 3,603.6                        | 0.0                            |                          |              |                       |   |     |
| FY13 | Actual     | 37,846.0          | 13,077.0      | 5,305.9                  | 11,857.7                       | 1.2     | 0.0                          | 306.7               | 122.7                       | 3,587.4                   | 3,587.4                        | 0.0                            |                          |              |                       |   |     |
| FY14 | Actual     | 36,471.0          | 3,695.6       | 5,207.9                  | 20,778.7                       | 5.0     | 0.0                          | 301.0               | 120.4                       | 3,181.2                   | 3,181.2                        | 0.0                            |                          |              |                       |   |     |
| FY15 | Actual     | 36,363.6          | 3,337.6       | 5,000.0                  | 9,960.7                        | 0.4     | 0.0                          | 300.0               | 120.0                       | 3,315.0                   | 3,315.0                        | 0.0                            | 4,700.0                  | 5,000.0      | 1,315.0               |   |     |
| FY16 | Actual     | 37,016.0          | 7,900.0       | 5,000.0                  | 0.0                            | 17.1    | 0.0                          | 300.0               | 120.0                       | 3,315.0                   | 3,315.0                        | 0.0                            | 4,700.0                  | 5,000.0      | 7,348.9               |   |     |
| FY17 | Actual     | 36,303.4          | 9,975.0       | 5,000.0                  | 0.0                            | 0.5     | 0.0                          | 300.0               | 120.0                       | 3,315.0                   | 3,315.0                        | 0.0                            | 4,700.0                  | 5,000.0      | 4,577.9               |   |     |
| FY18 | Projection | 34,927.6          | 7,305.8       | 5,000.0                  | 0.0                            | 71.1    | 0.0                          | 300.0               | 120.0                       | 3,315.0                   | 3,315.0                        | 0.0                            | 4,700.0                  | 5,000.0      | 0.0                   | 5,800.7                                     |     |
| FY19 | Projection | 33,439.7          | 10,809.5      | 5,000.0                  | 0.0                            | 71.1    | 0.0                          | 300.0               | 120.0                       | 3,315.0                   | 3,315.0                        | 0.0                            | 4,700.0                  | 5,000.0      | 0.0                   | 809.1                                       |     |

# TOBACCO PRODUCTS TAX

**Description:** (Title 63, Chapter 25, *Idaho Code*)

Idaho levies a 35% tax on the wholesale price of tobacco products, except cigarettes. This entire amount, net of refunds, is remitted to the General Fund. An additional 5% of the wholesale price is also collected. Half of this additional amount is earmarked for the Public School Income Fund, with \$200,000 appropriated to Idaho State Police and \$80,000 to the Commission on Hispanic Affairs. The other half of the 5% collected is distributed to the Department of Juvenile Corrections for county juvenile probation services.

## TOBACCO TAX RATE AND DISTRIBUTION HISTORY

| Effective Date | Percent of Wholesale Price Distributed to Fund |           |                           |                                |
|----------------|--|-----------|---------------------------|--------------------------------|
|                | Water Pollution Control Fund                   | Gen. Fund | Public School Income Fund | County Juvenile Probation Fund |
| Jul-1972       | 35.0%  | 0.0%      | 0.0%                      | 0.0%                           |
| Jul-1994       | 35.0%  | 0.0%      | 5.0%                      | 0.0%                           |
| Mar-1995       | 35.0%  | 0.0%      | 2.5%                      | 2.5%                           |
| Jul-1996       | 35.0%  | 0.0%      | 2.5% <sup>1</sup>         | 2.5%                           |
| Jul-2000       | 0.0%   | 35.0%     | 2.5% <sup>1</sup>         | 2.5%                           |
| Jul-2014       | 0.0%   | 35.0%     | 2.5% <sup>2</sup>         | 2.5%                           |

1. \$250,000 of this amount goes to Idaho State Police.

2. \$200,000 of this amount goes to Idaho State Police and \$80,000 goes to the Commission on Hispanic Affairs.

**Basis of Projection:**

The projections of General Fund revenues from this source for FY 2018 and FY 2019 are based on a subjective assessment of recent collections history and forecasted national tobacco expenditures.

**Historical Data:**

**TOBACCO TAX**

\$ THOUSANDS

| Year |            | Gross Collections | Distributions |         |                              |                           |                                |
|------|------------|-------------------|---------------|---------|------------------------------|---------------------------|--------------------------------|
|      |            |                   | Gen. Fund     | Refunds | Water Pollution Control Fund | Public School Income Fund | County Juvenile Probation Fund |
| FY81 | Actual     |                   | 0.0           |         |                              | 0.0                       | 0.0                            |
| FY82 | Actual     |                   | 0.0           |         |                              | 0.0                       | 0.0                            |
| FY83 | Actual     |                   | 0.0           |         |                              | 0.0                       | 0.0                            |
| FY84 | Actual     |                   | 0.0           |         |                              | 0.0                       | 0.0                            |
| FY85 | Actual     |                   | 0.0           |         |                              | 0.0                       | 0.0                            |
| FY86 | Actual     | 1,350.7           | 0.0           | 7.7     | 1,343.0                      | 0.0                       | 0.0                            |
| FY87 | Actual     | 1,401.4           | 0.0           | 1.3     | 1,400.1                      | 0.0                       | 0.0                            |
| FY88 | Actual     | 1,533.2           | 0.0           | 1.6     | 1,531.5                      | 0.0                       | 0.0                            |
| FY89 | Actual     | 1,556.8           | 0.0           | 0.1     | 1,556.7                      | 0.0                       | 0.0                            |
| FY90 | Actual     | 1,778.4           | 0.0           | 3.9     | 1,774.5                      | 0.0                       | 0.0                            |
| FY91 | Actual     | 1,934.4           | 0.0           | 49.4    | 1,885.0                      | 0.0                       | 0.0                            |
| FY92 | Actual     | 2,235.8           | 0.0           | 4.3     | 2,231.5                      | 0.0                       | 0.0                            |
| FY93 | Actual     | 2,475.5           | 0.0           | 5.6     | 2,469.9                      | 0.0                       | 0.0                            |
| FY94 | Actual     | 2,874.6           | 0.0           | 15.5    | 2,859.0                      | 0.0                       | 0.0                            |
| FY95 | Actual     | 3,605.4           | 0.0           | 2.3     | 3,167.1                      | 381.8                     | 54.2                           |
| FY96 | Actual     | 3,825.7           | 0.0           | 5.0     | 3,343.1                      | 238.8                     | 238.8                          |
| FY97 | Actual     | 4,001.8           | 0.0           | 89.3    | 3,423.4                      | 244.5                     | 244.5                          |
| FY98 | Actual     | 4,070.5           | 0.0           | 56.0    | 3,512.7                      | 250.9                     | 250.9                          |
| FY99 | Actual     | 4,307.6           | 0.0           | 3.2     | 3,766.4                      | 269.0                     | 269.0                          |
| FY00 | Actual     | 4,391.1           | 0.0           | 7.3     | 3,835.8                      | 274.0                     | 274.0                          |
| FY01 | Actual     | 4,723.0           | 4,062.8       | 79.8    | 0.0                          | 290.2                     | 290.2                          |
| FY02 | Actual     | 4,946.8           | 4,313.1       | 17.5    | 0.0                          | 308.1                     | 308.1                          |
| FY03 | Actual     | 5,336.8           | 4,666.1       | 4.2     | 0.0                          | 333.3                     | 333.3                          |
| FY04 | Actual     | 6,285.5           | 5,489.1       | 12.2    | 0.0                          | 392.1                     | 392.1                          |
| FY05 | Actual     | 6,582.7           | 5,747.4       | 14.1    | 0.0                          | 410.5                     | 410.5                          |
| FY06 | Actual     | 7,041.4           | 6,156.0       | 6.0     | 0.0                          | 439.7                     | 439.7                          |
| FY07 | Actual     | 7,531.4           | 6,548.2       | 47.8    | 0.0                          | 467.7                     | 467.7                          |
| FY08 | Actual     | 8,349.6           | 7,200.5       | 120.4   | 0.0                          | 514.3                     | 514.3                          |
| FY09 | Actual     | 8,467.0           | 7,358.3       | 57.5    | 0.0                          | 525.6                     | 525.6                          |
| FY10 | Actual     | 8,961.9           | 7,819.0       | 25.9    | 0.0                          | 558.5                     | 558.5                          |
| FY11 | Actual     | 9,849.1           | 8,475.5       | 162.8   | 0.0                          | 605.4                     | 605.4                          |
| FY12 | Actual     | 10,204.3          | 8,925.5       | 3.7     | 0.0                          | 637.5                     | 637.5                          |
| FY13 | Actual     | 11,460.3          | 10,013.0      | 16.8    | 0.0                          | 715.2                     | 715.2                          |
| FY14 | Actual     | 11,317.9          | 9,883.8       | 22.2    | 0.0                          | 706.0                     | 706.0                          |
| FY15 | Actual     | 12,024.6          | 10,504.5      | 19.4    | 0.0                          | 750.3                     | 750.3                          |
| FY16 | Actual     | 13,397.3          | 11,595.6      | 145.1   | 0.0                          | 828.3                     | 828.3                          |
| FY17 | Actual     | 14,519.2          | 12,651.9      | 59.9    | 0.0                          | 903.7                     | 903.7                          |
| FY18 | Projection | 15,761.5          | 13,766.8      | 24.5    | 0.0                          | 985.1                     | 985.1                          |
| FY19 | Projection | 16,089.8          | 14,054.1      | 24.5    | 0.0                          | 1,005.6                   | 1,005.6                        |



## BEER TAX

**Description:** (Title 23, Chapter 10, *Idaho Code*)

A tax of \$4.65 per 31-gallon barrel, or its equivalent, is levied on beer sold in Idaho. Beer containing more than 4% alcohol by weight is taxed as wine. Of the total beer tax, 20% is distributed to the Substance Abuse Treatment Fund, 33% to the Permanent Building Fund, and the remaining 47% goes to the General Fund. Historical rates of the tax and its distribution are listed below.

### BEER TAX RATE AND DISTRIBUTION HISTORY

| Effective Date | Rate Per 31 Gal. Barrel | Distribution Mechanism   |
|----------------|-------------------------|--|
| Mar-1935       | \$1.55                  | 50% to General Fund (GF); 50% to Public School Income Fund.            |
| Jul-1939       | \$1.55                  | 100% to GF.  |
| Jul-1947       | \$3.10                  | 100% to GF.  |
| Jul-1961       | \$4.65                  | \$3.10 to GF; \$1.55 to Permanent Building Fund (PBF).                 |
| Jul-1980       | \$4.65                  | \$2.17 to GF; \$1.55 to PBF; \$.93 to Alcoholism Treatment Fund (ATF). |
| Jul-1986       | \$4.65                  | 47% to GF; 33% to PBF; 20% to ATF.                                     |
| Jul-2007       | \$4.65                  | 47% to GF; 33% to PBF; 20% to Substance Abuse Treatment Fund (SATF).   |

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2018 and FY 2019 are based on an assessment of recent collections, Idaho per capita personal income, and a trend factor.

**Historical Data:**

**BEER TAX**

(\$ THOUSANDS)

| Year |            | Gross Collections | Distributions |                     |         |                           |                                |
|------|------------|-------------------|---------------|---------------------|---------|---------------------------|--------------------------------|
|      |            |                   | Gen. Fund     | Perm. Building Fund | Refunds | Alcoholism Treatment Fund | Substance Abuse Treatment Fund |
| FY81 | Actual     | 3,215.4           | 1,498.8       | 1,068.9             | 4.7     | 642.9                     |                                |
| FY82 | Actual     | 3,574.6           | 1,669.0       | 1,190.5             | 0.9     | 714.3                     |                                |
| FY83 | Actual     | 3,532.0           | 1,650.3       | 1,176.0             | 0.0     | 705.6                     |                                |
| FY84 | Actual     | 3,442.5           | 1,607.0       | 1,147.1             | 0.0     | 688.3                     |                                |
| FY85 | Actual     | 3,422.2           | 1,597.5       | 1,140.1             | 0.5     | 684.1                     |                                |
| FY86 | Actual     | 3,312.6           | 1,545.5       | 1,103.5             | 1.6     | 662.1                     |                                |
| FY87 | Actual     | 3,311.6           | 1,554.9       | 1,091.8             | 3.2     | 661.7                     |                                |
| FY88 | Actual     | 3,251.7           | 1,527.6       | 1,072.6             | 1.4     | 650.0                     |                                |
| FY89 | Actual     | 3,244.5           | 1,509.9       | 1,060.1             | 31.9    | 642.5                     |                                |
| FY90 | Actual     | 3,304.6           | 1,552.1       | 1,089.8             | 2.2     | 660.5                     |                                |
| FY91 | Actual     | 3,414.7           | 1,602.5       | 1,125.2             | 5.1     | 681.9                     |                                |
| FY92 | Actual     | 3,525.6           | 1,656.9       | 1,163.4             | 0.3     | 705.1                     |                                |
| FY93 | Actual     | 3,621.6           | 1,701.6       | 1,194.7             | 1.2     | 724.1                     |                                |
| FY94 | Actual     | 3,643.1           | 1,711.8       | 1,201.9             | 1.0     | 728.4                     |                                |
| FY95 | Actual     | 3,521.7           | 1,654.1       | 1,161.4             | 2.3     | 703.9                     |                                |
| FY96 | Actual     | 3,455.6           | 1,620.9       | 1,138.1             | 7.0     | 689.7                     |                                |
| FY97 | Actual     | 3,468.6           | 1,629.9       | 1,144.4             | 0.8     | 693.6                     |                                |
| FY98 | Actual     | 3,445.8           | 1,619.4       | 1,137.0             | 0.2     | 689.1                     |                                |
| FY99 | Actual     | 3,585.6           | 1,683.9       | 1,182.3             | 2.8     | 716.5                     |                                |
| FY00 | Actual     | 3,737.0           | 1,754.2       | 1,231.7             | 4.6     | 746.5                     |                                |
| FY01 | Actual     | 3,866.4           | 1,816.5       | 1,275.4             | 1.4     | 773.0                     |                                |
| FY02 | Actual     | 3,993.7           | 1,876.7       | 1,317.7             | 0.6     | 798.6                     |                                |
| FY03 | Actual     | 4,070.9           | 1,912.8       | 1,343.1             | 1.0     | 814.0                     |                                |
| FY04 | Actual     | 4,159.9           | 1,955.0       | 1,372.7             | 0.3     | 831.9                     |                                |
| FY05 | Actual     | 4,142.1           | 1,946.3       | 1,366.6             | 1.0     | 828.2                     |                                |
| FY06 | Actual     | 4,245.6           | 1,985.5       | 1,394.0             | 21.2    | 844.9                     |                                |
| FY07 | Actual     | 4,542.1           | 2,133.5       | 1,498.0             | 2.6     | 907.9                     |                                |
| FY08 | Actual     | 4,587.6           | 2,147.6       | 1,507.9             | 18.3    | 0.0                       | 913.9                          |
| FY09 | Actual     | 4,353.8           | 2,038.8       | 1,431.5             | 15.9    | 0.0                       | 867.6                          |
| FY10 | Actual     | 4,404.2           | 2,069.7       | 1,453.2             | 0.5     | 0.0                       | 880.7                          |
| FY11 | Actual     | 4,213.9           | 1,971.1       | 1,383.9             | 20.1    | 0.0                       | 838.8                          |
| FY12 | Actual     | 4,138.7           | 1,944.1       | 1,365.0             | 2.2     | 0.0                       | 827.3                          |
| FY13 | Actual     | 4,104.8           | 1,927.8       | 1,353.5             | 3.2     | 0.0                       | 820.3                          |
| FY14 | Actual     | 4,025.0           | 1,890.9       | 1,327.7             | 1.8     | 0.0                       | 804.6                          |
| FY15 | Actual     | 4,066.8           | 1,911.3       | 1,342.0             | 0.2     | 0.0                       | 813.3                          |
| FY16 | Actual     | 4,115.9           | 1,934.4       | 1,358.2             | 0.2     | 0.0                       | 823.1                          |
| FY17 | Actual     | 4,118.1           | 1,935.2       | 1,358.8             | 0.7     | 0.0                       | 823.5                          |
| FY18 | Projection | 4,138.2           | 1,943.6       | 1,364.7             | 2.9     | 0.0                       | 827.1                          |
| FY19 | Projection | 4,188.5           | 1,967.2       | 1,381.3             | 2.9     | 0.0                       | 837.1                          |

## WINE TAX

**Description:** (Title 23, Chapter 13, *Idaho Code*)

A tax of 45 cents per gallon is levied on wine (and beer containing more than 4% alcohol by weight) sold in Idaho. Of the total wine tax, 12% is distributed to the Substance Abuse Treatment Fund, 5% to the Idaho Grape Growers and Wine Producers Commission Fund, and the remaining 83% goes to the General Fund. Historical rates of the tax and its distribution are listed in the table below.

| <b>WINE TAX RATE AND DISTRIBUTION HISTORY</b> |                 |                 |   |
|---|-----------------|-----------------|---|
| Effective Date                                | Rate Per Gallon | State of Origin | Distribution Mechanism  |
| Jul-1971                                      | \$0.45          | All             | 100% to General Fund (GF).  |
| Jul-1980                                      | \$0.45          | All             | \$0.40 to GF; \$0.05 to Alcoholism Treatment Fund (ATF).  |
| Jul-1984                                      | \$0.20          | Idaho           | \$0.15 to GF; \$0.05 to ATF.  |
|   | \$0.45          | Non-Idaho       | \$0.40 to GF; \$0.05 to ATF.  |
| Jul-1986                                      | \$0.20          | Idaho           | 88% to GF; 12% to ATF.  |
|   | \$0.45          | Non-Idaho       | 88% to GF; 12% to ATF.  |
| Jul-1988                                      | \$0.45          | All             | 88% to GF; 12% to ATF.  |
| Jul-1994                                      | \$0.45          | All             | 83% to GF; 12% to ATF; 5% to Idaho Grape Growers & Wine Producers Commission Fund.                                      |
| Jul-2007                                      | \$0.45          | All             | 83% to GF; 12% to Substance Abuse Treatment Fund (SATF);<br>5% to Idaho Grape Growers & Wine Producers Commission Fund. |

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2018 and FY 2019 are based on Idaho per capita personal income and a trend factor.

