



2023

Comparative Tax Potential

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

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State and Local Tax Effort Analysis
Executive Summary
FY 2023

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

When considering tax effort by per capita, Idaho ranks 46th nationally (out of 51) and 12th regionally (out of 13) western states.

Tax Type	National Rank	Western Rank	Tax Effort
Individual Income	35	8	70.9%
Corporate Income	13	3	115.2%
Sales	29	10	88.9%
Property	43	13	56%
Motor Vehicle	13	4	119.4%
Overall	46	12	71%

When considering tax effort by personal income, Idaho ranks 46th (out of 51) and 12th regionally (out of 13) western states.

Tax Type	National Rank	Western Rank	Tax Effort
Individual Income	35	7	83.3%
Corporate Income	9	2	135.3%
Sales	20	8	104.4%
Property	45	13	65.8%
Motor Vehicle	6	7	140.2%
Overall	46	12	83.4%

For FY 2023 Idaho was nationally ranked 38th in size of population and 38th in personal income (out of 51).

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

Answer: Of the five tax types, Idaho underutilizes its property tax potential the most. Of the five tax types, motor vehicle and corporate income taxes are the most overutilized. Individual income and property tax are underutilized in both variables, per capita and personal income. Sales tax is utilized quite fairly on the variable of personal income and is underutilized on the variable of per capita. The overall tax effort in both variables is reasonably below 100%. If Idaho assumed the average national tax rate for overall taxes in the personal income category, then it would collect about \$1,628,443,753 more in state and local tax revenue.

Key takeaway: Looking as far back as 1997, 2023 has been the most advantageous tax year for Idaho taxpayers. For 2023 Idaho is 16.6% below the U.S. average tax rate for the variable personal income and 29% below the U.S. average tax rate for the variable per capita.

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

Introduction

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

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

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

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

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

Literature Review

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

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

The authors of the 1976 report *State and Local Revenue Potential* emphasized in their methodology that the report was a tax effort study and not a tax burden study. They wrote that the report was intended for measuring extents to which states and their subdivisions tap into their available resources; for it to be a tax burden study, they would have needed to measure absolute or relative burden that is placed on individual taxpayers or classes of taxpayers (Quindry and Schoening 1976: 3).

Substantial shifts in political approaches to taxation are natural and often are called on by economic challenges. For instance, In the early 1980's Idaho experienced a strong recession and the state's solution at the time was to leverage tax rates. Idaho increased "the corporate income tax from 6.5% to 8%, the individual income tax from a top rate of 7.5% to 8.2%, and the sales tax from 3% to 5%" (Idaho Center for Fiscal Policy 2012). At that time, it would have been appropriate to conduct studies like that which was published by SREB. The switch to a tax burden study is signaled when the efforts of the state are to reduce its leverage on its tax efforts. In the early 2000's Idaho began the process of reducing its taxes which continue through the publication date of this study. In tax year 2025 the income rates for individual and corporate income tax are now at 5.3%.

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

ACIR outlines approaches to economic capacity and conversations of its related measures. Throughout the years of their active service (1959-1996), they were predominantly concerned with improving methods for measuring the capacity of individual states to raise revenue. This study on relative state and local tax burdens aligns with the approach of the representative tax system (RTS), the purpose of which is to explain fiscal hardship, to monitor the tax base and rates, and to equalize tax bases available to governments (ACIR 1987: 114).

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

Though ACIR was terminated in 1996 after 37 years advocating for federalism and intergovernmental relations. The Clinton administration withdrew its support due to displeasure with the commission’s handling of the unfunded federal mandate issue (McDowell 1997). ACIR’s contribution to the identification and classification of indices on fiscal capacity continues to be a major influence in how the Idaho tax burden narrative is constructed.

In more recent years, publications in various fields have proven that the same measure and concepts could also be used to narrate relative tax burdens. One example of this can be seen in the reporting by Tax Foundation which uses tax effort and its measures to help explain tax burden (York and Walczak 2023). In the *glossary* section, definitions for all major concepts throughout the study are borrowed from the primary sources shared in this literature review. The following section includes a detailed process of how concepts are calculated and measured for the Idaho tax burden study.