**Historical Data:**

**WINE TAX**  
(\$ THOUSANDS)

| Year |            | Gross Collections | Distributions |         |                           |                                |   |
|------|------------|-------------------|---------------|---------|---------------------------|--------------------------------|---|
|      |            |                   | Gen. Fund     | Refunds | Alcoholism Treatment Fund | Substance Abuse Treatment Fund | ID Grape Growers & Wine Producers Commission Fund |
| FY81 | Actual     | 609.0             | 526.9         | 14.6    | 67.5                      |                                |   |
| FY82 | Actual     | 759.1             | 675.3         | 0.0     | 83.8                      |                                |   |
| FY83 | Actual     | 778.1             | 692.2         | 0.0     | 85.9                      |                                |   |
| FY84 | Actual     | 837.5             | 744.7         | 0.0     | 92.9                      |                                |   |
| FY85 | Actual     | 872.4             | 767.0         | 6.2     | 99.2                      |                                |   |
| FY86 | Actual     | 955.2             | 844.7         | 0.9     | 109.6                     |                                |   |
| FY87 | Actual     | 985.4             | 862.1         | 5.7     | 117.6                     |                                |   |
| FY88 | Actual     | 989.1             | 866.7         | 4.2     | 118.2                     |                                |   |
| FY89 | Actual     | 905.9             | 788.7         | 9.6     | 107.6                     |                                |   |
| FY90 | Actual     | 880.7             | 771.3         | 4.2     | 105.2                     |                                |   |
| FY91 | Actual     | 853.2             | 750.1         | 0.8     | 102.3                     |                                |   |
| FY92 | Actual     | 907.1             | 753.1         | 51.3    | 102.7                     |                                |   |
| FY93 | Actual     | 856.4             | 750.5         | 3.5     | 102.3                     |                                |   |
| FY94 | Actual     | 918.4             | 806.2         | 2.2     | 109.9                     |                                |   |
| FY95 | Actual     | 1,375.5           | 1,140.5       | 0.7     | 165.0                     | 69.3                           |   |
| FY96 | Actual     | 1,840.4           | 1,524.1       | 4.2     | 220.3                     | 91.8                           |   |
| FY97 | Actual     | 2,005.4           | 1,663.7       | 1.0     | 240.5                     | 100.2                          |   |
| FY98 | Actual     | 2,170.7           | 1,800.8       | 1.0     | 260.4                     | 108.5                          |   |
| FY99 | Actual     | 2,294.1           | 1,904.0       | 0.2     | 275.3                     | 114.7                          |   |
| FY00 | Actual     | 2,375.4           | 1,963.1       | 10.2    | 283.8                     | 118.3                          |   |
| FY01 | Actual     | 2,295.5           | 1,898.2       | 8.5     | 274.4                     | 114.3                          |   |
| FY02 | Actual     | 2,300.8           | 1,884.8       | 30.0    | 272.5                     | 113.5                          |   |
| FY03 | Actual     | 2,372.7           | 1,969.0       | 0.4     | 284.7                     | 118.6                          |   |
| FY04 | Actual     | 2,576.9           | 2,138.0       | 1.0     | 309.1                     | 128.8                          |   |
| FY05 | Actual     | 2,810.1           | 2,331.8       | 0.7     | 337.1                     | 140.5                          |   |
| FY06 | Actual     | 2,947.2           | 2,428.1       | 21.8    | 351.0                     | 146.3                          |   |
| FY07 | Actual     | 3,006.2           | 2,483.2       | 14.3    | 359.0                     | 149.6                          |   |
| FY08 | Actual     | 3,124.9           | 2,581.7       | 14.4    | 0.0                       | 373.3                          | 155.5   |
| FY09 | Actual     | 3,964.7           | 3,280.1       | 12.9    | 0.0                       | 474.2                          | 197.6   |
| FY10 | Actual     | 3,636.2           | 3,000.2       | 21.5    | 0.0                       | 433.8                          | 180.7   |
| FY11 | Actual     | 3,880.8           | 3,210.7       | 12.5    | 0.0                       | 464.2                          | 193.4   |
| FY12 | Actual     | 4,163.7           | 3,454.1       | 2.1     | 0.0                       | 499.4                          | 208.1   |
| FY13 | Actual     | 4,712.7           | 3,908.7       | 3.4     | 0.0                       | 565.1                          | 235.5   |
| FY14 | Actual     | 4,988.8           | 4,134.6       | 7.3     | 0.0                       | 597.8                          | 249.1   |
| FY15 | Actual     | 5,115.5           | 4,237.6       | 10.0    | 0.0                       | 612.7                          | 255.3   |
| FY16 | Actual     | 5,407.6           | 4,481.2       | 8.6     | 0.0                       | 647.9                          | 270.0   |
| FY17 | Actual     | 5,616.8           | 4,651.6       | 12.5    | 0.0                       | 672.5                          | 280.2   |
| FY18 | Projection | 5,781.3           | 4,792.6       | 7.1     | 0.0                       | 692.9                          | 288.7   |
| FY19 | Projection | 6,009.1           | 4,981.7       | 7.1     | 0.0                       | 720.2                          | 300.1   |

## KILOWATT-HOUR TAX

**Description:** (Title 63, Chapter 27, *Idaho Code*)

Revenue is derived from a one-half mill (\$0.0005) per kilowatt-hour tax on hydro-generated electricity in Idaho. Electricity used by industrial consumers and for irrigation is exempt from this tax. All collections accrue to the General Fund. This tax has been levied since July 1, 1931.

**Basis of Projection:**

Projected kilowatt-hour tax receipts for FY 2018 and FY 2019 are based on an assessment of recent collection history in comparison to water availability.

**Historical Data:**

**KILOWATT-HOUR TAX**

(\$ THOUSANDS)

| Year |            | Gross<br>Collections | Distributions |              |
|------|------------|----------------------|---------------|--------------|
|      |            |                      | Refunds       | Gen.<br>Fund |
| FY81 | Actual     | 1,607.5              | 0.0           | 1,607.5      |
| FY82 | Actual     | 1,755.6              | 0.0           | 1,755.6      |
| FY83 | Actual     | 2,176.9              | 0.0           | 2,176.9      |
| FY84 | Actual     | 2,412.7              | 0.0           | 2,412.7      |
| FY85 | Actual     | 2,270.6              | 0.0           | 2,270.6      |
| FY86 | Actual     | 2,100.9              | 0.0           | 2,100.9      |
| FY87 | Actual     | 1,819.2              | 0.0           | 1,819.2      |
| FY88 | Actual     | 1,487.0              | 0.0           | 1,487.0      |
| FY89 | Actual     | 1,593.6              | 0.0           | 1,593.6      |
| FY90 | Actual     | 1,677.0              | 0.0           | 1,677.0      |
| FY91 | Actual     | 1,783.2              | 0.0           | 1,783.2      |
| FY92 | Actual     | 1,615.8              | 5.3           | 1,610.5      |
| FY93 | Actual     | 1,478.7              | 29.4          | 1,449.3      |
| FY94 | Actual     | 2,125.0              | 37.0          | 2,088.0      |
| FY95 | Actual     | 1,686.5              | 0.0           | 1,686.5      |
| FY96 | Actual     | 2,947.0              | 57.1          | 2,889.9      |
| FY97 | Actual     | 2,973.6              | 0.0           | 2,973.6      |
| FY98 | Actual     | 3,239.9              | 0.0           | 3,239.9      |
| FY99 | Actual     | 2,885.7              | 0.0           | 2,885.7      |
| FY00 | Actual     | 2,800.4              | 35.0          | 2,765.4      |
| FY01 | Actual     | 1,796.3              | 0.0           | 1,796.3      |
| FY02 | Actual     | 1,794.7              | 0.0           | 1,794.7      |
| FY03 | Actual     | 1,803.7              | 6.7           | 1,797.0      |
| FY04 | Actual     | 1,827.0              | 0.0           | 1,827.0      |
| FY05 | Actual     | 1,534.4              | 0.0           | 1,534.4      |
| FY06 | Actual     | 2,285.2              | 0.0           | 2,285.2      |
| FY07 | Actual     | 2,259.2              | 0.0           | 2,259.2      |
| FY08 | Actual     | 1,599.2              | 0.0           | 1,599.2      |
| FY09 | Actual     | 2,018.2              | 0.0           | 2,018.2      |
| FY10 | Actual     | 2,138.2              | 0.0           | 2,138.2      |
| FY11 | Actual     | 2,430.0              | 0.0           | 2,429.9      |
| FY12 | Actual     | 2,981.6              | 0.0           | 2,981.6      |
| FY13 | Actual     | 1,919.9              | 0.0           | 1,919.9      |
| FY14 | Actual     | 1,839.9              | 0.0           | 1,839.9      |
| FY15 | Actual     | 1,917.8              | 0.0           | 1,917.8      |
| FY16 | Actual     | 1,876.6              | 0.0           | 1,876.6      |
| FY17 | Actual     | 2,152.3              | 44.8          | 2,107.5      |
| FY18 | Projection | 2,400.0              | 0.0           | 2,400.0      |
| FY19 | Projection | 2,100.0              | 0.0           | 2,100.0      |

## MINE LICENSE TAX

**Description:** (Title 47, Chapter 12, *Idaho Code*)

Revenue is derived from a 1% “profit” tax on Idaho mining operations. This tax has been levied since 1935. It was initially set at 3%. It was lowered to 2% in 1972 and lowered again to 1% in 2002. For mining operations without a cyanidation facility, 66% of the net tax collected accrues to the General Fund and the remaining 34% goes to the Abandoned Mine Reclamation Fund. The distribution for the net mine license tax collected from mining operations with cyanidation facilities is slightly different. Thirty-three percent of the net tax collected from operations with a cyanidation facility is distributed to the General Fund, 33% goes to the Cyanidation Facility Closure Fund, and the remaining 34% goes to the Abandoned Mine Reclamation Fund.

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2018 and FY 2019 are based on a subjective assessment of recent collections history, the current and future levels of employment in mining, and relative mineral prices.

**Historical Data:**

**MINE LICENSE TAX**

(\$ THOUSANDS)

| Year |            | Gross Collections | Distributions |                                   |                                 |           |
|------|------------|-------------------|---------------|-----------------------------------|---------------------------------|-----------|
|      |            |                   | Refunds       | Cyanidation Facility Closure Fund | Abandoned Mine Reclamation Fund | Gen. Fund |
| FY81 | Actual     | 2,145.2           | 27.6          |                                   |                                 | 2,117.6   |
| FY82 | Actual     | 2,449.4           | 4.7           |                                   |                                 | 2,444.7   |
| FY83 | Actual     | 687.6             | 14.3          |                                   |                                 | 673.3     |
| FY84 | Actual     | 1,106.2           | 0.9           |                                   |                                 | 1,105.3   |
| FY85 | Actual     | 676.1             | 90.9          |                                   |                                 | 585.2     |
| FY86 | Actual     | 380.6             | 12.0          |                                   |                                 | 368.7     |
| FY87 | Actual     | 283.5             | 0.3           |                                   |                                 | 283.2     |
| FY88 | Actual     | 570.8             | 0.0           |                                   |                                 | 570.8     |
| FY89 | Actual     | 215.8             | 2.6           |                                   |                                 | 213.2     |
| FY90 | Actual     | 278.0             | 25.0          |                                   |                                 | 253.0     |
| FY91 | Actual     | 471.8             | 1.0           |                                   |                                 | 470.9     |
| FY92 | Actual     | 588.7             | 3.1           |                                   |                                 | 585.7     |
| FY93 | Actual     | 441.7             | 331.8         |                                   |                                 | 109.9     |
| FY94 | Actual     | 487.6             | 14.4          |                                   |                                 | 473.2     |
| FY95 | Actual     | 291.0             | 1.2           |                                   |                                 | 289.9     |
| FY96 | Actual     | 800.8             | 0.0           |                                   |                                 | 800.8     |
| FY97 | Actual     | 764.7             | 101.4         |                                   |                                 | 663.4     |
| FY98 | Actual     | 1,101.3           | 140.8         |                                   |                                 | 960.5     |
| FY99 | Actual     | 2,241.0           | 258.1         |                                   |                                 | 1,982.9   |
| FY00 | Actual     | 1,038.3           | 1,344.4       |                                   | 353.0                           | -659.1    |
| FY01 | Actual     | 245.3             | 64.5          |                                   | 61.5                            | 119.3     |
| FY02 | Actual     | 1,236.8           | 0.3           |                                   | 420.4                           | 816.0     |
| FY03 | Actual     | 107.2             | 53.1          |                                   | 18.4                            | 35.7      |
| FY04 | Actual     | 115.3             | 6.3           |                                   | 37.0                            | 71.9      |
| FY05 | Actual     | 53.2              | 3.0           | 0.0                               | 17.1                            | 33.1      |
| FY06 | Actual     | 404.8             | 2.1           | 0.0                               | 136.9                           | 265.8     |
| FY07 | Actual     | 3,569.8           | 16.4          | 0.0                               | 1,208.1                         | 2,345.2   |
| FY08 | Actual     | 3,829.5           | 3.9           | 0.0                               | 1,300.7                         | 2,524.9   |
| FY09 | Actual     | 1,430.0           | 3.1           | 0.0                               | 485.2                           | 941.8     |
| FY10 | Actual     | 2,723.3           | 0.5           | 0.0                               | 925.8                           | 1,797.1   |
| FY11 | Actual     | 2,417.8           | 90.4          | 0.0                               | 791.3                           | 1,536.1   |
| FY12 | Actual     | 3,220.4           | 152.8         | 0.0                               | 1,043.0                         | 2,024.7   |
| FY13 | Actual     | 959.2             | 153.9         | 0.0                               | 273.8                           | 531.5     |
| FY14 | Actual     | 842.7             | 56.7          | 0.0                               | 267.2                           | 518.7     |
| FY15 | Actual     | 775.9             | 670.9         | 0.0                               | 35.7                            | 69.3      |
| FY16 | Actual     | 30.8              | 405.7         | 0.0                               | -127.4                          | -247.4    |
| FY17 | Actual     | 75.8              | 0.0           | 0.0                               | 25.8                            | 50.0      |
| FY18 | Projection | 340.2             | 37.2          | 0.0                               | 103.0                           | 200.0     |
| FY19 | Projection | 491.7             | 37.2          | 0.0                               | 154.5                           | 300.0     |



## LIQUOR FUND

**Description:** (Title 23, Chapters 2 and 4, *Idaho Code*)

A portion of the net income of the State Liquor Division flows to the General Fund. Two percent of net income is dedicated to the Drug Court, Mental Health Court, and Family Court Services Fund. Half of the amount remaining is distributed to cities and counties. The other half is distributed as follows: the Substance Abuse Treatment Fund receives \$2.08 million; the Community College Fund receives \$0.6 million; the Public School Income Fund receives \$1.2 million; the Cooperative Welfare Fund receives \$0.65 million; the Drug Court, Mental Health Court and Family Court Services Fund receives \$0.68 million; the Drug and Mental Health Court Supervision Fund receives \$0.44 million; and the General Fund receives the remainder.

**Historical Data:**

**LIQUOR FUND**

(\$ THOUSANDS)

| Year |            | Gross Dist. | Gen. Fund | Distributions  |                        |                    |                           |                     |                     |   |  |                        |                                |   | Cities & Counties |  |          |
|------|------------|-------------|-----------|--|------------------------|--------------------|---------------------------|---------------------|---------------------|---|--|------------------------|--------------------------------|---|-------------------|--|----------|
|      |            |             |           | Alcoholism Treatment Fund  | Community College Fund | Coop. Welfare Fund | Public School Income Fund | Budget Reserve Fund | Perm. Building Fund | Drug Cr., Mental Health & Family Cr. Svcs. Fund | Idaho Water Resource Brd. Revolving Development Fund | Warehouse Remodel Fund | Substance Abuse Treatment Fund | Drug & Mental Health Cr. Supervision Fund |                   |  |          |
| FY81 | Actual     | 14,378.7    | 3,741.8   | This area intentionally left blank.  |                        |                    |                           |                     |                     |   |  |                        |                                |   |                   |  |          |
| FY82 | Actual     | 12,914.8    | 3,948.1   | For more information, please contact the Idaho Division of Financial Management. |                        |                    |                           |                     |                     |   |  |                        |                                |   |                   |  |          |
| FY83 | Actual     | 15,487.2    | 3,700.0   |  |                        |                    |                           |                     |                     |   |  |                        |                                |   |                   |  |          |
| FY84 | Actual     | 15,170.2    | 3,820.0   |  |                        |                    |                           |                     |                     |   |  |                        |                                |   |                   |  |          |
| FY85 | Actual     | 12,780.1    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   |                     |                     |   |  |                        |                                |   |                   |  | 4,485.1  |
| FY86 | Actual     | 12,294.5    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   |                     |                     |   |  |                        |                                |   |                   |  | 3,999.5  |
| FY87 | Actual     | 12,294.8    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   |                     |                     |   |  |                        |                                |   |                   |  | 3,999.8  |
| FY88 | Actual     | 10,795.0    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   |                     |                     |   |  |                        |                                |   |                   |  | 2,500.0  |
| FY89 | Actual     | 11,377.9    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   |                     |                     |   |  |                        |                                |   |                   |  | 3,082.9  |
| FY90 | Actual     | 12,425.0    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   |                     |                     |   |  |                        |                                |   |                   |  | 4,130.0  |
| FY91 | Actual     | 12,268.3    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   |                     |                     |   |  |                        |                                |   |                   |  | 3,973.3  |
| FY92 | Actual     | 12,999.1    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   |                     |                     |   |  |                        |                                |   |                   |  | 4,704.1  |
| FY93 | Actual     | 12,802.8    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   |                     |                     |   |  |                        |                                |   |                   |  | 4,507.8  |
| FY94 | Actual     | 26,149.3    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 6,255.8             |                     |   |  |                        |                                |   |                   |  | 11,178.5 |
| FY95 | Actual     | 18,449.3    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 |                     |   |  |                        |                                |   |                   |  | 10,154.3 |
| FY96 | Actual     | 16,578.1    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 |                     |   |  |                        |                                |   |                   |  | 8,283.1  |
| FY97 | Actual     | 17,417.3    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 |                     |   |  |                        |                                |   |                   |  | 9,122.3  |
| FY98 | Actual     | 16,605.7    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 |                     |   |  |                        |                                |   |                   |  | 8,310.7  |
| FY99 | Actual     | 18,584.1    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 |                     |   |  |                        |                                |   |                   |  | 10,289.1 |
| FY00 | Actual     | 19,891.7    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 | 1,000.0             |   |  |                        |                                |   |                   |  | 10,596.7 |
| FY01 | Actual     | 20,293.9    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 |   |  |                        |                                |   |                   |  | 11,998.9 |
| FY02 | Actual     | 21,100.7    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 |   |  |                        |                                |   |                   |  | 12,805.7 |
| FY03 | Actual     | 23,163.0    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 |   |  |                        |                                |   |                   |  | 14,868.0 |
| FY04 | Actual     | 27,775.0    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 2,050.0   |  |                        |                                |   |                   |  | 17,430.0 |
| FY05 | Actual     | 33,826.0    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 1,811.0   | 7,200.0  |                        |                                |   |                   |  | 16,520.0 |
| FY06 | Actual     | 29,737.1    | 4,945.0   | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 2,082.1   | 0.0  | 2,000.0                |                                |   |                   |  | 17,360.0 |
| FY07 | Actual     | 42,512.6    | 10,242.2  | 1,200.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 2,313.9   | 0.0  | 2,000.0                |                                |   |                   |  | 24,606.6 |
| FY08 | Actual     | 43,774.3    | 8,378.5   | 0.0  | 300.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 3,188.9   | 0.0  | 3,245.4                | 2,080.0                        | 440.0                                     |                   |  | 24,291.5 |
| FY09 | Actual     | 44,475.7    | 9,294.0   | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 3,315.7   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 26,896.0 |
| FY10 | Actual     | 44,091.4    | 11,394.0  | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 3,301.4   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 24,426.0 |
| FY11 | Actual     | 49,698.6    | 14,761.4  | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 3,416.6   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 26,550.6 |
| FY12 | Actual     | 53,000.8    | 17,248.0  | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 3,580.8   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 27,202.0 |
| FY13 | Actual     | 59,064.6    | 20,925.0  | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 3,824.6   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 29,345.0 |
| FY14 | Actual     | 63,524.9    | 24,210.0  | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 3,904.9   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 30,440.0 |
| FY15 | Actual     | 65,720.7    | 25,480.0  | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 4,070.7   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 31,200.0 |
| FY16 | Actual     | 66,656.6    | 25,890.0  | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 4,296.6   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 31,500.0 |
| FY17 | Actual     | 72,909.4    | 28,880.0  | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 4,529.4   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 34,530.0 |
| FY18 | Projection | 77,478.3    | 30,960.0  | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 4,938.3   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 36,610.0 |
| FY19 | Projection | 80,475.7    | 32,491.2  | 0.0  | 600.0                  | 650.0              | 1,200.0                   | 0.0                 | 0.0                 | 4,873.2   | 0.0  | 0.0                    | 2,080.0                        | 440.0                                     |                   |  | 38,141.2 |

## INTEREST EARNINGS

**Description:** (Title 67, Chapter 12, *Idaho Code*)

State Treasurer's interest income is derived from investments of idle state funds. Investments are made in time certificates of deposit, US Treasury bills, and repurchase agreements. The earnings from these investments are related to short-term interest rates, coupled with the amount of fund balances available for the Treasurer to invest. All net interest earnings, except those derived from the trust and agency funds, accrue to the General Fund. Beginning in FY 2000, all interest earned on the Permanent Building Fund balance is retained by that fund instead of being paid to the General Fund. In addition, beginning in FY 2000, the Treasurer is allowed to invest in certain corporate financial instruments and US Small Business Administration loans.

For historical and projected data see the "Miscellaneous Revenues" table.

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2018 and FY 2019 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2018 projection includes the approximately \$2.4 million net cost associated with the issuance of this year's tax anticipation note. The FY 2019 projection does not include tax anticipation note earnings or costs.

## COURT FEES AND FINES

**Description:** (Sections 1-402, 19-4705, and 31-3201H, *Idaho Code*)

Revenues are derived from court fees and from 8.6% of all fines and forfeitures collected pursuant to the judgment of any court of the state. In the case of Fish and Game law violations, 2.5% goes to the General Fund. In addition to the previous two items, 80% of the court surcharge fees are distributed to the General Fund beginning in FY 2017.

For historical and projected data see the "Miscellaneous Revenues" table.

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2018 and FY 2019 are based on an assessment of recent collection history, fee changes, and Idaho population growth.

## INSURANCE PREMIUM TAX

**Description:** (Title 41, Chapters 4, 34, and 39, *Idaho Code*)

Idaho assesses a 1.5% tax on insurance premiums for policies written in Idaho. Premium taxes are collected on a quarterly prepayment basis based upon a percentage of the previous year's business and current year's tax rate. Prepayment percentages are 60% in June, 20% in September, and 15% in December, with the balance due in March. Up to 20% of the tax collections can be directed to the Insurance Refund Fund. (However, the amount in the Insurance Refund Fund that exceeds \$40,000 at the end of the fiscal year is transferred to the General Fund.) In addition, distributions are made to the Fireman's Retirement and Insolvency Administration funds. Twenty-five percent of the net tax collected in excess of \$45 million is paid to the Idaho High Risk Individual Reinsurance Pool and the remainder is deposited into the General Fund.

For historical and projected data see the "Miscellaneous Revenues" table.

### **Basis of Projection:**

The projections of General Fund revenue from this source for FY 2018 and FY 2019 are based on forecasts of insurance premium growth, trends in insurance rates and coverage, and company insolvencies that result in credits taken for guaranty association assessments. These variables and parameters are run through a simulation model of the cash-flow process to capture the effects on prepayment, filing reconciliation collections, and refunds.

## ALCOHOLIC BEVERAGE LICENSES

**Description:** (Title 23, Chapters 9, 10, and 13, *Idaho Code*)

Prior to FY 2013, revenue from the sale of alcoholic beverage licenses to retailers, wholesalers, and manufacturers was deposited in the state's General Fund. Beginning in FY 2013, these revenues are directed to the Alcohol Beverage Control Fund.

## UNCLAIMED PROPERTY

**Description:** (Title 14, Chapter 5, *Idaho Code*)

Unclaimed property from bank accounts, safe deposit boxes, travelers' checks, life insurance policies, utility deposits, and other intangible property accrue to the state. The holding period before most types of financial properties are considered abandoned is five years. The state serves as the custodian of these unclaimed properties until they are claimed by their owners. Unclaimed Property Fund balances exceeding \$250,000 are transferred to the General Fund by the end of each fiscal year.

For historical and projected data see the "Miscellaneous Revenues" table.

**Basis of Projection:**

Projections of unclaimed property are based on a subjective assessment of recent collection history and discussions with personnel from the Idaho State Treasurer's Office.

## UCC FILINGS

**Description:** (Sections 30-1-122, 53-262, and 67-910, *Idaho Code*)

The principal source of revenue from the Secretary of State is derived from the filings of articles of incorporation. The Secretary of State also collects other miscellaneous fees, such as Uniform Commercial Code (UCC) filing fees and notary fees.

For historical and projected data see the "Miscellaneous Revenues" table.

**Basis of Projection:**

Projections of revenue from this source are based on a subjective assessment of recent collection history, recent tax law changes, and agency expectations.

## OTHER DEPARTMENTS AND TRANSFERS

The primary revenue sources for this miscellaneous category are receipts from the Department of Finance, Department of Lands, Department of Environmental Quality, Division of Financial Management, and Department of Agriculture. Other agencies provide lesser amounts on a sporadic basis.

For historical and projected data see the “Miscellaneous Revenues” table.

### **Basis of Projection:**

The projections of miscellaneous General Fund revenues for FY 2018 and FY 2019 are based on a subjective assessment of recent collection history, and expected transfers.

## ESTATE AND TRANSFER TAX

### **Description:** (Title 14, Chapter 4, *Idaho Code*)

Previously, federal tax law allowed a decedent’s estate to take a credit against state estate taxes paid, up to certain limits, based on the size of the estate. The amount of Idaho estate and transfer tax due was equal to this credit. Ten percent of the gross amount collected was distributed to the county of probate and the remainder, net of refunds, accrued to the state’s General Fund. The Economic Growth and Tax Relief Reconciliation Act of 2001 phased out this credit so that it did not apply to any deaths after 2005. The relevant estate provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 expired at the end of 2010. However, some of the estate tax provisions of this act were extended through CY 2012 as part of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act that became law on December 17, 2010. The federal credit for state estate taxes did not return at that time. Neither was the credit included in the American Taxpayer Relief Act that was signed into law on January 2, 2013. Thus, under current federal law there is no federal credit for state estate taxes paid and no Idaho estate and transfer tax due.

For historical and projected data see the “Miscellaneous Revenues” table.

## MISCELLANEOUS REVENUES

(\$ THOUSANDS)

| Year | Distributions to General Fund |                   |                    |                       |                             |                     |             |         |                    |                            |                        |
|------|-------------------------------|-------------------|--------------------|-----------------------|-----------------------------|---------------------|-------------|---------|--------------------|----------------------------|------------------------|
|      | Estate Tax                    | Interest Earnings | Court Fees & Fines | Insurance Premium Tax | Alcoholic Beverage Licenses | Un-Claimed Property | UCC Filings | Lands   | One-Time Transfers | Other Depts. and Transfers |                        |
| FY81 | Actual                        | 0.0               | 10,257.4           | 1,850.8               | 14,845.9                    | 918.9               | 0.0         | 1,510.4 | 109.4              | 0.0                        | 792.7                  |
| FY82 | Actual                        | 0.0               | 12,282.6           | 2,036.1               | 15,442.0                    | 911.5               | 0.0         | 512.1   | 181.7              | 1,282.7                    | 643.6                  |
| FY83 | Actual                        | 0.0               | 8,663.9            | 2,109.6               | 22,345.0                    | 939.6               | 175.3       | 538.9   | 165.9              | 6,115.0                    | 715.1                  |
| FY84 | Actual                        | 0.0               | 12,227.9           | 2,154.9               | 16,730.0                    | 932.2               | 597.0       | 559.6   | 167.8              | 435.7                      | 874.8                  |
| FY85 | Actual                        | 0.0               | 10,931.1           | 2,355.3               | 18,329.8                    | 1,033.8             | 1,304.9     | 571.6   | 174.9              | 4,097.3                    | 905.3                  |
| FY86 | Actual                        | 0.0               | 9,549.6            | 2,544.1               | 20,867.5                    | 1,052.5             | 906.7       | 624.3   | 161.3              | 5,757.5                    | 838.4                  |
| FY87 | Actual                        | 0.0               | 7,615.7            | 2,800.7               | 21,257.1                    | 1,059.9             | 866.3       | 953.8   | 168.2              | 9,337.0                    | 987.6 <sup>1</sup>     |
| FY88 | Actual                        | 0.0               | 10,010.0           | 2,860.1               | 31,182.3                    | 1,035.8             | 997.7       | 1,083.0 | 123.6              | 942.5                      | 1,041.9 <sup>2</sup>   |
| FY89 | Actual                        | 0.0               | 16,178.4           | 3,135.9               | 26,217.5                    | 1,033.9             | 744.9       | 1,010.6 | 131.7              | 2,300.0                    | 1,112.8 <sup>3</sup>   |
| FY90 | Actual                        | 0.0               | 17,552.6           | 3,426.1               | 25,209.2                    | 1,081.5             | 1,155.7     | 1,073.4 | 158.9              | 1,000.0                    | 1,270.7 <sup>4</sup>   |
| FY91 | Actual                        | 0.0               | 19,387.7           | 3,331.7               | 28,643.7                    | 994.5               | 1,145.4     | 1,165.6 | 192.4              | 325.0                      | 1,922.7 <sup>5</sup>   |
| FY92 | Actual                        | 0.0               | 11,810.0           | 3,390.7               | 31,944.9                    | 1,010.2             | 1,353.3     | 1,396.1 | 210.7              | 513.9                      | 1,856.0 <sup>6</sup>   |
| FY93 | Actual                        | 0.0               | 10,540.0           | 3,210.0               | 28,810.0                    | 960.0               | 1,335.5     | 907.6   | 229.8              | 0.0                        | 682.6                  |
| FY94 | Actual                        | 0.0               | 10,611.2           | 3,721.9               | 33,193.5                    | 1,039.0             | 1,707.9     | 784.0   | 220.2              | 3,420.0                    | 1,264.2 <sup>7</sup>   |
| FY95 | Actual                        | 0.0               | 15,000.0           | 3,894.0               | 34,934.6                    | 1,072.3             | 2,089.2     | 854.5   | 243.6              | 0.0                        | 3,391.6 <sup>8</sup>   |
| FY96 | Actual                        | 0.0               | 18,541.4           | 4,244.8               | 36,126.4                    | 1,047.9             | 1,387.1     | 941.2   | 238.3              | 145.0                      | 3,182.8 <sup>9</sup>   |
| FY97 | Actual                        | 0.0               | 18,243.0           | 4,707.9               | 40,262.5                    | 1,140.9             | 829.4       | 26.2    | 240.3              | 0.0                        | 3,141.2 <sup>10</sup>  |
| FY98 | Actual                        | 0.0               | 17,930.0           | 5,016.3               | 42,846.5                    | 1,151.6             | 1,168.0     | 33.0    | 265.2              | 0.0                        | 3,403.5 <sup>11</sup>  |
| FY99 | Actual                        | 0.0               | 18,686.7           | 5,131.7               | 45,465.2                    | 1,158.1             | 1,588.9     | 11.6    | 317.0              | 428.0                      | 4,914.7 <sup>12</sup>  |
| FY00 | Actual                        | 0.0               | 21,559.7           | 5,305.7               | 46,431.9                    | 1,300.2             | 2,308.2     | 22.3    | 703.1              | 4,417.9                    | 8,306.6 <sup>13</sup>  |
| FY01 | Actual                        | 35,806.8          | 22,303.6           | 5,493.5               | 55,880.8                    | 1,224.4             | 5,809.6     | 2,007.0 | 338.3              | 11,191.6                   | 9,178.2 <sup>14</sup>  |
| FY02 | Actual                        | 7,589.0           | 11,334.6           | 5,188.3               | 55,370.9                    | 1,363.8             | 880.7       | 2,031.8 | 347.9              | 7,107.1                    | 16,314.3 <sup>15</sup> |
| FY03 | Actual                        | 13,649.2          | 2,982.2            | 5,287.8               | 59,488.8                    | 1,394.2             | 3,760.3     | 2,143.5 | 355.8              | 5,464.7                    | 14,665.1 <sup>16</sup> |
| FY04 | Actual                        | 4,430.6           | 4,971.3            | 4,978.5               | 62,766.6                    | 1,611.5             | 3,686.5     | 2,394.9 | 331.0              | 51,402.1                   | 22,840.8 <sup>17</sup> |
| FY05 | Actual                        | 3,296.6           | 8,921.1            | 4,656.3               | 60,852.6                    | 1,635.4             | 9,827.6     | 2,689.0 | 532.7              | 857.9                      | 24,140.2               |
| FY06 | Actual                        | 1,110.4           | 18,122.1           | 4,786.9               | 60,375.0                    | 1,719.2             | 1,988.9     | 3,015.8 | 330.2              | 537.3                      | 21,892.0 <sup>18</sup> |
| FY07 | Actual                        | 122.9             | 17,174.5           | 5,037.1               | 59,781.3                    | 1,807.2             | 3,308.4     | 2,998.3 | 466.2              | 1,543.7                    | 25,404.5               |
| FY08 | Actual                        | 29.0              | 11,366.2           | 5,332.0               | 56,343.2                    | 1,919.9             | 5,626.9     | 2,821.0 | 687.9              | 2,243.6                    | 30,176.7               |
| FY09 | Actual                        | 237.7             | 760.4              | 5,354.0               | 55,478.8                    | 1,610.2             | 1,782.3     | 2,423.7 | 977.6              | 1,426.0                    | 31,701.0               |
| FY10 | Actual                        | -173.4            | -1,318.1           | 5,383.9               | 53,631.7                    | 1,469.2             | 8,224.8     | 2,419.1 | 647.0              | 1,543.7                    | 32,705.8               |
| FY11 | Actual                        | 521.4             | -430.7             | 5,116.6               | 54,117.5                    | 1,523.6             | 4,511.6     | 2,413.0 | 622.0              | 4,881.8                    | 30,432.8               |
| FY12 | Actual                        | -22.0             | -604.3             | 4,849.4               | 56,579.7                    | 1,557.1             | 8,888.0     | 2,428.0 | 1,041.6            | 16,155.4                   | 27,897.5               |
| FY13 | Actual                        | 63.0              | 355.7              | 4,592.0               | 55,621.7                    | 127.7               | 6,997.5     | 2,538.0 | 829.8              | 4,529.8                    | 29,452.7               |
| FY14 | Actual                        | 303.8             | -365.5             | 4,355.6               | 59,356.4                    | 0.0                 | 5,655.0     | 2,701.7 | 1,231.2            | 4,222.3                    | 28,507.5               |
| FY15 | Actual                        | 0.0               | -1,571.3           | 6,141.5               | 61,747.1                    | -3.2                | 6,293.3     | 2,764.7 | 720.0              | 1,987.3                    | 26,198.5               |
| FY16 | Actual                        | 0.0               | 324.4              | 6,024.8               | 72,123.3                    | 0.0                 | 9,928.4     | 3,009.0 | 0.3                | 8,596.3                    | 27,191.8               |
| FY17 | Actual                        | 0.0               | -147.4             | 8,443.9               | 75,423.2                    | 0.0                 | 10,369.3    | 3,169.3 | 129.9              | 14,337.6                   | 28,796.1               |
| FY18 | Projection                    | 0.0               | -828.4             | 8,581.6               | 69,539.7                    | -0.3                | 9,000.0     | 3,560.5 | 183.9              | 5,055.2                    | 27,975.1               |
| FY19 | Projection                    | 0.0               | 1,935.7            | 8,705.6               | 69,531.8                    | 0.0                 | 9,000.0     | 3,711.0 | 53.8               | 0.0                        | 30,050.9               |

1. Includes a one-time transfer of \$9,337,000 from the Water Pollution Control Fund.
2. Includes a one-time reversion of \$204,400 from the University of Idaho.
3. Includes offsetting transfers of \$2.0 million from and to the Water Pollution Control Fund; and \$300,000 borrowed and repaid by the Lottery Commission.
4. Includes offsetting transfer of \$1,000,000 borrowed and repaid by the Lottery Commission.
5. Includes one-time transfer of \$125,000 from the Department of Insurance and \$200,000 from the Parks Land Trust.
6. Includes \$513,894 in one-time transfer from State Treasurer's interagency billing and receipts fund in FY 1992.
7. Transfers of: \$3,000,000 from Budget Reserve Fund; \$420,000 from Liquor Fund; and approximately \$350,000 from Department of Finance.
8. Includes a \$1,858,000 transfer from the Department of Finance.
9. Includes a \$1,517,000 transfer from the Department of Finance and a \$145,000 transfer from the Secretary of State.
10. Includes a \$1,117,000 transfer from the Department of Finance.
11. Includes a \$1,567,000 transfer from the Department of Finance.
12. Includes a \$1,245,700 transfer from the Department of Finance, a \$428,000 transfer from the Secretary of State, a \$1,102,395 recovery of cost allocation expenses.
13. Includes a \$1,694,300 transfer from the Department of Finance, a \$574,800 transfer from the Secretary of State, a \$1,203,400 recovery of cost allocation expenses.
14. Includes a \$2,241,970 transfer from the Department of Finance, a \$2,575,000 transfer from the Secretary of State, a \$1,407,407 recovery of cost allocation expenses, a \$5,000,000 transfer from the Department of Environmental Quality, and a \$500,000 transfer from the Department of Lands.
15. Includes a \$2,363,362 transfer from the Department of Finance, a \$1,150,900 recovery of cost allocation expenses, a \$1,046,600 transfer from the Department of Environmental Quality, and a \$7,049,200 transfer for Attorney General fees.
16. Includes a \$1,150,000 recovery of cost allocation expenses and a \$7,300,000 transfer for Attorney General fees.
17. Includes one-time \$50 million transfer from federal government.
18. Includes \$0.77 million one-time water loan interest payment.

# *Idaho's Tax Structure*

## Exemptions, Credits, Exclusions, and Deductions



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## INTRODUCTION

This is a guide to the structure of Idaho's primary General Fund revenue sources. It provides a detailed examination of the various departures from the broadly defined *base* of the income and sales taxes. These two taxes typically supply well over 90% of the revenue that goes to the General Fund.

The everyday vernacular refers to these departures from the tax base as *tax breaks*. An analogous term used by fiscal analysts is *tax expenditures*. The most common forms they take in the codification of taxes are exemptions, credits, exclusions, and deductions. The end result is always the same: a tax that is defined on the basis of a broad economic concept (income, consumption, wealth, etc.) is not applied uniformly against the broad base of the tax.

The following pages provide both an inventory and an explanation of Idaho's sales and income tax expenditures. The goal is to facilitate greater understanding of these important elements of Idaho's overall fiscal structure.

The definition of a tax expenditure (for the purpose of this report) is *any provision of Idaho law that excludes some portion of the tax base on a selective basis*. Two illustrative examples are the sales tax exemption for prescription drugs and the income tax exclusion for interest earned on certain government-issued securities. In the first case a specific type of good (prescription drugs) is excused from the sales and use tax. In the second case a specific source of income (interest from government-issued securities) is excused from the income tax. This report ignores tax expenditures that originate in federal tax law. It does, however, look at Idaho departures from the federal tax structure and treats them as Idaho-specific tax expenditures.

Limiting the definition of tax expenditures to Idaho tax provisions is arbitrary and is primarily done to limit the scope of this publication. Indeed, many federal income tax provisions have the effect of granting large tax expenditures within Idaho. The mortgage interest deduction is a good example. Although nothing technically prevents Idaho from treating mortgage interest different than the federal tax law, practical ramifications prevent Idaho from making large deviations from federal tax law. This report ignores tax expenditures that originate in federal tax law. It does, however, look at Idaho departures from the federal tax structure and treats them as Idaho-specific tax expenditures.

Some apparent tax breaks are not really tax expenditures, because their impacts lie outside of the basic definition of the tax base. The sales tax exemption for goods purchased for resale is one such case. This is because the sales tax applies to retail sales, and the exemption for goods purchased for resale is the statutory mechanism used to differentiate between retail and wholesale trade. The income tax rate brackets are another example of a tax policy that impacts the amount of revenue produced from the fundamental tax base but are not considered a selective exemption for purposes of this report. That is because all income that falls into a particular bracket is taxed at that bracket's rate.