Methodology

The data and contents of this study are collected from secondary sources and are organized for public review. Idaho State Tax Commission does not provide its own primary data to help guide the tax burden study. The methods, which were refined over the years by Idaho State Tax Commission’s Tax Policy Bureau Chief, have been relatively untouched. In 2021,

capacity or tax potential, underutilized potential, tax rate, tax effort, rank, per capita tax capacity, and per capita tax effort. Rank is simply the ordering of highest to lowest tax effort, or tax rate. The written formula for each measure is as follows.

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

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

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

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

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

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

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

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

The result of these calculations are 15 tables with a combined total of 780 rows, 4,490 cells worth of data. In addition, 15 more tables are added which demonstrates the difference between any state, the U.S. average, and Idaho.² The data from these 30 tables are used to build the visuals and write the analyses for *Idaho's Potential Tax Comparative* study. If the instructions outlined in this methodology are followed, then the results can be replicated.

Methods Walkthrough

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

² These 30 tables are found in the newly created Tax Comparative Table Dashboard found in the Tax Burden Study page under the page, Reports and Statistics on the Idaho State Tax Commission website.

calculation is done by dividing the tax revenue by the population of each state and the District of Columbia to determine per capita tax capacity.

Examples Using 2021 Data:

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

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

Study Limitations

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

Results

Findings are organized to disseminate significant results by type of analysis. Analysis work was either formatted into tables or graphs to convey relationships and observable trends, and to formulate conclusions. Attention was focused on breaking down the differences in the results between the secondary variables personal income and per capita. Staying true to the purpose of the study, each figure and table helps to affirm the relative tax burdens of taxpayers. At the end of this section, tables 6 and 7 provide the national and western analysis of Idaho's relative tax burdens. It's designed to lay out Idaho's tax structure, its relative burdens, how results can vary between the secondary variable used for analysis, and what the tax effort looks like for states across the U.S. relative to Idaho.

2022-2023 Percent change in Revenue Collected by Tax		
Tax Type	Idaho	United States
Property	7.13%	5.10%
Sales	5.67%	6.64%
Individual Income	-17.45%	-14.07%
Corporate Income	-0.64%	-3.94%
Motor Vehicle	0.40%	1.82%
Overall	-1.44%	-0.30%

Table 1: Percent Change in Revenue Collected by Tax Type

Table 1 Above represents the percent change in revenue from FY 2022 – FY 2023. Idaho saw the most growth in the tax type Property = 7.13% and experienced a loss in revenue to Individual Income = -17.45%. U.S. experienced its highest rate of growth in the the tax type Sales = 6.64% and the tax type Individual Income received the least amount of growth = -14.07%. The tax types in the study showed varying growth and decline in both Idaho and the U.S.

Significant decrease in revenue from individual income can be explained by a normalization of revenue after the Covid pandemic as well as significant tax rate cuts. In 2023 Idaho replaced its tiered individual and corporate income tax system with a single flat rate of 5.8%. Idaho increased its grocery credit to \$140 from \$120 and the maximum individual tax deduction for dependent care expenses increased to \$12,000 per year.

Highest Rise and Fall in Rank Change For Each Category					
Personal Income			Per Capita		
Tax Type	State	Rank Change	Tax Type	State	Rank Change
Property Tax	Minnesota	9	Property Tax	Delaware	6
Property Tax	Wyoming	-10	Property Tax	Wyoming	-6
Sales Tax	Maine	7	Sales Tax	California	4
Sales Tax	Wyoming	-8	Sales Tax	Wyoming	-9
Individual Income Tax	Colorado	15	Individual Income Tax	Colorado	19
Individual Income Tax	Ohio	-9	Individual Income Tax	Ohio	-9
Corporate Income Tax	Utah	9	Corporate Income Tax	RI, UT	9
Corporate Income Tax	Virginia	-22	Corporate Income Tax	Virginia	-20
Motor Vehicle	TN, NE, GA	7	Motor Vehicle	Georgia	7
Motor Vehicle	New Mexico	-7	Motor Vehicle	New Mexico	-7
Overall	Nebraska	12	Overall	Colorado	7
Overall	Wyoming	-20	Overall	Wyoming	-13