This report includes estimates of the costs of the tax expenditures. This is an estimate of how much tax payment is being avoided by the beneficiaries of the tax expenditure. It is **not** an estimate of the revenue that would be raised by eliminating the tax expenditure. Several additional factors need to be considered when producing a revenue estimate associated with any particular tax law change.

In many cases, especially those involving substantial structural changes, tax law changes could reasonably be expected to change the economic behavior of taxpayers. The fiscal estimates included in this report are based on current economic behavior, meaning they reflect an environment that includes the effect of the tax expenditure. Attempting to factor in behavioral adjustments can add a substantial amount of complexity and/or uncertainty to the fiscal analysis.

Another factor that is not reflected in these fiscal estimates is the amount of tax gap. The tax gap is the difference between the theoretical amount of revenue associated with eliminating particular tax expenditure and the actual revenue that would be realized. The probable size of the tax gap is impacted by a number of variables, including the manner in which a tax exemption is removed and the amount of resources that are allocated to compliance and collection efforts. Clearly these are variables that are “unknowable” prior to any specific proposal for law changes.

Tax expenditures are placed in the law for a variety of reasons. Primary reasons are to encourage a particular behavior on the part of taxpayers, to provide fiscal relief to particular taxpayers, or to simplify the administration of the tax laws.

Sales and income tax expenditures are made in the context of confidential tax returns. This means that the beneficiaries are only known to the tax authorities. The privacy of sales and income tax information is protected under felony penalty provisions. The confidentiality associated with tax expenditures seriously inhibits close scrutiny and makes it difficult or impossible to establish the value (as opposed to the cost) of the tax expenditure.

Tax expenditures cost the public in the form of lost revenue that could otherwise be used to fund appropriations or reduce tax rates. However, the estimates of the amount of lost revenue contained in this report do not take into consideration the overhead that would be needed to collect the lost revenue. That overhead can vary from very large, as in the case of tax expenditures that are for the purpose of simplifying tax administration, to negative, as in the case of tax expenditures that increase the administrative costs associated with the particular tax.

# INDIVIDUAL AND CORPORATE INCOME TAX

The Idaho income tax is a tax levied on individuals and corporations based on their income during a 12-month tax period. In the case of businesses (proprietorships, partnerships, and corporations) the concept of income is not gross receipts, but rather is most closely associated with the economic concept of profit.

The rate of Idaho's income tax is a flat 7.4% on corporate income. Individual income tax rates progress from an initial rate 1.6% to a top rate of 7.4%. Idaho's individual income tax brackets are adjusted each year for inflation.

The tax expenditures granted under the income tax can be classified into two principle categories: expenditures based on the source of income (exclusions) and expenditures based on the use of income (deductions and credits). Source exemptions include interest from certain government securities, capital gains, and social security payments. Use exemptions include donations to educational institutions and purchases of equipment used in business enterprises. Notable features of the income tax structure that are within Idaho's policy discretion but are **not** considered tax expenditures include: the rate brackets, personal exemptions, and standard deductions. These features of the tax structure have the effect of reducing revenues, but they are not selective regarding to whom they apply.

A special note concerning tax expenditure definitions is relevant in the case of the income tax. Since the foundation of the Idaho income tax is federal taxable income, there are a number of federal tax expenditures that are adopted in Idaho by default. These federal tax expenditures could technically be considered Idaho tax expenditures, since Idaho adopts them by law. However, this report takes the approach that federal tax expenditures related to the definition of taxable income are **not** Idaho tax expenditures. Thus, the federal tax expenditure associated with the mortgage interest deduction is not considered an Idaho tax expenditure. Similarly, Idaho's exclusion of social security income from the income tax base is treated as an Idaho tax expenditure only to the extent that it exceeds the partial federal exclusion for social security income.

## **The principal Idaho income tax expenditures relating to uses of income are:**

- Investment Tax Credit
- Other States Tax Credit
- Elderly Dependent Credit
- Youth and Rehabilitation Credit
- Schools, Libraries, and Museums Credit
- Grocery Credit
- Recycling Equipment Credit
- Technological Equipment Deduction
- Long-Term Care Insurance Deduction
- Alternative Energy Device Deduction
- Insulation Deduction
- Workers' Compensation Premium Deduction
- Child Care Deduction
- College Savings Deduction
- Health Insurance Deduction

Elderly and Developmental Disability Deduction  
Adoption Expense Deduction  
Medical Savings Account Deduction  
Right Income Adjustment Credit  
Riparian Land Improvements Credit (Sunset 2002)  
Broadband Investment Credit  
County Incentive Investment Tax Credit (Sunset 2001)  
Research Activity Credit  
Promoter Sponsored Events Credit  
Corporate Headquarters Investment Credit (Repealed 2008)  
Corporate Headquarters Real Property Improvement Credit (Repealed 2008)  
Corporate Headquarters New Jobs Credit (Repealed 2008)  
Small Employer Capital Investment Credit (Sunset 2020)  
Small Employer Real Property Improvement Credit (Sunset 2020)  
Small Employer New Jobs Credit (Sunset 2020)  
Live Organ Donation Expenses Credit  
Biofuel Investment Tax Credit (Sunset 2011)  
Special Job Credit (Sunset 2016)  
Reimbursement Incentive Credit  
Certain Charitable Contributions Deduction

**The principal Idaho income tax expenditures relating to sources of income are:**

Capital Gains Exclusion  
Government Interest Exclusion  
Social Security Exclusion  
Railroad Retirement Exclusion  
Retirement Benefit Exclusion  
Idaho Lottery Winnings Exclusion  
Indian Earnings on Reservation Exclusion  
World War II Reparations Exclusion  
Marriage Penalty Deduction  
Certain Loss Recoveries Deduction  
Nonresident Guaranteed Partnership Income Exclusion

## SALES AND USE TAX

The Idaho sales tax is a 6.0% transaction tax levied on the purchase or use of goods and services by consumers, where consumers may be either individuals or businesses. Transactions involving purchases by businesses are included in the sales tax base if the goods or services are consumed by the purchasing business. Transactions involving purchases of goods or services for resale (including components or parts used in manufactured goods) are not considered a part of the sales tax base. The legal incidence of the Idaho sales tax is on the purchaser. Sales taxes are distant relatives of value-added taxes.

Consumption, as an economic concept, can be divided into consumption of goods and consumption of services. The purchase of a hotel room is classified as a service, since it is only the right to use the hotel room for a limited time that it is being purchased. Purchase of a tent is classified as a good since the buyer becomes the owner of a tangible item. An interesting characteristic of Idaho's sales tax is that unless specifically exempted, purchase of a tangible good is a taxable event. On the other hand, the purchase of a service is generally not taxable unless the service is specifically included in the list of taxable transactions. Three major service categories that are completely taxable are "Hotels and Other Lodging Places," "Amusement and Recreation Services," and "Admissions." Two other types of sales defined by Idaho law as taxable are restaurant meals, which contain both tangible property and service elements, and charges for producing, fabricating, processing, printing, or imprinting tangible personal property when the property is supplied by the consumer of these services.

The tax expenditures granted under the sales tax can be classified in three principal categories: exemptions based on the *use* of the good or service, exemptions based on the *specific good or service* being purchased, and exemptions based on the *individual or entity* making the purchase or sale.

### **Principal Idaho sales tax expenditures relating to specific uses are:**

- Production Exemption – Equipment
- Production Exemption – Supplies
- Irrigation Equipment and Supplies
- Pollution Control Equipment
- Broadcast Equipment and Supplies
- Publishing Equipment and Supplies
- Commercial Aircraft
- Railroad Rolling Stock and Remanufacturing
- Interstate Trucks
- Out-of-State Contracts
- Trade-in Value
- Sale or Lease of Businesses or Business Assets
- Supplemental Nutrition Assistance Program (SNAP)/Women, Infants, and Children (WIC)
- Vehicles and Vessels Sold to Nonresidents
- Common Carrier Purchases and Out-of-State Sales
- Donations of Real Property to Idaho Government
- Incidental Sales of Tangible Personal Property
- Lodging, Eating, and Drinking Places

School Lunches and Senior Citizen Meals  
Drivers Education Automobiles  
Ski Lifts and Snow grooming Equipment  
Clean Rooms  
Alternative Electricity-Producing Equipment (Sunset 2011)  
Research and Development Equipment  
Corporate Headquarters Construction (Repealed 2008)  
Small Employer Headquarters Construction (2006-2020)  
Glider Kit Vehicles  
Media Production Projects (Sunset 2016)  
State Tax Anticipation Revenue  
Motor Vehicles of Nonresident Students  
Personal Property of Military Personnel  
Beverage and Food Samples  
Beverage and Food Donations  
Prepared Beverage and Food Given to Employees

**Principal Idaho sales tax expenditures relating to specific goods and services are:**

**Goods Not Taxed**

Motor Fuels  
Heating Materials  
Utility Sales  
Used Manufactured Homes  
Vending Machines and Amusement Devices  
Prescriptions and Durable Medical Equipment  
Funeral Caskets  
Containers  
Nonprofit Literature  
Official Documents  
Precious Metal Bullion  
Idaho Commemorative Silver Medallions  
New Manufactured Homes or Modular Buildings  
Telecommunications Equipment  
Personal Property Tax on Rentals  
Remotely-Accessed Computer Software

**Services Not Taxed**

Construction  
Agricultural and Industrial Services  
Transportation Services  
Information Services  
Repairs  
Professional Services  
Business Services  
Personal Services  
Health and Medical Services  
Social Services

Educational Services  
Lottery Tickets and Pari-Mutuel Betting  
Media Measurement Services  
Miscellaneous Services  
Nonprofit Shooting Range Fees  
Gratuities for Meals

**Principal Idaho sales tax expenditures relating to specific entities are:**

Educational Institution Purchases  
Hospital Purchases  
Health Entity Purchases  
Canal Company Purchases  
Forest Protective Association Purchases  
Food Bank Purchases  
Nonsale Clothier Purchases  
Centers for Independent Living  
State of Idaho and Local Government Purchases  
Ronald McDonald House Rooms  
INL Research and Development Purchases  
Motor Vehicle Purchases by Family Members  
Sales by 4-H and FFA Clubs at Fairs  
Sales by Nonretailers (Yard and Occasional Sales)  
Sales by Indian Tribes on Reservations  
Sales of Meals by Churches to Members  
Sales by Outfitters and Guides  
Sales through Vending Machines  
Auto Manufacturer Rebates  
Incidental Sales by Churches  
Federal Excise Tax Imposed at Retail Level  
Federal Constitutional Prohibitions  
Other Federal and State Statutory Prohibitions  
Volunteer Fire Departments and Emergency Medical Service Agencies  
Senior Citizens Centers  
Blind Services Foundation, Inc.  
Advocates for Survivors of Domestic Violence and Sexual Assault  
Free Dental Clinics  
Museums



# Idaho's Tax Structure

## Fiscal Summary

\$ Thousands

|  | CY2015    | CY2016    | CY2017    | CY2018    | CY2019    |
|--|-----------|-----------|-----------|-----------|-----------|
| <b>1 Income Tax Expenditures (Calendar Year Basis)</b>         |           |           |           |           |           |
| <b>1.1 Uses of Income Not Taxed</b>                            |           |           |           |           |           |
| 1.1.01 Investment Tax Credit                                   | \$39,554  | \$38,165  | \$39,919  | \$41,790  | \$43,786  |
| 1.1.02 Other States Tax Credit                                 | \$82,091  | \$84,935  | \$88,307  | \$92,053  | \$96,353  |
| 1.1.03 Elderly Dependent Credit                                | \$834     | \$870     | \$905     | \$943     | \$982     |
| 1.1.04 Youth and Rehabilitation Credit                         | \$9,214   | \$9,533   | \$9,912   | \$10,332  | \$10,815  |
| 1.1.05 Schools, Libraries, and Museums Credit                  | \$8,830   | \$9,136   | \$9,523   | \$9,927   | \$10,391  |
| 1.1.06 Grocery Credit  | \$144,632 | \$146,731 | \$148,859 | \$151,038 | \$153,356 |
| 1.1.07 Recycling Equipment Credit                              | \$5       | \$15      | \$15      | \$15      | \$15      |
| 1.1.08 Technological Equipment Deduction                       | \$61      | \$67      | \$69      | \$72      | \$76      |
| 1.1.09 Long-Term Care Insurance Deduction                      | \$1,489   | \$1,515   | \$1,535   | \$1,554   | \$1,579   |
| 1.1.10 Alternative Energy Device Deduction                     | \$398     | \$435     | \$452     | \$471     | \$493     |
| 1.1.11 Insulation Deduction                                    | \$1,234   | \$1,350   | \$1,402   | \$1,461   | \$1,529   |
| 1.1.12 Workers' Compensation Premium Deduction                 | \$400     | \$400     | \$400     | \$400     | \$400     |
| 1.1.13 Child Care Deduction                                    | \$4,308   | \$4,373   | \$4,402   | \$4,443   | \$4,483   |
| 1.1.14 College Savings Deduction                               | \$2,085   | \$2,280   | \$2,370   | \$3,621   | \$3,786   |
| 1.1.15 Health Insurance Deduction                              | \$20,474  | \$22,719  | \$23,601  | \$24,543  | \$25,696  |
| 1.1.16 Elderly and Developmental Disability Deduction          | \$34      | \$37      | \$38      | \$40      | \$41      |
| 1.1.17 Adoption Expense Deduction                              | \$33      | \$44      | \$44      | \$44      | \$44      |
| 1.1.18 Medical Savings Account Deduction                       | \$1,161   | \$1,270   | \$1,320   | \$1,375   | \$1,439   |
| 1.1.19 Right Income Adjustment Credit                          | \$40      | \$40      | \$40      | \$40      | \$40      |
| 1.1.20 Riparian Land Improvements Credit                       | Sunset    | Sunset    | Sunset    | Sunset    | Sunset    |
| 1.1.21 Broadband Investment Credit                             | \$2,123   | \$2,049   | \$2,143   | \$2,243   | \$2,350   |
| 1.1.22 County Incentive Investment Tax Credit                  | Sunset    | Sunset    | Sunset    | Sunset    | Sunset    |
| 1.1.23 Research Activity Credit                                | \$7,431   | \$7,170   | \$7,500   | \$7,852   | \$8,227   |
| 1.1.24 Promoter Sponsored Events Credit                        | \$2       | \$10      | \$10      | \$10      | \$10      |
| 1.1.25 Corporate Headquarters Investment Credit                | Repealed  | Repealed  | Repealed  | Repealed  | Repealed  |
| 1.1.26 Corporate Headquarters Real Property Improvement Credit | Repealed  | Repealed  | Repealed  | Repealed  | Repealed  |
| 1.1.27 Corporate Headquarters New Jobs Credit                  | Repealed  | Repealed  | Repealed  | Repealed  | Repealed  |
| 1.1.28 Small Employer Capital Investment Credit                | \$627     | \$665     | \$665     | \$665     | \$665     |
| 1.1.29 Small Employer Real Property Improvement Credit         | \$258     | \$140     | \$140     | \$140     | \$140     |
| 1.1.30 Small Employer New Jobs Credit                          | \$7       | \$54      | \$54      | \$54      | \$54      |
| 1.1.31 Live Organ Donation Expenses Credit                     | \$37      | \$34      | \$34      | \$34      | \$34      |
| 1.1.32 Biofuel Investment Tax Credit                           | Sunset    | Sunset    | Sunset    | Sunset    | Sunset    |
| 1.1.33 Special Job Credit                                      | \$0       | \$0       | Sunset    | Sunset    | Sunset    |
| 1.1.34 Reimbursement Incentive Credit                          | \$3,000   | \$6,000   | \$9,000   | \$12,000  | \$15,000  |
| 1.1.35 Certain Charitable Contributions Deduction              | \$25      | \$25      | \$25      | \$25      | \$25      |
| <b>1.2 Sources of Income Not Taxed</b>                         |           |           |           |           |           |
| 1.2.01 Capital Gains Exclusion                                 | \$23,888  | \$26,225  | \$27,256  | \$28,405  | \$29,726  |
| 1.2.02 Government Interest Exclusion                           | \$1,442   | \$1,582   | \$1,629   | \$1,684   | \$1,768   |
| 1.2.03 Social Security Exclusion                               | \$79,029  | \$86,254  | \$89,735  | \$93,335  | \$98,806  |
| 1.2.04 Railroad Retirement Exclusion                           |           |           |           |           |           |
| 1.2.05 Retirement Benefit Exclusion                            | \$8,469   | \$9,254   | \$9,622   | \$10,007  | \$10,591  |
| 1.2.06 Idaho Lottery Winnings Exclusion                        | \$5,159   | \$5,248   | \$5,432   | \$5,339   | \$5,432   |
| 1.2.07 Indian Earnings on Reservation Exclusion                | \$719     | \$744     | \$773     | \$806     | \$844     |
| 1.2.08 World War II Reparations Exclusion                      | \$0       | \$0       | \$0       | \$0       | \$0       |
| 1.2.09 Marriage Penalty Deduction                              | \$0       | \$0       | \$0       | \$0       | \$0       |
| 1.2.10 Certain Loss Recoveries Deduction                       | \$250     | \$250     | \$250     | \$250     | \$250     |
| 1.2.11 Nonresident Guaranteed Partnership Income Exclusion     | \$440     | \$440     | \$440     | \$440     | \$440     |

# Idaho's Tax Structure

## Fiscal Summary

\$ Thousands

|  | FY2016    | FY2017    | FY2018    | FY2019    | FY2020    |
|--|-----------|-----------|-----------|-----------|-----------|
| <b>2 Sales Tax Expenditures (Fiscal Year Basis)</b>    |           |           |           |           |           |
| <b>2.1 Specific Uses Not Taxed</b>                     |           |           |           |           |           |
| 2.1.01 Production Exemption - Equipment                | \$111,144 | \$110,088 | \$117,125 | \$121,693 | \$127,604 |
| 2.1.02 Production Exemption - Supplies                 | \$84,136  | \$83,337  | \$88,663  | \$92,122  | \$96,596  |
| 2.1.03 Irrigation Equipment and Supplies               | \$4,327   | \$4,435   | \$4,546   | \$4,660   | \$4,776   |
| 2.1.04 Pollution Control Equipment                     | \$11,523  | \$12,133  | \$12,752  | \$13,481  | \$14,332  |
| 2.1.05 Broadcast Equipment and Supplies                | \$2,729   | \$2,700   | \$2,873   | \$2,985   | \$3,130   |
| 2.1.06 Publishing Equipment and Supplies               | \$175     | \$173     | \$184     | \$191     | \$201     |
| 2.1.07 Commercial Aircraft                             | \$2,054   | \$2,154   | \$2,154   | \$2,154   | \$2,154   |
| 2.1.08 Railroad Rolling Stock and Remanufacturing      | \$2,550   | \$2,550   | \$2,550   | \$2,550   | \$2,550   |
| 2.1.09 Interstate Trucks                               | \$7,740   | \$8,058   | \$8,351   | \$8,557   | \$8,663   |
| 2.1.10 Out-of-State Contracts                          | \$4,548   | \$4,499   | \$4,786   | \$4,973   | \$5,214   |
| 2.1.11 Trade-in Value                                  | \$33,044  | \$34,400  | \$35,652  | \$36,534  | \$36,983  |
| 2.1.12 Sale or Lease of Businesses or Business Assets  | \$2,158   | \$2,135   | \$2,271   | \$2,360   | \$2,475   |
| 2.1.13 SNAP/WIC  | \$16,297  | \$16,601  | \$17,075  | \$17,471  | \$17,930  |
| 2.1.14 Vehicles and Vessels Sold to Nonresidents       | \$18,634  | \$19,376  | \$20,106  | \$20,603  | \$20,856  |
| 2.1.15 Common Carrier Purchases and Out-of-State Sales | NA        | NA        | NA        | NA        | NA        |
| 2.1.16 Donations of Real Property to Idaho Government  | \$4       | \$4       | \$4       | \$4       | \$4       |
| 2.1.17 Incidental Sales of Tangible Personal Property  | \$12      | \$12      | \$12      | \$12      | \$12      |
| 2.1.18 Lodging, Eating, and Drinking Places            | \$89      | \$91      | \$95      | \$98      | \$102     |
| 2.1.19 School Lunches and Senior Citizen Meals         | \$5,098   | \$5,143   | \$5,297   | \$5,475   | \$5,700   |
| 2.1.20 Drivers Education Automobiles                   | \$39      | \$39      | \$38      | \$39      | \$39      |
| 2.1.21 Ski Lifts and Snowgrooming Equipment            | \$600     | \$600     | \$600     | \$600     | \$600     |
| 2.1.22 Clean Rooms                                     | \$480     | \$480     | \$480     | \$480     | \$480     |
| 2.1.23 Alternative Electricity-Producing Equipment     | Sunset    | Sunset    | Sunset    | Sunset    | Sunset    |
| 2.1.24 Research and Development Equipment              | \$7,200   | \$7,200   | \$7,200   | \$7,200   | \$7,200   |
| 2.1.25 Corporate Headquarters Construction             | Repealed  | Repealed  | Repealed  | Repealed  | Repealed  |
| 2.1.26 Small Employer Headquarters Construction        | \$115     | \$115     | \$115     | \$115     | \$115     |
| 2.1.27 Glider Kit Vehicles                             | \$340     | \$354     | \$367     | \$376     | \$381     |
| 2.1.28 Media Production Projects                       | \$77      | Sunset    | Sunset    | Sunset    | Sunset    |
| 2.1.29 State Tax Anticipation Revenue                  | \$8,438   | \$8,780   | \$9,580   | \$10,380  | \$11,180  |
| 2.1.30 Motor Vehicles of Nonresident Students          | \$26      | \$26      | \$26      | \$26      | \$27      |
| 2.1.31 Personal Property of Military Personnel         | NA        | NA        | NA        | NA        | NA        |
| 2.1.32 Beverage and Food Samples                       | \$16      | \$16      | \$16      | \$17      | \$17      |
| 2.1.33 Beverage and Food Donations                     | \$10      | \$10      | \$10      | \$10      | \$10      |
| 2.1.34 Prepared Beverage and Food Given to Employees   | \$160     | \$160     | \$160     | \$160     | \$160     |
| <b>2.2 Goods Not Taxed</b>                             |           |           |           |           |           |
| 2.2.01 Motor Fuels                                     | \$136,137 | \$138,654 | \$144,093 | \$144,841 | \$155,383 |
| 2.2.02 Heating Materials                               | \$3,974   | \$3,950   | \$4,172   | \$4,540   | \$4,766   |
| 2.2.03 Utility Sales                                   | \$105,074 | \$108,226 | \$111,473 | \$114,817 | \$118,262 |
| 2.2.04 Used Manufactured Homes                         | \$2,760   | \$2,760   | \$2,760   | \$2,760   | \$2,760   |
| 2.2.05 Vending Machines and Amusement Devices          | \$0       | \$0       | \$0       | \$0       | \$0       |
| 2.2.06 Prescriptions and Durable Medical Equipment     | \$61,594  | \$65,751  | \$68,972  | \$73,275  | \$78,807  |
| 2.2.07 Funeral Caskets                                 | \$1,576   | \$1,623   | \$1,672   | \$1,722   | \$1,774   |
| 2.2.08 Containers                                      | \$41      | \$42      | \$44      | \$45      | \$47      |
| 2.2.09 Nonprofit Literature                            | \$140     | \$143     | \$145     | \$147     | \$149     |
| 2.2.10 Official Documents                              | \$70      | \$71      | \$72      | \$73      | \$74      |
| 2.2.11 Precious Metal Bullion                          | \$558     | \$558     | \$558     | \$558     | \$558     |
| 2.2.12 Idaho Commemorative Silver Medallions           | \$2       | \$2       | \$2       | \$2       | \$2       |
| 2.2.13 New Manufactured Homes or Modular Buildings     | \$2,468   | \$2,509   | \$2,577   | \$2,660   | \$2,750   |
| 2.2.14 Telecommunications Equipment                    | \$2,495   | \$2,745   | \$3,019   | \$3,321   | \$3,653   |
| 2.2.15 Personal Property Tax on Rentals                | \$400     | \$400     | \$400     | \$400     | \$400     |
| 2.2.16 Remotely-Accessed Computer Software             | \$8,070   | \$8,385   | \$8,721   | \$8,891   | \$9,075   |

# Idaho's Tax Structure

## Fiscal Summary

\$ Thousands

|  | FY2016    | FY2017    | FY2018    | FY2019    | FY2020    |
|--|-----------|-----------|-----------|-----------|-----------|
| <b>2.3 Services Not Taxed</b>  |           |           |           |           |           |
| 2.3.01 Construction  | \$143,454 | \$157,728 | \$171,413 | \$183,077 | \$193,254 |
| 2.3.02 Agricultural and Industrial Services                            | \$8,358   | \$8,487   | \$8,683   | \$8,915   | \$9,163   |
| 2.3.03 Transportation Services   | \$46,603  | \$48,702  | \$50,306  | \$52,453  | \$54,429  |
| 2.3.04 Information Services  | \$95,393  | \$96,842  | \$98,421  | \$99,843  | \$101,333 |
| 2.3.05 Repairs   | \$55,393  | \$58,169  | \$60,648  | \$63,377  | \$66,274  |
| 2.3.06 Professional Services   | \$226,776 | \$238,143 | \$248,292 | \$259,463 | \$271,322 |
| 2.3.07 Business Services   | \$135,515 | \$142,307 | \$148,372 | \$155,047 | \$162,134 |
| 2.3.08 Personal Services   | \$11,905  | \$12,502  | \$13,035  | \$13,621  | \$14,244  |
| 2.3.09 Health and Medical Services                                     | \$505,918 | \$530,379 | \$548,980 | \$574,304 | \$601,465 |
| 2.3.10 Social Services   | \$76,045  | \$79,722  | \$82,517  | \$86,324  | \$90,406  |
| 2.3.11 Educational Services  | \$55,658  | \$58,447  | \$60,938  | \$63,680  | \$66,591  |
| 2.3.12 Lottery Tickets and Pari-Mutuel Betting                         | \$14,801  | \$15,393  | \$16,008  | \$16,649  | \$17,314  |
| 2.3.13 Media Measurement Services                                      | \$74      | \$77      | \$79      | \$81      | \$84      |
| 2.3.14 Miscellaneous Services  | \$4,317   | \$4,533   | \$4,726   | \$4,939   | \$5,165   |
| 2.3.15 Nonprofit Shooting Range Fees                                   | \$41      | \$43      | \$45      | \$47      | \$49      |
| 2.3.16 Gratuities for Meals  | \$215     | \$220     | \$226     | \$231     | \$237     |
| <b>2.4 Specific Entities Not Taxed</b>                                 |           |           |           |           |           |
| 2.4.01 Educational Institution Purchases                               | \$8,704   | \$9,091   | \$9,554   | \$9,841   | \$10,190  |
| 2.4.02 Hospital Purchases  | \$29,302  | \$30,718  | \$31,796  | \$33,262  | \$34,835  |
| 2.4.03 Health Entity Purchases   | \$470     | \$490     | \$510     | \$530     | \$553     |
| 2.4.04 Canal Company Purchases   | \$1,056   | \$1,073   | \$1,088   | \$1,105   | \$1,127   |
| 2.4.05 Forest Protective Association Purchases                         | \$46      | \$47      | \$48      | \$49      | \$50      |
| 2.4.06 Food Bank Purchases   | \$336     | \$351     | \$366     | \$380     | \$396     |
| 2.4.07 Nonsale Clothier Purchases                                      | \$1       | \$1       | \$1       | \$1       | \$1       |
| 2.4.08 Centers for Independent Living                                  | \$6       | \$6       | \$7       | \$7       | \$7       |
| 2.4.09 State of Idaho and Local Government Purchases                   | \$26,923  | \$28,690  | \$30,509  | \$31,412  | \$32,196  |
| 2.4.10 Ronald McDonald House Rooms                                     | \$1       | \$1       | \$1       | \$1       | \$1       |
| 2.4.11 INL Research and Development Purchases                          | \$5,618   | \$5,691   | \$5,978   | \$6,292   | \$6,614   |
| 2.4.12 Motor Vehicle Purchases by Family Members                       | \$2,166   | \$2,255   | \$2,337   | \$2,395   | \$2,424   |
| 2.4.13 Sales by 4-H and FFA Clubs at Fairs                             | \$28      | \$28      | \$28      | \$28      | \$28      |
| 2.4.14 Sales by Non-Retailers (Yard and Occasional Sales)              | \$3,861   | \$4,032   | \$4,197   | \$4,362   | \$4,545   |
| 2.4.15 Sales by Indian Tribes on Reservations                          | \$5,717   | \$5,881   | \$6,094   | \$6,281   | \$6,535   |
| 2.4.16 Sales of Meals by Churches to Members                           | \$14      | \$14      | \$14      | \$15      | \$15      |
| 2.4.17 Sales by Outfitters and Guides                                  | \$16      | \$16      | \$16      | \$16      | \$16      |
| 2.4.18 Sales Through Vending Machines                                  | \$2,616   | \$2,665   | \$2,741   | \$2,804   | \$2,878   |
| 2.4.19 Auto Manufacturer Rebates                                       | \$714     | \$744     | \$771     | \$790     | \$800     |
| 2.4.20 Incidental Sales by Churches                                    | \$967     | \$1,010   | \$1,051   | \$1,093   | \$1,138   |
| 2.4.21 Federal Excise Tax Imposed at Retail Level                      | NA        | NA        | NA        | NA        | NA        |
| 2.4.22 Federal Constitutional Prohibitions                             | NA        | NA        | NA        | NA        | NA        |
| 2.4.23 Other Federal and State Statutory Prohibitions                  | NA        | NA        | NA        | NA        | NA        |
| 2.4.24 Volunteer Fire Departments and Emergency Medical Service Agen   | \$217     | \$227     | \$236     | \$246     | \$256     |
| 2.4.25 Senior Citizens Centers   | \$52      | \$54      | \$56      | \$59      | \$61      |
| 2.4.26 Blind Services Foundation, Inc.                                 | \$9       | \$9       | \$10      | \$10      | \$11      |
| 2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault | \$11      | \$12      | \$12      | \$13      | \$13      |
| 2.4.28 Free Dental Clinics   | \$12      | \$13      | \$14      | \$14      | \$15      |
| 2.4.29 Museums   | \$237     | \$248     | \$258     | \$268     | \$279     |

## TAX STRUCTURE DETAIL

Specific Idaho tax expenditures are detailed in the sections below. Each section contains the relevant *Idaho Code* reference, a brief description of the expenditure, and its significant legislative and judicial history.

### INDIVIDUAL AND CORPORATE INCOME TAX

Income tax expenditures fall into one of three categories: exclusions, deductions, or credits. Exclusions are sources of income that are wholly or partially exempt from taxation. Deductions are uses of income (either actual spending or proxies for actual spending) that are wholly or partially exempt from taxation. Credits are reductions from the tax that are expressed either as a percentage of some qualifying amount or as a lump sum. Some credits are refundable, meaning that they can exceed the taxpayer's tax liability and actually lead to a refund. Other credits are nonrefundable; they are only usable if there is a tax liability to offset.

In general, deductions and exclusions **must** be used in the year they are incurred, with the exception of business net operating loss (NOL) carry forwards. Credits may be carried forward for limited time periods in certain cases where specifically authorized in the law. For example, the state's investment tax credit from a qualified purchase can be carried forward up to 14 years.

One notable feature that applies to all income tax expenditures is their interaction with federal income tax. The Idaho income tax is deductible from federal income taxes. This applies to all corporate taxpayers and to individual taxpayers who itemize their deductions. This means that the "benefit" of an Idaho income tax expenditure is split between Idaho taxpayers and the federal treasury. The terms of the split depend on the marginal federal tax rate of the taxpayer. For a taxpayer in the 35% federal bracket, the benefit of each dollar of Idaho tax expenditure is split 65 cents to the taxpayer, 35 cents to the federal treasury. This feature of the income tax is particularly significant in assessing the cost effectiveness of an Idaho tax expenditure as an incentive for some particular behavior.

#### 1.1.01 Investment Tax Credit *Idaho Code 63-3029B*

Description: Idaho's investment tax credit (ITC) is provided to businesses (proprietorships, partnerships, and corporations) that purchase qualifying property for use in their business. The credit amount is 3% of the qualified investment in depreciable property and is not refundable. The credit taken in a given tax year is limited to no more than 50% of the taxpayer's tax liability as calculated before considering the credit. Credits not used may be carried forward up to 14 years from the year of qualifying property purchase. The definition of qualified investment is tied to the old federal ITC (repealed in the Tax Reform Act of 1986), with the exceptions that: a) the equipment must have Idaho situs; and b) motor vehicles under 8,000 pounds do not qualify. Mobile property that is only partially used in Idaho is allowed ITC in proportion to its use in Idaho.

History: Idaho's ITC was enacted in 1982. It was amended in 1987 to prevent its automatic repeal by the federal repeal of ITC in 1986. It was amended in 1992 in response to an Idaho Supreme Court case that changed the interpretation of how the credit is applied to equipment that is used both inside and outside Idaho. It was amended in 1994 to

make technical changes relating to unitary corporations. It was amended in 1995 to extend the carryover period from five to seven years, reduced the portion of tax liability that could be offset from 50% to 45%, and eliminated a restriction on replacement property. It was amended in 2000 to increase the portion of tax liability that could be offset from 45% to 50%, and to extend the carryover period from seven to fourteen years. It was amended in 2003 to provide an option to take a property tax exemption instead of the ITC.

#### **1.1.02 Other States Tax Credit *Idaho Code 63-3029***

**Description:** The credit for taxes paid to other states is available to Idaho resident and part-year resident taxpayers who must pay income tax to another state or territory (or political subdivision thereof) on income that is also taxed by Idaho. The amount of credit is the lesser of the actual tax paid to the other state or territory, or the portion of Idaho tax attributed to the double-taxed income. The Idaho credit is not allowed if the other state or territory provides a credit for taxes paid to Idaho.

**History:** Initially enacted in 1939 along with the Idaho Income Tax Act. Amended in 1996 to add corporate income, franchise, or excise taxes paid by a subchapter S corporation. Amended in 2007 to include a limitation that requires a recalculation of the adjusted income earned by the Idaho resident in the other state using Idaho's rules for the calculation of that income. Amended in 2008 to include part-year residents. Amended in 2009 to include estates and trusts.

#### **1.1.03 Elderly Dependent Credit *Idaho Code 63-3025D***

**Description:** This is a refundable credit provided to a resident taxpayer who maintains a household for a family member(s), where that family member is over 65 years of age or developmentally disabled and the taxpayer provides over one-half of the family member's support. The amount of credit is \$100 for each such family member, with no more than \$300 available to the taxpayer in any single year. This credit is allowed in lieu of the elderly and developmental disability deduction allowed under *Idaho Code*, Section 63-3022E (see item 1.1.16).

**History:** Enacted in 1981. Amended in 1994 to add developmentally disabled persons to the credit.

#### **1.1.04 Youth and Rehabilitation Credit *Idaho Code 63-3029C***

**Description:** This is a credit provided to taxpayers who make charitable contributions to the Anchor House; North Idaho Children's Home; Idaho Youth Ranch; Children's Home Society of Idaho, Inc.; Kinderhaven; Women's and Children's Alliance; Children's Village; Gem Youth Services; Hope House; nonprofit centers for independent living located within Idaho; Idaho Drug Free Youth, Inc.; Shepherd's Home, Inc.; Project Safe Place; Learning Lab, Inc.; Project P.A.T.C.H. (Planned Assistance for Troubled Children); or to nonprofit rehabilitation facilities located in Idaho and accredited by the Commission on Accreditation of Rehabilitation Facilities or their foundations. The credit is calculated as 50% of the contribution. For individual taxpayers the credit is limited to the lesser of \$100 or 20% of the taxpayer's income tax liability. For corporations the credit is limited to the lesser of \$500 or 10% of the taxpayer's income tax liability. There is no carryover provision.

History: The credit was enacted in 1982. Numerous specific entities have been added over the years.

#### **1.1.05 Schools, Libraries, and Museums Credit *Idaho Code 63-3029A***

Description: A credit is allowed for qualifying charitable contributions to Idaho public and private nonprofit schools (elementary, secondary, and higher education), their foundations, trusts, or associations; to Idaho Public Libraries and Library Districts, or their foundations; to Idaho Education Public Broadcast foundations; to the Idaho State Historical Society or its foundation; to the Idaho commission for libraries; to nonprofit public or private museums located within Idaho; to the Idaho Commission on Hispanic Affairs; to the Idaho Commission for the Blind and Visually Impaired; to the Idaho Council on Developmental Disabilities; to the Idaho State Independent Living Council; to the Idaho Council for the Deaf and Hard of Hearing; or to the Idaho STEM action center. The credit is 50% of the qualified contribution. In the case of individuals, it is limited to 50% of the taxpayer's income tax liability or \$500 (\$1,000 on a jointly filed return), whichever is less. In the case of corporations, the credit is limited to 10% of the income tax liability or \$5,000, whichever is less. Deductions for donations to certain educational foundations, trusts, or associations are not allowed after December 31, 2019.

History: Originally enacted in 1976, the school credit applied only to private nonprofit secondary or higher education institutions. Elementary schools were added in 1977. Public institutions of higher education were added in 1978. All public schools and public libraries were added in 1984. The Idaho Public Broadcast System was added in 1986. Foundations of the qualifying institutions were added in 1987. The Idaho Historical Society was added in 1992. Nonprofit museums were added in 1994. The Idaho State Library (now Idaho Commission for libraries) was added in 1998. University-related research parks were added in 1999. Qualifying charitable contributions are monetary donations less the value of any benefits received. Amended in 2016 to include donations to the Idaho STEM action center.

#### **1.1.06 Grocery Credit *Idaho Code 63-3024A***

Description: Idaho grants a \$100 grocery tax credit for each taxpayer and their dependents. All Idahoans who are at least 65 years of age receive an additional \$20 credit. The grocery tax credit is prorated for SNAP participants, incarcerated persons, and part-year residents.

History: The grocery credit was originally enacted in 1965 at a level of \$10. It was amended in 1972 to make the credit refundable to residents at least 65 years of age. It was amended in 1973 to increase the amount of the credit to \$15. It was amended in 1975 to make the credit refundable to all resident taxpayers who meet the filing requirement, and to increase the credit amount to \$20 for taxpayers at least 65 years of age. In 1978 the credit for resident seniors (at least 65 years of age) was increased to \$30. In 2001 the credit was increased to \$35 for resident seniors and to \$20 for residents under 65 years of age. In 2008, Idaho households with no more than \$1,000 of taxable income received a \$50 grocery tax credit for each taxpayer and each dependent. After that year, the credit increased by \$10 per year until it reached \$100. The grocery tax credit for households with more than \$1,000 of taxable income started at \$30 in 2008 and increased by \$10 annually until it reached \$100.

### **1.1.07 Recycling Equipment Credit *Idaho Code 63-3029D***

Description: This credit is for 20% of the cost of equipment used in manufacturing products that consist of postconsumer waste. The credit is limited to no more than \$30,000 in a single tax year, and unused portions may be carried forward up to seven years. It is nonrefundable.