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

Table 2 above summarizes the most significant changes in rank for any given state 2022-2023 including the Dist. Of Columbia. When the rank rises, moving closer to 1, then the tax effort has gone up. When the rank lowers, moving closer to 51, then the tax effort has gone down. The most significant overall change in rank observed in the table came from Wyoming. Wyoming saw a rank change of -20 for the overall category in the variable personal income and -13 for the variable per capita. This result also means that the tax effort in Wyoming substantially increased. This is predominantly explained by surging home valuations. Wyoming has neither a corporate income tax nor individual income. In 2024 and 2025 the Wyoming legislature passed several relief measures including a 4% cap on annual residential property tax increases, and expanded refund programs (Ginn 2024).

Some tax types are more volatile than others. The variance in rank change is typically the lowest for property tax, which means it is the least volatile tax type. Sales, individual income, and corporate income can have higher variance; they are more volatile. The primary indicator for significant changes is usually connected to policy changes. When a state adjusts their tax structure, by applying updates through policies, statues, or even processes, then the effects are visible in the significant rank changes. The Tax Foundation provides some detailed documentation of year-to-year state changes (Loughead et al. 2022).

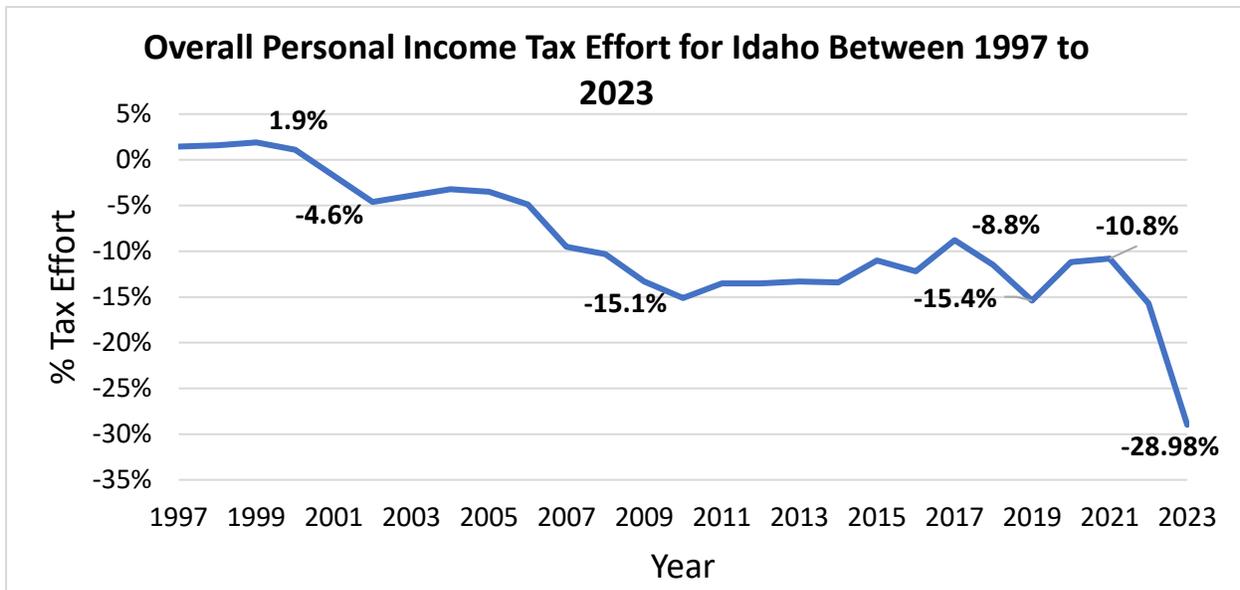


Figure 1: Overall Tax Effort for Idaho Between 1997 to 2023

Figure 1 above shows how Idaho has utilized its overall tax effort from 1997 to 2023. Overall is the category which includes all taxable revenue. At the peak in 1999, Idaho overexerted a tax effort of the tax capacity by just 1.9%. This visual should be reassuring for Idahoans because it demonstrates that the relative tax burdens of Idaho taxpayers historically are at most moderate, but as of now are historically low. The tax capacity for this visual was calculated by using the secondary variable personal income. Results will change slightly if the secondary variable, per capita, is used. In this visual the lowest tax effort ever recorded was in 2023 at -28.97%.



Figure 2: Overall Personal Income Rankings for Idaho from 1997 to 2023