History: This credit was enacted in 1994.

### **1.1.08 Technological Equipment Deduction *Idaho Code 63-3022J***

Description: A deduction from taxable income is allowed to individuals and corporations for the fair-market value of computers and scientific equipment (and computer software) that are donated to Idaho elementary and secondary schools, public libraries, or public and nonprofit private colleges and universities. The equipment may not be over five years old at the time of donation and the recipient must issue a written statement accepting the donation. The deduction cannot exceed the taxpayer's cost of the technological equipment or reduce taxable income to less than zero.

History: This deduction was enacted for schools in 1984 as 63-3025B. Libraries were added in 1985. Colleges and universities were added in 1995. The section was moved to 63-3022J in 1995. Private elementary and secondary schools were added in 2009.

### **1.1.09 Long-Term Care Insurance Deduction *Idaho Code 63-3022Q***

Description: This deduction from Idaho taxable income is for 100% of premiums for long-term care insurance not already deducted or accounted for in arriving at taxable income.

History: Enacted in 2001. Original deduction applied to 50% of premiums. Amended in 2004 to cover 100% of long-term care insurance premiums.

### **1.1.10 Alternative Energy Device Deduction *Idaho Code 63-3022C***

Description: The Alternative Energy Device Deduction allows a deduction for the cost of acquiring, constructing, and/or installing wood, pellet, solar, wind, geothermal energy, or natural gas/propane devices to replace wood stoves in taxpayers' residences that do not meet environmental protection agency certification requirements. The deduction is limited to 40% of the cost in the first year and 20% of the cost in the next three years. No single year's deduction may exceed \$5,000. A taxpayer who buys a residence may claim any unused deduction associated with that residence subject to the restrictions noted above.

History: Enacted in 1976. Amended in 1994 to add natural gas and propane heating units, and to require that replaced wood burning stoves be surrendered to the Idaho Department of Environmental Quality.

### **1.1.11 Insulation Deduction *Idaho Code 63-3022B***

Description: This deduction is for the cost of insulation installed in Idaho residences that “existed” as of January 1, 2002 and served as the primary residence of the taxpayer. A building “existed” if it was already built, under construction, or subject to an outstanding building permit.

History: Enacted in 1976 for buildings existing as of January 1, 1976. Amended in 2012 to include residences existing as of January 1, 2002. Amended in 2013 to include only primary residences.

### **1.1.12 Workers' Compensation Premium Deduction *Idaho Code 63-3022(m)***

Description: This deduction is allowed to self-employed individuals for the cost of workers' compensation insurance that has not already been deducted in arriving at taxable income.

History: Enacted in 1990.

### **1.1.13 Child Care Deduction *Idaho Code 63-3022D***

Description: The Child Care Deduction allows individual taxpayers to deduct childcare expenses that qualify for purposes of computing the federal child care credit. The maximum deduction allowed is \$3,000 for one qualifying child and \$6,000 for two or more qualifying children.

History: This deduction was enacted in 1977 in response to the federal switch from a deduction to a credit.

### **1.1.14 College Savings Deduction *Idaho Code 63-3022(n)***

Description: A deduction is allowed for amounts contributed to a college savings program defined in Chapter 54, Title 33, *Idaho Code*. The amount of the deduction is limited to a maximum of \$6,000 per tax year or \$12,000 per tax year for married couples filing a joint return.

History: Enacted in 2000. Amended in 2017 to increase maximum for single filers from \$4,000 to \$6,000 and joint filers from \$8,000 to \$12,000.

### **1.1.15 Health Insurance Deduction *Idaho Code 63-3022P***

Description: A deduction is allowed for payments for health insurance, so long as those payments were not otherwise deductible from taxable income.

History: Enacted in 2000 for self-employed persons; added all persons in 2001.

### **1.1.16 Elderly and Developmental Disability Deduction *Idaho Code 63-3022E***

Description: This is a deduction from taxable income of \$1,000 for each eligible member of a household that is maintained by the taxpayer. The eligible members must be either 65 years of age or older, or developmentally disabled. The maximum amount of the deduction that the taxpayer can claim in any one tax year is \$3,000.



History: This deduction was enacted in 1981. Amended in 1984 to add developmentally disabled persons to the qualifying dependents. Amended in 1994 to allow the deduction on the developmentally disabled person's own return.

#### **1.1.17 Adoption Expense Deduction *Idaho Code 63-3022I***

Description: This deduction is for up to \$3,000 of actual legal fees and medical costs incurred in an adoption.

History: This deduction was enacted in 1994.

#### **1.1.18 Medical Savings Account Deduction *Idaho Code 63-3022K***

Description: This is a deduction for contributions to medical savings accounts. It is limited to a maximum of \$10,000 per taxpayer each year. (Each spouse is counted as a taxpayer on joint returns.) Other restrictions apply.

History: This deduction was enacted in 1994 as Title 41, Chapter 53. It was amended in 1995 to eliminate a restriction to high-deductible insurance policies, to eliminate administrative responsibilities from the depository institution, and to allow taxpayer funded accounts to qualify. Also, it was moved to 63-3022K in 1995. The maximum deduction was raised to \$10,000 per taxpayer in 2014. The previous cap was \$2,000 per taxpayer.

#### **1.1.19 Right Income Adjustment Credit *Idaho Code 63-3029F***

Description: A refundable credit for the difference between the Idaho state income tax liability for the year income was included in taxable income and the Idaho state income tax that would have been paid had the income not been included in taxable under the claim of right doctrine. Applies in situations where a taxpayer does not receive a benefit from the deduction thereby effectively paying tax on income they had fully repaid.

History: Enacted in 2015.

#### **1.1.20 Riparian Land Improvements Credit *Idaho Code 63-3024B***

Description: This is a 50% credit for expenditures related to improving the habitat for threatened/endangered species or riparian habitat. The credit is limited to no more than \$2,000 per person per year, and no more than \$250,000 for all such credits allowed in a single tax year.

History: Effective January 1, 1998 through December 31, 2002.

#### **1.1.21 Broadband Investment Credit *Idaho Code 63-3029I***

Description: This is a 3% credit for expenditures in qualified broadband equipment in Idaho. This credit is in addition to the 3% investment tax credit (see 1.1.01), for a total credit of 6% on broadband investments. The 3% credit is limited to no more than \$750,000 per taxpayer per year, and no more than the taxpayer's liability after all other credits in a single tax year. It can be carried forward for up to 14 years. This credit is transferable (sellable) to other taxpayers.

History: Effective January 1, 2001.

### **1.1.22 County Incentive Investment Tax Credit *Idaho Code 63-3029J***

Description: This is a variable rate credit for expenditures that qualify for Idaho's investment tax credit (see 1.1.01). Its rate is the greater of one-half of the amount by which the average three-year unemployment rate in the county in which the property is located exceeds 6%, or one-tenth of one percentage point for each full percentage point the three-year average per-capita income level in the county in which the property is located is below 90% of the statewide average per-capita income level. The credit is limited to no more than \$500,000 per taxpayer, and no more than the taxpayer's liability after all other credits in a single tax year. It can be carried forward for up to 14 years. This credit may be sold to other taxpayers.

History: Enacted in 2001, effective January 1, 2001 through December 31, 2001.

### **1.1.23 Research Activity Credit *Idaho Code 63-3029G***

Description: This is a 5% credit for expenditures related to qualified research as defined in section 41 of the Internal Revenue Code. The research must be conducted in Idaho. The credit is limited to no more than the taxpayer's liability after all other credits in a single tax year, and it can be carried forward up to 14 years.

History: Enacted in 2001.

### **1.1.24 Promoter Sponsored Events Credit *Idaho Code 63-3620C(3)(b)***

Description: This provides a refundable income tax credit in the amount of \$1.00 for each temporary sales tax permit a sponsor or promoter of "promoter sponsored events" issues. Promoter sponsored events may include swap meets, flea markets, gun shows, fairs, and other similar events.

History: Enacted in 1999.

### **1.1.25 Corporate Headquarters Investment Credit *Idaho Code 63-2903***

Description: This credit is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005." It provides an income tax credit of 6% of the purchase price of new equipment installed anywhere in Idaho. Qualifying equipment is the same as equipment that qualifies under Idaho's 3% investment tax credit (see 1.1.01). This credit is in lieu of the investment tax credit, is limited to no more than \$5 million in any one tax year, and is not subject to the 50% limit specified in 63-3029B. This credit can be generated for eligible equipment purchases which occurred through December 31, 2009. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63-2902, and can be summed up as making an investment of at least \$50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over \$50,000 per year, or b) that average \$65,000 per year.

History: Enacted in 2005. Repealed July 1, 2008.

### **1.1.26 Corporate Headquarters Real Property Improvement Credit *Idaho Code 63-2904***

Description: This credit is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005." It provides an income tax credit of 10% of the purchase price of new plant (buildings and structural components of buildings) within

the project site as specified in 63-2902. This credit is limited to no more than \$500,000 in any one tax year, and is not subject to the 50% limit specified in 63-3029B. This credit can be generated for plant purchases which occurred through December 31, 2009. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63-2902, and can be summed up as making an investment of at least \$50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over \$50,000 per year, or b) that average \$65,000 per year.

History: Enacted in 2005. Repealed July 1, 2008.

#### **1.1.27 Corporate Headquarters New Jobs Credit *Idaho Code 63-2905***

Description: This credit is contingent on a taxpayer qualifying under the “Idaho Corporate Headquarters Incentive Act of 2005.” It provides an income tax credit ranging from \$1,500 to \$3,000 for each eligible new job created through December 31, 2009. This credit is not subject to the 50% limit specified in 63-3029B. Unused credits can be carried forward for up to ten years. General qualification criteria are specified in 63-2902, and can be summed up as making an investment of at least \$50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over \$50,000 per year, or b) that average \$65,000 per year.

History: Enacted in 2005. Repealed July 1, 2008.

#### **1.1.28 Small Employer Capital Investment Credit *Idaho Code 63-4403***

Description: This credit is contingent on a taxpayer qualifying under the “Idaho Small Employer Incentive Act of 2005.” It provides an income tax credit of 3.75% of the purchase price of new equipment installed anywhere in Idaho. Qualifying equipment is the same as equipment that qualifies under Idaho’s 3% investment tax credit (see 1.1.01). This credit is in lieu of the investment tax credit, is limited to no more than \$750,000 in any one tax year, and is subject to a 62.5% limit instead of the 50% limit specified in 63-3029B. This credit can be generated for eligible equipment purchases occurring from January 1, 2006 through December 31, 2020. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour, not including employees earning more than \$48.08 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this credit through 2020.

#### **1.1.29 Small Employer Real Property Improvement Credit *Idaho Code 63-4404***

Description: This credit is contingent on a taxpayer qualifying under the “Idaho Small Employer Incentive Act of 2005.” It provides an income tax credit of 2.5% of the purchase price of new plant (buildings and structural components of buildings) within the project site as specified in 63-2902. This credit is limited to no more than \$125,000 in any one tax year. This credit can be generated for plant purchases occurring from January 1, 2006 through December 31, 2020. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63-4402, and can be summed

up as making an investment of at least \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour, not including employees earning more than \$48.08 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this credit through 2020.

#### **1.1.30 Small Employer New Jobs Credit *Idaho Code 63-4405***

Description: This credit is contingent on a taxpayer qualifying under the “Idaho Small Employer Incentive Act of 2005.” It provides an income tax credit ranging from \$1,500 to \$3,000 for each eligible new job created from January 1, 2006 through December 31, 2020. This credit is limited to 62.5% of the taxpayer’s tax liability in any given year. Unused credits can be carried forward for up to ten years. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour, not including employees earning more than \$48.08 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this credit through 2020.

#### **1.1.31 Live Organ Donation Expenses Credit *Idaho Code 63-3029K***

Description: This credit is for a donor’s expenses associated with a live organ donation. Only the portion of direct expenses that are not reimbursed is eligible. The total credit is limited to the lower of the actual expenses or \$5,000. This credit can be carried forward up to five years.

History: Enacted in 2006. Effective January 1, 2007.

#### **1.1.32 Biofuel Investment Tax Credit *Idaho Code 63-3029M***

Description: A 6% investment tax credit (ITC) for any Idaho retail fuel dealer or distributor for infrastructure investments to provide biofuels to their customers. The biofuel ITC is in lieu of the regular 3% investment tax credit (see 1.1.01). The amount of credit is limited to 50% of the taxpayer’s income tax liability. Any unused credit can be carried forward up to an additional five years. The recapture period is five years from the date the investment was made. During this period, biofuel must be sold on a continuing basis.

History: Effective January 1, 2007 and expired December 31, 2011.

#### **1.1.33 Special Job Credit *Idaho Code 63-3029EE***

Description: For the period prior to April 14, 2011, a \$1,000 credit is granted for each new employee who was paid an average of \$15.50 per hour during the calendar year and was eligible to receive employer-provided accident or health insurance. A \$500 credit is available for each new employee in a business involved in manufacturing or processing any natural resource product. Businesses must choose between credits, since only one type of credit per new job can be used. The amount of credit that can

be claimed in any one tax year is limited (along with most other credits) to 50% of the tax otherwise imposed and may not exceed 3.25% of the taxpayer's net income. Unused credits may be carried forward up to three years.

History: Effective January 1, 2011 to December 31, 2016.

#### **1.1.34 Reimbursement Incentive Credit *Idaho Code 67-4737***

Description: A refundable income tax credit of up to 30% for up to 15 years on new corporate business income tax (from corporations, pass through entities and proprietorships), sales and use tax, and personal income tax withheld from employees paid as a result of a qualifying project. The actual tax credit percentage and project term is negotiated by the Director of the Idaho Department of Commerce based upon the quality of jobs created, regional economic impact, and return on investment for Idaho, subject to the approval of the Idaho Economic Advisory Council. The Governor may suspend the issuance of new credits if a holdback is issued. However, all credits set prior to any holdback will be honored by the state.

History: Effective July 1, 2014.

#### **1.1.35 Certain Charitable Contributions Deduction *Idaho Code 63-3022U***

Description: This deduction is allowed when a net operating loss occurs in the same tax period as a charitable contribution and causes the taxpayer to lose part of the charitable contribution deduction. This allows an additional deduction in the amount of the charitable contribution deduction that was lost.

History: Enacted in 2015. Effective January 1, 2014.

#### **1.2.01 Capital Gains Exclusion *Idaho Code 63-3022H***

Description: This exclusion is allowed for 60% of the gain from the sale of certain property. To qualify for this exclusion the property must have had an Idaho situs at the time of sale and is limited to real property held for at least 12 months. These properties include: tangible personal property that was used in manufacturing, mining, agriculture, wholesaling, or research and development and held for 12 months or longer; certain cattle or horses held for 24 months or longer; other breeding livestock held 12 months or longer; or timber held for over 24 months or longer.

History: Enacted in 1987. Amended in 1995 to add various restrictions, including a requirement that qualifying timber must be grown in Idaho and livestock gain claimants must derive at least half of their gross income from farming or ranching operations in Idaho. Amended in 1998 to reduce the holding period for real estate from five years to eighteen months. Amended in 2005 to reduce the holding period for real estate from 18 months to 12 months. Amended in 2008 to clarify pass-through entity holding periods. Amended in 2015 to allow exclusion to owners for income from pass-through entities that derive at least half their gross income from farming or ranching. Amended in 2015 to include qualified conservation easements, certain grazing permits and leases, and any 1250 property as defined in the Internal Revenue Code.

### **1.2.02 Government Interest Exclusion *Idaho Code 63-3022M***

Description: This exclusion is for the amount of interest earned on securities issued by the State of Idaho and/or local governments and the interest earned on federal government securities. The interest exclusion must be reduced by an amount that is calculated by multiplying the taxpayer's total deductible interest expense, times the ratio of the taxpayer's interest income from the tax-exempt obligations to the taxpayer's total income.

History: This exclusion has been in effect since enactment of the income tax. The offset calculation was modified and moved to 63-3022M in 1998 and modified in 1999 to correct the calculation of deductible interest expense.

### **1.2.03 Social Security Exclusion *Idaho Code 63-3022(I)***

Description: This exclusion is for the amount of social security income that is included in arriving at federal adjusted gross income. No social security income is subject to Idaho's income tax.

History: This exclusion was enacted in 1984 in response to federal taxation of a portion of social security income.

### **1.2.04 Railroad Retirement Exclusion *Idaho Code 63-3022(I)***

Description: This exclusion is for the amount of railroad retirement benefits paid by the Railroad Retirement Board that are included in federal adjusted gross income. Railroad retirement is the equivalent of social security for railroad employees.

History: Enacted in 1984.

### **1.2.05 Retirement Benefit Exclusion *Idaho Code 63-3022A***

Description: This exclusion is for retirement benefits paid by any of the following: a) US civil service retirement system; b) fireman's retirement fund of Idaho; c) policeman's retirement fund of a city within Idaho; and d) US Military. The exclusion is available to either retirees or un-remarried widows of retirees who are 65 years of age or older, or are disabled and 62 years of age or older. The exclusion is limited to the actual retirement payment or the maximum amount of social security benefits available, whichever is less. Expanded in 2015 to include benefits of the Foreign Service Retirement and Disability System.

History: This exclusion was enacted in 1973. It is revised annually by the Idaho Tax Commission to adjust the maximum exclusion amount.

### **1.2.06 Idaho Lottery Winnings Exclusion *Idaho Code 67-7439***

Description: Excludes Idaho Lottery prizes of less than \$600 from taxable income.

History: Originally enacted in 1988 as 100% exclusion. Amended in 1997 to limit the income exclusion to prizes of less than \$600 starting on January 1, 1998. Amended in 1998 to restrict the exclusion to Idaho State Lottery winnings.

### **1.2.07 Indian Earnings on Reservation Exclusion *Idaho Code 63-3022S***

Description: Income earned on an Indian reservation by enrolled tribal members residing on a reservation.

History: This exclusion is the result of various treaties and case law. Codified in 2014 and is retroactive to January 1, 2013.

### **1.2.08 World War II Reparations Exclusion *Idaho Code 63-3022G***

Description: Amounts paid to individuals from the US Civil Liberties Public Education Fund.

History: Enacted in 1989.

### **1.2.09 Marriage Penalty Deduction *Idaho Code 63-3022N***

Description: Idaho joint income tax returns are given an additional standard deduction amount equal to double the single standard deduction less the joint deduction. This deduction is not available to returns that claim itemized deductions. Since 2003 the federal standard deduction for joint filers has been twice the standard deduction for single filers.

History: Enacted in 1999 at a level of \$150. Amended in 2000 to make it the difference between the joint standard deduction and two times the single standard deduction.

### **1.2.10 Certain Loss Recoveries Deduction *Idaho Code 63-3022R***

Description: A deduction is allowed in the amount equal to the amount of the loss recovery if no deduction for the loss was claimed on a prior return.

History: Enacted in 2013.

### **1.2.11 Nonresident Guaranteed Partnership Income Exclusion *Idaho Code 63-3026A(3)(a)(i)***

Description: Guaranteed payments to nonresident, retired partners that are sourced to the taxpayers' domiciles are excluded from Idaho taxable income. Up to \$250,000 of the guaranteed payments made to each nonresident partner are sourced as compensation for services. The amount of the guaranteed payment in excess of \$250,000 is sourced to Idaho based upon the partnership's apportionment factor. The \$250,000 threshold is adjusted annually for inflation.

History: Enacted in 2013.

## SALES AND USE TAX DETAIL

The following sales tax expenditures can be divided into four broad categories: 2.1.01 through 2.1.34 cover sales tax expenditures that are related to the specific uses of goods and services; 2.2.01 through 2.2.16 cover sales tax expenditures that are related to specific goods; 2.3.01 through 2.3.16 cover sales tax expenditures that are related to specific services; and 2.4.01 through 2.4.29 cover sales tax expenditures that are related to specific entities that receive exemptions on either all or part of the purchases or sales they make.

The listing for exempt services requires a special note. While a variety of classification systems are possible, the classification used here follows the structure of the North American Industry Classification System (NAICS) Manual produced by the Executive Office of the President, Office of Management and Budget. This classification system was chosen because it is the basis for reporting a considerable variety of economic data, including that used for estimating the revenue impact associated with the various services delineated.

The NAICS coding system is based on the primary activity of the establishment being coded. For example, one of the activities included under the major group heading entitled Personal Care Services is Barber Shops and Beauty Salons. The primary function of these establishments is the performance of haircuts and hair styling, both personal services that are presently exempt from sales tax. However, such establishments will also typically engage in retailing hair care products, transactions that are taxable. Thus, the receipts of a service establishment (such as a barbershop) can contain both exempt and taxable components. This is taken into consideration in the estimates of fiscal impact contained herein.

Another feature of the services classification used in this document relates to the classification of types of services versus classification of industrial categories. NAICS categories include major groupings for repair and maintenance. This category includes repairs to televisions, stereos, appliances, tools, watches, jewelry, furniture, and most other tangible property. This group covers the bulk of all “repair services.”

For these reasons, care must be taken in moving from this classification of services (based on NAICS definitions) and any other classification of services (based on broader conceptual notions, such as repairs to tangible personal property).

### **2.1.01 Production Exemption - Equipment *Idaho Code 63-3622D; 63-3622JJ***

Description: This feature of the production exemption exempts equipment used to produce a taxable product for retail sale. Production activities covered by this exemption are limited to manufacturing, processing, fabricating, logging, farming, mining, and fishing and hunting operations. The equipment must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its equipment to qualify.

Certain specific exclusions from the production exemption exist. They include: equipment that is used in activities other than the actual production activity; equipment used in transportation, including motor vehicles and aircraft that are required to be licensed by any state; equipment used to make repairs; any tangible personal property that is or is intended to become a component of real property;



recreational vehicles; and equipment used to produce exempted gas, electricity, water, or literature.

**History:** This exemption was originally enacted in 1965 as 63-3622D. In 1987, custom farmers were added to the exemption by amending 63-3603, the definition of farming. In 1989, 63-3605A was added to include contract loggers in the production exemption. In 1990, logging was moved to a separate section and expanded to include persons who are not primarily engaged in logging. It was amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the integrated plant doctrine, exempting equipment used to fabricate or install production equipment, and adding safety equipment. Amended in 2006 to include equipment used to manufacture heating materials. Amended in 2008 to include equipment used to process certain materials for the production of energy. Amended in 2015 to include hand tools with a unit purchase price of \$100 or less and fishing and hunting operations. Expanded in 2016 to include hand tools used in other industries.

### **2.1.02 Production Exemption - Supplies *Idaho Code 63-3622D; 63-3622JJ***

**Description:** This feature of the production exemption exempts supplies used in the process of producing a product for resale. Production activities covered by this exemption are limited to manufacturing, processing, fabricating, farming, logging, and mining. The supplies must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its production supplies to qualify. However, any logging supplies qualify.

Certain specific inclusions to the production exemption for supplies exist. They include: repair parts, lubricants, hydraulic oil, coolants, chemicals, catalysts, safety supplies (except for logging), and, in the dairy industry, disinfectants used to clean cow udders or to clean pipes, vats, or other milking equipment. Fuel used in logging trucks is also exempt.

Certain specific exclusions from the production exemption for supplies exist. They include: supplies that are used in activities other than the actual manufacturing, mining, farming, or logging process; supplies used in transportation activities; repair supplies, other than parts for production equipment; any tangible personal property that is or is intended to become a component of real property; and supplies used to produce exempted gas, electricity, water, or literature.

**History:** This exemption was originally enacted in 1965 as 63-3622(d); custom farmers were added to the production exemption in 1987 by amending 63-3603, definition of farming; contract loggers were added in 1989 by adding 63-3605A. In 1990, logging was moved to a separate section and expanded to allow the exemption to apply to persons who are not primarily engaged in logging. Amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the integrated plant doctrine, exempting supplies used to fabricate or install production equipment, and adding safety supplies (except for logging). Amended in 1996 to add all fuel used in logging trucks. Amended in 2006 to add inputs used to manufacture heating materials. Amended in 2008 to include inputs used to process certain materials for the production of energy.

### **2.1.03 Irrigation Equipment and Supplies *Idaho Code 63-3622W***

Description: Exempts agricultural irrigation equipment and supplies, including those attached to real property and regardless if purchased by a contractor for an agricultural irrigation project.

History: Originally enacted in 1975 as 63-3622(f).

### **2.1.04 Pollution Control Equipment *Idaho Code 63-3622X***

Description: Exempts equipment required by regulatory agencies for air or water pollution control.

History: Originally enacted in 1977 as 63-3622(e). Amended in 1997 to add certain dry-cleaning equipment. Amended in 2006 to include liners and reagents mandated by state or federal governments to meet water quality standards. Amended in 2007 to include personal property that is primarily used for meeting air or water quality standards that becomes a component, fixture, or improvement to real property.

### **2.1.05 Broadcast Equipment and Supplies *Idaho Code 63-3622S***

Description: Provides an exemption for equipment and supplies used to produce and broadcast radio and television programs.

History: It was originally enacted in 1975 as 63-3622(w).

### **2.1.06 Publishing Equipment and Supplies *Idaho Code 63-3622T***

Description: Provides an exemption for equipment and supplies used to publish advertising type newspapers that are sold or given away to the public, as long as the paper contains at least 10% editorial comment and advertising revenue is the publisher's primary source of income.

History: This exemption was originally enacted in 1979 as 63-3622(x).

### **2.1.07 Commercial Aircraft *Idaho Code 63-3622GG***

Description: Exempts aircraft purchased for commercial transport of passengers or freight and parts used in nonresident, private aircraft.

History: Enacted in 1988. Amended in 1994 to add any aircraft that are for use outside Idaho. Amended in 2012 to include parts used in nonresident, private aircraft. Expanded in 2016 to exempt aircraft primarily contracted by government entities in supervising wildfire fighting operations.

### **2.1.08 Railroad Rolling Stock and Remanufacturing *Idaho Code 63-3622CC; 63-3622DD***

Description: Provides an exemption for railroad rolling stock and for parts, equipment, and supplies used in the process of remanufacturing railroad rolling stock, whether or not the rolling stock is for resale. Rolling stock must have been used in interstate commerce at least three months prior to rebuild to qualify.

History: Enacted in 1986.

**2.1.09 Interstate Trucks *Idaho Code 63-3622R(c)***

Description: Exempts the sale or lease of trucks weighing over 26,000 pounds when immediately registered in the international registration plan, as well as their trailers. Ten percent of the total fleet miles outside of Idaho in any fiscal year.

History: Enacted in 1989.

**2.1.10 Out-of-State Contracts *Idaho Code 63-3622B***

Description: Exempts goods purchased by contractors to install into real property in nontaxing states.

History: Originally enacted in 1965 as 63-3622(b), it was amended in 1993 to extend to non-Idaho contractors.

**2.1.11 Trade-in Value *Idaho Code 63-3613(b)2***

Description: Excludes from the taxable sales price any amounts allowed for merchandise traded in on other like goods.

History: Enacted in 1965. Amended in 1990 to include trade-downs and barter.

**2.1.12 Sale or Lease of Businesses or Business Assets *Idaho Code 63-3622K(b)(2-5)***

Description: Exempts sales of otherwise taxable merchandise, equipment, and supplies in cases where the entire business operation is undergoing transfer of ownership and the business itself will continue its operations. It also exempts sales of businesses that amount to a change in the form of business ownership. It also exempts sales and leases of capital assets between closely related businesses, but only if the sales tax has previously been paid on the capital asset.

History: Originally enacted as 63-3622(l), it was amended in 1967 to add bulk sales and change in form of doing business by adopting a new definition (Section 63-3612A). Section 63-3612A was repealed and moved to 63-3622K in 1988, then amended in 1990 to add related business transfers and sales. Amended in 1996 to add leases of assets among family-owned businesses.

**2.1.13 SNAP/WIC *Idaho Code 63-3622EE; 63-3622FF***

Description: Exempts goods purchased with WIC checks and federal SNAP.

History: Mandated in 1987 by the federal government.

**2.1.14 Vehicles and Vessels Sold to Nonresidents *Idaho Code 63-3622R(a)***

Description: Exempts from the sales tax certain vehicles and vessels sold to nonresidents for use outside the state.

History: Originally enacted as 63-3622(q) in 1965, it exempted motor vehicles and trailers sold in Idaho for use out-of-state. Amended in 2015 to exempt utility type vehicles and other specialty off-highway vehicles.

**2.1.15 Common Carrier Purchases and Out-of-State Sales *Idaho Code 63-3622Q; 63-3622P***

Description: Exempts goods delivered to buyers outside Idaho (63-3622Q) and in-state purchases by common carriers for use outside Idaho if transported out of Idaho under a bill of lading (63-3622P).

History: Originally enacted as 63-3622(p) and 63-3622(o) in 1965.

**2.1.16 Donations of Real Property to Idaho Government *Idaho Code 63-3621(m)***

Description: Allows an exemption from use tax for goods that are donated to the State of Idaho, its political subdivisions, or a nonprofit listed in 63-3622O, where the donated goods are incorporated into real property.

History: Enacted in 1991.

**2.1.17 Incidental Sales of Tangible Personal Property *Idaho Code 63-3609***

Description: Exempts goods sold incidentally when selling real property, such as a stove and refrigerator included with a home.

History: Enacted in 1985.

**2.1.18 Lodging, Eating, and Drinking Places *Idaho Code 63-3612***

Description: Allows these industries an exemption for nondepreciable goods that are consumed by customers, such as guest hand soap provided in a motel room.

History: Enacted in 1988.

**2.1.19 School Lunches and Senior Citizen Meals *Idaho Code 63-3622J***

Description: Exempts federal meals programs for youth and elderly.

History: School lunch programs were exempted in 1965 as 63-3622(k). Amended in 1974 to add sales of meals to aging persons under the Older Americans Act.

**2.1.20 Drivers Education Automobiles *Idaho Code 63-3622R(e)***

Description: Exempts the value of motor vehicles that are temporarily donated to drivers' education programs.

History: Enacted in 1995. Designation changed from *Idaho Code 63-3622R(d)* to *Idaho Code 63-3622R(e)* in 2006.

**2.1.21 Ski Lifts and Snowgrooming Equipment *Idaho Code 63-3622Y***

Description: Exempts the lifts, snowgroomers, and snowmaking equipment used by the owner of a ski area.

History: Enacted in 1995.

### **2.1.22 Clean Rooms *Idaho Code 63-3622NN***

Description: Exempts any tangible personal property that is used in or becomes a part of a “clean room” used to manufacture semiconductors. Also includes property that is used to maintain a clean room.

History: Enacted in 1999. Extended to include clean rooms used for research and development in 2005.

### **2.1.23 Alternative Electricity-Producing Equipment *Idaho Code 63-3622QQ***

Description: Provides a refund of sales tax paid for machinery and equipment used in alternative types of electricity production. To qualify, the facility must have a capacity of at least 25 kilowatts. The alternative methods that qualify for this exemption are fuel cells, low-impact hydro, wind, geothermal, cogeneration, solar, landfill gases, and biomass.

History: Enacted in 2005 and sunset on July 1, 2011.

### **2.1.24 Research and Development Equipment *Idaho Code 63-3622RR***

Description: Exempts tangible personal property used in research and development activities.

History: Enacted in 2005.

### **2.1.25 Corporate Headquarters Construction *Idaho Code 63-2908***

Description: This rebate is contingent on a taxpayer qualifying under the “Idaho Corporate Headquarters Incentive Act of 2005.” It provides a sales and use tax rebate for all sales and use taxes paid on property constructed, located, or installed in the “project site” (as specified in 63-2902) through December 31, 2009. General qualification criteria are specified in 63-2902, and can be summed up as making an investment of at least \$50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over \$50,000 per year, or b) that average \$65,000 per year.

History: Enacted in 2005. Repealed July 1, 2008.

### **2.1.26 Small Employer Headquarters Construction *Idaho Code 63-4408***

Description: This rebate is contingent on a taxpayer qualifying under the “Idaho Small Employer Incentive Act of 2005.” It provides a sales and use tax rebate for 25% of sales and use taxes paid on property constructed, located, or installed in the “project site” (as specified in 63-4402) from January 1, 2006 through December 31, 2020. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this exemption through December 31, 2020.

**2.1.27 Glider Kit Vehicles *Idaho Code 63-3622R(d)***

Description: Glider kit vehicles, as defined in *Idaho Code* 49-123(f), are exempted from the Idaho sales tax.

History: Enacted in 2006.

**2.1.28 Media Production Projects *Idaho Code 63-3622TT***

Description: Rebates sales tax paid on certain media projects produced in Idaho.

History: Enacted in 2006. Sunset on July 1, 2016.

**2.1.29 State Tax Anticipation Revenue *Idaho Code 63-3641***

Description: Rebates sales tax paid to developer for costs of building or improving qualified freeway exchanges. In order to qualify, the developer must spend at least \$4 million on a retail commercial complex and at least \$6 million on a freeway interchange or interchange improvements. The maximum any developer could be reimbursed for a given freeway project is \$35 million.

History: Enacted in 2007. Amended in 2009 to lower minimum freeway interchange project threshold from \$8 million to \$6 million.

**2.1.30 Motor Vehicles of Nonresident Students *Idaho Code 63-3621(k)***

Description: Exempts a full-time, nonresident post-secondary student's vehicle from the use tax.

History: Enacted in 2011.

**2.1.31 Personal Property of Military Personnel *Idaho Code 63-3621(l)***

Description: Exempts personal items, including vehicles, brought into the state by military personnel temporarily assigned to Idaho and their spouses from the use tax.

History: Enacted in 2011.

**2.1.32 Beverage and Food Samples *Idaho Code 63-3621(n)***

Description: Exempts beverages including, wine and beer, and food if given as a free tasting to a potential customer.

History: Enacted in 2012. Expanded in 2013 to exempt food samples offered to shoppers.

**2.1.33 Beverage and Food Donations *Idaho Code 63-3621(o)***

Description: Exempts beverages and food donated to individuals or nonprofit organizations.

History: Enacted in 2014.

**2.1.34 Prepared Beverage and Food Given to Employees *Idaho Code 63-3621(p)***

Description: Exempts food or beverages provided free of charge to their employees by food and beverage retailers.

History: Enacted in 2015.

### **2.2.01 Motor Fuels *Idaho Code 63-3622C***

Description: Exempts on-road use of motor fuels subject to motor fuels tax and exempts off-road fuels loaded in Idaho and used outside Idaho.

History: Originally enacted in 1965 as 63-3622(c). Exempted on-road use of motor fuels; amended in 1986 to exempt locomotive fuels unless loaded and burned off in Idaho.

### **2.2.02 Heating Materials *Idaho Code 63-3622G***

Description: Exempts any material burned to heat buildings or homes.

History: Originally enacted in 1965 as 63-3622(g).

### **2.2.03 Utility Sales *Idaho Code 63-3622F***

Description: Exempts sales of natural gas, electricity, and water delivered to consumers by means of wires, pipes, mains, or similar systems.

History: Originally enacted in 1965 as 63-3622(f).

### **2.2.04 Used Manufactured Homes *Idaho Code 63-3622R(b)***

Description: Exempts sales of used manufactured homes from the sales tax.

History: Original 63-3622(u) amended in 1976 to exempt sales of used manufactured homes.

### **2.2.05 Vending Machines and Amusement Devices *Idaho Code 63-3622II***

Description: Exempts money-operated machines that vend a taxable product or service.

History: Enacted in 1990.

### **2.2.06 Prescriptions and Durable Medical Equipment *Idaho Code 63-3622N***

Description: Exempts most prescription medical items.

History: This exemption was originally enacted as 63-3622(o) in 1967 to exempt prescription drugs. It was amended in 1971 to add prescription oxygen and amended in 1976 to add prosthetics, artificial limbs, wheelchairs, hearing aids, and crutches. It was amended in 1990 to add durable medical equipment and numerous other prescription items. Amended in 1998 to exempt dental prostheses and other orthodontic appliances, except fillings. Amended in 2008 to include dental fillings and qualified items prescribed by physician assistants. Amended in 2015 to include eyeglasses and contact lenses.

### **2.2.07 Funeral Caskets *Idaho Code 63-3622U***

Description: Exempts goods sold in conjunction with a funeral.

History: Originally enacted in 1977 as 63-3622(y).

### **2.2.08 Containers *Idaho Code 63-3622E***

Description: Exempts containers that are part of goods for sale, including returnable containers.

History: Originally enacted in 1965 as 63-3622(e).

### **2.2.09 Nonprofit Literature *Idaho Code 63-3622I***

Description: Exempts literature published and sold by 501(c)(3) nonprofit organizations.

History: Originally enacted in 1965 as 63-3622(j), exempting only religious literature. Amended in 1989 to include literature of all 501(c)(3) nonprofit organizations in response to the US Supreme Court ruling in *Texas Monthly versus Bullock*. Amended in 1999 to include alternative forms, including audio-visual, magnetic, optical, and other machine-readable media.

### **2.2.10 Official Documents *Idaho Code 63-3622AA***

Description: Exempts sales of documents when the fee for the document is set by *Idaho Code*.

History: Originally enacted in 1984.

### **2.2.11 Precious Metal Bullion *Idaho Code 63-3622V***

Description: Exempts sales of precious metal bullion and coins.

History: Originally enacted in 1982 as 63-3622(z).

### **2.2.12 Idaho Commemorative Silver Medallions *Idaho Code 63-3622PP***

Description: Exempts sales of Idaho commemorative silver medallions.

History: Originally enacted in 2003.

### **2.2.13 New Manufactured Homes or Modular Buildings *Idaho Code 63-3613(c)***

Description: Excludes 45% of the sales price of new manufactured homes and modular buildings from the taxable sales price.

History: Originally exempted 60% of the sales price of mobile homes when enacted in 1965. It was amended in 1976 to exempt 45% and add modular buildings (which were previously treated as real property improvements and taxed on materials as built).

### **2.2.14 Telecommunications Equipment *Idaho Code 63-3613(b)10; 63-3621(a)***

Description: Exempts from taxation the amount of discount or price reduction that is offered as an inducement to commence or continue telecommunications service.

History: Enacted in 1996.

### **2.2.15 Personal Property Tax on Rentals *Idaho Code 63-3622UU***

Description: Exempts from taxation the amount of property tax included in a rent payment for tangible personal property. To be eligible the property must initially be leased for at least a year.

History: Enacted in 2008.

### **2.2.16 Remotely-Accessed Computer Software *Idaho Code 63-3616(b)***

Description: Certain computer software are not tangible personal property by definition and therefore not subject to the Idaho sales tax. They are: custom computer programs;



computer software that is delivered electronically; remotely-accessed computer software; and computer software that are delivered by the load and leave method. Digital music, digital books, digital videos, and digital games are not tangible personal property subject to the sales tax if purchaser does not have permanent rights to the product.

History: Enacted in 2013 excluding remotely-accessed computer software. Amended in 2014 to exclude computer software delivered electronically or by the load and leave method. Amended in 2015 to specify that digital music, digital books, digital videos, and digital games are not tangible personal property subject to the sales tax if purchaser does not have permanent rights to the product.

### **2.3.01 Construction *Idaho Code 63-3609***

Description: Sales tax is paid on the cost of materials that are used in construction projects, but the labor component is generally not taxed. Mobile and manufactured homes are taxed on 55% of the sales price per 63-3613(c) in order to give them equivalent treatment.

History: The original language of the sales tax defined a “sale” as any transaction involving the exchange of tangible personal property for a consideration under 63-3612. In 63-3609(a) of the Sales Tax Act defining a retail sale it is stated that “all persons engaged in constructing, altering, repairing or improving real estate are consumers of the material used by them; all sales to or use by such persons of tangible personal property are taxable whether or not such persons intend resale of the improved property.”

### **2.3.02 Agricultural and Industrial Services**

Description: This category of services includes agricultural soil preparation, planting, cultivating, and harvesting; farm management; forestry service; and mining services. NAICS major groups 115 and 213 are included in this category.

History: Originally excluded from definition of sales tax base.

### **2.3.03 Transportation Services *Idaho Code 63-3613(b)7***

Description: Most charges for transportation of freight and passengers are exempt from the sales tax. Exceptions (i.e., taxable transportation charges) include transportation of manufactured homes by the dealer and the cost of transportation prior to the sale. NAICS major groups 481 through 492 are included in this category.

History: Transportation services have generally been exempt since the enactment of the sales tax in 1965. The exclusion for transportation of manufactured homes was added in 1986. Air charter transportation of freight and passengers was made taxable in 1988.

### **2.3.04 Information Services**

Description: Subscriptions or charges for one-way and two-way transmissions of signals containing information (sound, images, data, etc.) and information services (internet providers, etc.) are not taxed. This exemption consists mostly of local and long-distance telephone service and cable television. NAICS major groups 515, 516, 517, 518, and 519 are included in this category.

History: Communications have been exempt since the enactment of the sales tax in 1965.

#### **2.3.05 Repairs *Idaho Code 63-3613(b)4***

Description: The labor charges associated with repairing or installing tangible personal property are generally not taxable as long as they are separately stated on the bill. NAICS major group 811 is included in this category.

History: Exempt since enactment of the sales tax in 1965.

#### **2.3.06 Professional Services**

Description: Legal, accounting, engineering, architectural, consulting, scientific research, and advertising services fall within this category. NAICS major group 541 is included in this category.

History: Exempt since enactment of the sales tax in 1965.

#### **2.3.07 Business Services**

Description: Office services, employment services, building services, employment agencies, facility services, and security agencies are some of the major elements of this category. NAICS major groups 561 and 562 are in this category.

History: Exempt since enactment of the sales tax in 1965.

#### **2.3.08 Personal Services**

Description: Laundry and dry cleaning, barbers and beauticians, shoe repair, funeral services, massage parlors, and escort services are among the elements of the personal services major group. NAICS major group 812 is this category.

History: Exempt since enactment of the sales tax in 1965.

#### **2.3.09 Health and Medical Services**

Description: Doctors, dentists, hospitals, and nursing home services are the principal elements of this category. NAICS major groups 621 through 623 are in this category.

History: Exempt since enactment of the sales tax in 1965.

#### **2.3.10 Social Services**

Description: Adult and child day care, residential care, and adoption services are some of the principal elements of this category. NAICS major group 624 is this category.

History: Exempt since enactment of the sales tax in 1965.

#### **2.3.11 Educational Services**

Description: Private elementary and secondary schools, colleges and universities, libraries, vocational schools, driving instruction, flight schools, and modeling schools are among the establishments covered by this category. NAICS major group 611 is this category.

History: Exempt since enactment of the sales tax in 1965.

### **2.3.12 Lottery Tickets and Pari-Mutuel Betting *Idaho Code 67-7439***

Description: Exempts the sale and purchase of lottery tickets and pari-mutuel betting from the sales tax. Also exempts from sales tax any equipment used in lottery operations.

History: Enacted in 1988.

### **2.3.13 Media Measurement Services *Idaho Code 63-3622LL***

Description: Exempts the sale and purchase of any television, radio, newspaper, or other media measurement service.

History: Enacted in 1997.

### **2.3.14 Miscellaneous Services**

Description: This includes all personal service industries not classified elsewhere. Includes pet care, parking lots, and garages. NAICS major group 8129 is in this category.

History: Exempt since enactment of the sales tax in 1965.

### **2.3.15 Nonprofit Shooting Range Fees *Idaho Code 63-3622SS***

Description: Exempts fees and memberships of nonprofit shooting and hunting organizations from the Idaho sales tax.

History: Enacted in 2006.

### **2.3.16 Gratuities for Meals *Idaho Code 63-3613(f)***

Description: Exempts mandatory and voluntary gratuities for meals from the Idaho sales tax.

History: Enacted in 2011.

### **2.4.01 Educational Institution Purchases *Idaho Code 63-3622O(1)(a) and 33-5204***

Description: Exempts all purchases by nonprofit colleges, universities, and primary and secondary schools. Excludes from exemption schools that primarily teach business, dancing, gymnastics, dramatics, music, cosmetology, writing, exercise, and “other special accomplishments.”

History: This was originally enacted as 63-3622(s) in 1967 and amended in 1990 to add nonresident schools with Idaho facilities. It was amended in 1993 to add all nonresident schools not otherwise excluded. In 1999, 33-5204 was added to explicitly include charter schools to this exemption. Amended in 2008 to include the Idaho Digital Learning Academy.

### **2.4.02 Hospital Purchases *Idaho Code 63-3622O(1)(a)***

Description: Exempts all purchases by nonprofit hospitals that are licensed by the state for the care of ill persons. Excludes from exemption nursing homes or “similar institutions.”

History: Originally enacted as 63-3622(s) in 1967.

#### **2.4.03 Health Entity Purchases *Idaho Code 63-3622O(1)(a)***

Description: Exempts all purchases by certain specified “health-related entities.” The list consists of the following: Idaho Cystic Fibrosis Foundation, Idaho Epilepsy League, Idaho Lung Association, March of Dimes, American Cancer Society, Camp Rainbow Gold, Mental Health Association, The ARC, The Children’s Home Society of Idaho, American Heart Association, Idaho Ronald McDonald House, United Cerebral Palsy, Arthritis Foundation, Muscular Dystrophy Foundation, National Multiple Sclerosis Society, Rocky Mountain Kidney Association, American Diabetes Association, Easter Seals, Idaho Community Action Agencies, Idaho Primary Care Association and its community health care centers, Idaho Diabetes Youth Program, Idaho Women’s and Children’s Alliance, and Special Olympics Idaho. It also includes the local or regional chapters or divisions of these entities.

History: Amended in 1980 to add a first list of health-related entities. Amended several times to expand the list of eligible entities.

#### **2.4.04 Canal Company Purchases *Idaho Code 63-3622O(1)(a)***

Description: Exempts all purchases by canal companies. Canal companies are defined as nonprofit corporations whose sole purpose is operating and maintaining dams, reservoirs, canals, lateral and drainage ditches, pumps, and pumping plants.

History: Originally enacted in 1967 as 63-3622(s).

#### **2.4.05 Forest Protective Association Purchases *Idaho Code 63-3622O(1)(a)***

Description: Exempts all purchases by forest protective associations. Forest protective associations are associations that detect, prevent, and suppress forest or range fires. They include only those associations that contract with the State of Idaho under the Idaho Forestry Act.

History: Enacted in 1979.

#### **2.4.06 Food Bank Purchases *Idaho Code 63-3622O(1)(b, c)***

Description: Exempts all purchases by food banks or soup kitchens. Includes the Idaho Food Bank Warehouse, Inc. by specific reference, and also includes any other nonprofit corporation or association that furnishes food or food products to others without charge.

History: Enacted in 1991.

#### **2.4.07 Nonsale Clothier Purchases *Idaho Code 63-3622O(1)(d)***

Description: Exempts donations or sales of clothes to nonsale clothiers. Nonsale clothiers are defined as any nonprofit corporation or association that provides clothes to others without charge.

History: Enacted in 1992.

**2.4.08 Centers for Independent Living *Idaho Code 63-3622O(1)(e)***

Description: Exempts sales to or purchases by centers for independent living. Centers for independent living are defined as private, nonprofit, nonresidential organizations where at least 51% of the governing boards are individuals with disabilities.

History: Enacted in 1997.

**2.4.09 State of Idaho and Local Government Purchases *Idaho Code 63-3622O(1)(f)***

Description: Exempts Idaho governmental agencies from paying sales tax on purchases.

History: Enacted in 1997; exemption was done by Tax Commission regulation from enactment of the sales tax to 1997.

**2.4.10 Ronald McDonald House Rooms *Idaho Code 63-3622O(5)***

Description: This exempts the renting of a place to sleep by the Ronald McDonald House.

History: Enacted in 1997.

**2.4.11 INL Research and Development Purchases *Idaho Code 63-3622BB***

Description: Exempts goods used for research and development at the Idaho National Laboratory (INL).

History: It was originally enacted in 1967 and exempted all federal research and development and nuclear fuel reprocessing under 63-3615. It was amended in 1969 to limit to INL only. It was recodified in 1985 as 63-3622BB and removed nuclear fuel reprocessing from the exemption.

**2.4.12 Motor Vehicle Purchases by Family Members *Idaho Code 63-3622K(c)***

Description: Exempts sales of motor vehicles between family members related within the second degree of consanguinity.

History: Section 63-3612A was amended in 1980 to add the sale of motor vehicles to family members. It was repealed and moved to 63-3622K in 1988.

**2.4.13 Sales by 4-H and FFA Clubs at Fairs *Idaho Code 63-3622K(b)7***

Description: Exempts sales of animals by any 4-H club or FFA club held in conjunction with a fair or the Western Idaho Spring Lamb Sale.

History: Enacted in 1979 by amending 63-3612A. Moved to 63-3622K in 1988.

**2.4.14 Sales by Nonretailers (Yard and Occasional Sales) *Idaho Code 63-3622K(b)(1,6,8)***

Description: Exempts sales of items by individuals who are not retailers and who are not behaving as retailers. Covers transactions such as occasional yard sales, occasional classified ad sales, etc. Motor vehicle sales are specifically excluded from this exemption.

History: Originally enacted as 63-3622(l) in 1965. Yard sales added as 63-3622H in 1984 and moved to 63-3622K(b)(8) in 1997.

**2.4.15 Sales by Indian Tribes on Reservations *Idaho Code 63-3622Z***

Description: Exempts sales made by Idaho Indian tribal businesses on an Indian reservation from sales and use taxes. This exemption includes a detailed definition of a reservation.

History: Originally enacted as 63-3622(aa) in 1984; exempted sales of tangible personal property by tribes within reservation boundaries; amended in 1987 to include sales of services and to define a reservation.

**2.4.16 Sales of Meals by Churches to Members *Idaho Code 63-3622J***

Description: Exempts meals sold at church functions to members of the congregation.

History: Originally enacted as 63-3622(k) in 1965.

**2.4.17 Sales by Outfitters and Guides *Idaho Code 63-3613(b)9***

Description: Allows outfitters to exclude from the taxable amount charged to their customers the federal fees imposed on outfitters for the right to use recreational sites.

History: Enacted in 1990. Amended in 1994 to eliminate the provision that the federal fees must be for the purpose of managing the land or water upon which the outfitting occurs.

**2.4.18 Sales Through Vending Machines *Idaho Code 63-3613(e)***

Description: Allows retailers selling products through vending machines for \$1.00 or less to pay tax on 117% of their acquisition cost of the products rather than on the retail sales price.

History: Enacted in 1977.

**2.4.19 Auto Manufacturer Rebates *Idaho Code 63-3613(b)8***

Description: Allows dealers to deduct the amount of a rebate given to the buyer, by the motor vehicle manufacturer, from the taxable sales price of the vehicle.

History: Enacted in 1990.

**2.4.20 Incidental Sales by Churches *Idaho Code 63-3622KK***

Description: Exempts sales by churches that do not regularly compete with private enterprise.

History: Enacted in 1990.

**2.4.21 Federal Excise Tax Imposed at Retail Level *Idaho Code 63-3613(b)5***

Description: Excludes retail level federal excise taxes from the taxable sales price.

History: Originally enacted in 1965.

**2.4.22 Federal Constitutional Prohibitions *Idaho Code 63-3622A***

Description: State cannot tax goods when prohibited by the US Constitution.

History: Originally enacted in 1965 as 63-3622(a).

#### **2.4.23 Other Federal and State Statutory Prohibitions**

Description: Exemptions granted from state sales tax by other state statutes and by federal statutes, such as the American Red Cross, Amtrak, credit unions, Emergency 911, Federal Intermediate Credit Banks, Federal Land Banks, foreign diplomats, Idaho Health Facility Authority, Idaho Housing Authority, Idaho Life and Health Insurance Guaranty Association, Idaho Onion Commission, Idaho Potato Commission, Idaho Turnpike Authority, Idaho Wheat Commission, Junior College Dormitory Housing Authority, Production Credit Association, Regional Airport Authority, aircraft flights, and navigable water-based transportation.

History: Varies by statute.

#### **2.4.24 Volunteer Fire Departments and Emergency Medical Service Agencies *Idaho Code 63-3622O(1)(g)***

Description: Exempts purchases by volunteer fire departments and emergency medical service agencies.

History: Enacted in 2002.

#### **2.4.25 Senior Citizens Centers *Idaho Code 63-3622O(1)(h)***

Description: Exempts purchases by senior citizen centers.

History: Enacted in 2002.

#### **2.4.26 Blind Services Foundation, Inc. *Idaho Code 63-3622O(1)(i)***

Description: Exempts purchases by Blind Services Foundation, Inc.

History: Enacted in 2004.

#### **2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault *Idaho Code 63-3622O(1)(j)***

Description: Exempts purchases by Advocates for Survivors of Domestic Violence and Sexual Assault.

History: Enacted in 2006

#### **2.4.28 Free Dental Clinics *Idaho Code 63-3622O(1)(k)***

Description: Exempts purchases by dental clinics providing free dental services to children.

History: Enacted in 2006

#### **2.4.29 Museums *Idaho Code 63-3622O(1)(l)***

Description: Exempts purchases by and admissions to nonprofit museums.

History: Enacted in 2006

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|                    | 2.1.02 | Production Exemption - Supplies                   |
| 63-3622DD          | 2.1.08 | Railroad Rolling Stock and Remanufacturing        |
| 63-3622E           | 2.2.08 | Containers  |
| 63-3622EE          | 2.1.13 | SNAP/WIC  |
| 63-3622F           | 2.2.03 | Utility Sales                                     |
| 63-3622FF          | 2.1.13 | SNAP/WIC  |
| 63-3622G           | 2.2.02 | Heating Materials                                 |
| 63-3622GG          | 2.1.07 | Commercial Aircraft                               |
| 63-3622I           | 2.2.09 | Nonprofit Literature                              |
| 63-3622II          | 2.2.05 | Vending Machines and Amusement Devices            |
| 63-3622J           | 2.1.19 | School Lunches and Senior Citizen Meals           |
|                    | 2.4.16 | Sales of Meals by Churches to Members             |
| 63-3622JJ          | 2.1.01 | Production Exemption - Equipment                  |
|                    | 2.1.02 | Production Exemption - Supplies                   |
| 63-3622K(b)(1,6,8) | 2.4.14 | Sales by Nonretailers (Yard and Occasional Sales) |
| 63-3622K(b)(2-5)   | 2.1.12 | Sale or Lease of Businesses or Business Assets    |
| 63-3622K(b)7       | 2.4.13 | Sales by 4-H and FFA Clubs at Fairs               |
| 63-3622K(c)        | 2.4.12 | Motor Vehicle Purchases by Family Members         |
| 63-3622KK          | 2.4.20 | Incidental Sales by Churches                      |
| 63-3622LL          | 2.3.13 | Media Measurement Services                        |
| 63-3622N           | 2.2.06 | Prescriptions and Durable Medical Equipment       |

| <b>Idaho Code</b> |  | <b>Title</b>   |
|-------------------|--|--|
| 63-3622NN         | 2.1.22   | Clean Rooms  |
| 63-3622O(1)(a)    | 2.4.01<br>2.4.02<br>2.4.03<br>2.4.04<br>2.4.05 | Educational Institution Purchases<br>Hospital Purchases Health<br>Entity Purchases Canal<br>Company Purchases<br>Forest Protective Association Purchases |
| 63-3622O(1)(b,c)  | 2.4.06   | Food Bank Purchases  |
| 63-3622O(1)(d)    | 2.4.07   | Nonsale Clothier Purchases   |
| 63-3622O(1)(e)    | 2.4.08   | Centers for Independent Living   |
| 63-3622O(1)(f)    | 2.4.09   | State of Idaho and Local Government Purchases  |
| 63-3622O(1)(g)    | 2.4.24   | Volunteer Fire Departments and Emergency Medical Service Agencies  |
| 63-3622O(1)(h)    | 2.4.25   | Senior Citizens Centers  |
| 63-3622O(1)(i)    | 2.4.26   | Blind Services Foundation, Inc.  |
| 63-3622O(1)(j)    | 2.4.27   | Advocates for Survivors of Domestic Violence and Sexual Assault  |
| 63-3622O(1)(k)    | 2.4.28   | Free Dental Clinics  |
| 63-3622O(1)(l)    | 2.4.29   | Museums  |
| 63-3622O(5)       | 2.4.10   | Ronald McDonald House Rooms  |
| 63-3622P          | 2.1.15   | Common Carrier Purchases and Out-of-State Sales  |
| 63-3622PP         | 2.2.12   | Idaho Commemorative Silver Medallions  |
| 63-3622Q          | 2.1.15   | Common Carrier Purchases and Out-of-State Sales  |
| 63-3622QQ         | 2.1.23   | Alternative Electricity-Producing Equipment  |
| 63-3622R(a)       | 2.1.14   | Vehicles and Vessels Sold to Nonresidents  |
| 63-3622R(b)       | 2.2.04   | Used Manufactured Homes  |
| 63-3622R(c)       | 2.1.09   | Interstate Trucks  |
| 63-3622R(d)       | 2.1.27   | Glider Kit Vehicles  |
| 63-3622R(e)       | 2.1.20   | Drivers Education Automobiles  |
| 63-3622RR         | 2.1.24   | Research and Development Equipment   |
| 63-3622S          | 2.1.05   | Broadcast Equipment and Supplies   |
| 63-3622SS         | 2.3.15   | Nonprofit Shooting Range Fees  |
| 63-3622T          | 2.1.06   | Publishing Equipment and Supplies  |
| 63-3622TT         | 2.1.28   | Media Production Projects  |
| 63-3622U          | 2.2.07   | Funeral Caskets  |
| 63-3622UU         | 2.2.15   | Personal Property Tax on Rentals   |
| 63-3622V          | 2.2.11   | Precious Metal Bullion   |
| 63-3622W          | 2.1.03   | Irrigation Equipment and Supplies  |
| 63-3622X          | 2.1.04   | Pollution Control Equipment  |
| 63-3622Y          | 2.1.21   | Ski Lifts and Snowgrooming Equipment   |
| 63-3622Z          | 2.4.15   | Sales by Indian Tribes on Reservations   |
| 63-3641           | 2.1.29   | State Tax Anticipation Revenue   |
| 63-4403           | 1.1.28   | Small Employer Capital Investment Credit   |
| 63-4404           | 1.1.29   | Small Employer Real Property Improvement Credit  |
| 63-4405           | 1.1.30   | Small Employer New Jobs Credit   |
| 63-4408           | 2.1.26   | Small Employer Headquarters Construction   |
| 67-4737           | 1.1.34   | Reimbursement Incentive Credit   |
| 67-7439           | 1.2.06<br>2.3.12                               | Idaho Lottery Winnings Exclusion<br>Lottery Tickets and Pari-Mutuel Betting  |