Figure 2 from page 9 shows the overall tax ranking of Idaho from 1997 to 2023 using the secondary variable personal income. A rank of 51 would indicate that the state has the lowest tax rate or tax effort while a rank of 1 would represent that a state has the highest tax rate or tax effort. According to the visual, the average Idaho taxpayer had the least amount of relative tax burden for fiscal year 2010, the rank was 46, which is now currently matched by fiscal year 2023. In fiscal year 1999, the average Idaho taxpayer had the highest amount of relative tax burden, the rank was 17.

Idaho Summary Ranking and Effort Table				
	Based on Personal Income		Based on Per Capita	
Tax Type	Tax Effort %	Rank*	Tax Effort %	Rank*
Property	65.8%	45	56.0%	43
Sales	104.4%	20	88.9%	29
Individual Income	83.3%	35	70.9%	35
Corporate Income	135.3%	9	115.2%	13
Motor Vehicle	140.2%	6	119.4%	13
Overall	83.4%	46	71.0%	46

Table 3: Idaho Summary Ranking and Effort Table

Table 3 above shows the 5 tax types included for the study plus the overall category, with their ranks and effort for the state of Idaho by both secondary variables, personal income and per capita. For the tax type property, both combinations of secondary variables returned similar ranks. Property tax ranked 45 for personal income and 43 for per capita. The range for tax effort may vary depending on the variable used. Of the tax types from the variable income, the lowest effort was property at 65.8% and the highest effort was motor vehicle at 140.2%. Of the tax types from the variable per capita, the lowest effort was property at 56% and the highest effort was motor vehicle at 119.4%.

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

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

Idaho Tax Ranks Since 2004 Personal Income Basis for Rank							
Fiscal Year	Property	Sales	Individual Income	Corporate Income	Motor Vehicle	Overall	Per Capita Income
2004	31	18	21	27	5	27	46
2005	32	17	22	26	6	31	43
2006	31	26	18	23	5	34	46
2007	41	21	18	32	6	42	44
2008	41	19	19	27	8	39	45
2009	39	24	26	26	8	43	45
2010	38	27	25	37	6	46	50
2011	38	27	25	37	6	41	50
2012	38	28	30	21	7	42	49
2013	37	26	31	23	6	41	50
2014	36	25	30	25	9	41	48
2015	35	25	27	22	7	37	49
2016	38	25	30	24	3	38	44
2017	37	26	25	19	2	35	45
2018	37	23	25	18	5	37	44
2019	37	26	34	21	5	42	44
2020	38	19	26	27	6	36	45
2021	41	16	27	29	5	35	45
2022	45	18	34	9	5	41	43
2023	45	20	35	9	6	46	44
# of States w Tax	51	48	44	47	51	51	51

Table 4: Longitudinal Tax Ranks by Personal Income for Idaho Since 2004

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

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

Idaho Tax Ranks Since 2004 Per Capita Basis for Rank						
Fiscal Year	Property	Sales	Individual Income	Corporate Income	Motor Vehicle	Overall
2004	37	31	31	30	13	43
2005	38	29	30	33	13	43
2006	38	38	27	30	11	46
2007	42	29	23	35	13	46
2008	42	29	26	33	13	46
2009	41	34	32	33	19	48
2010	41	37	32	40	18	51
2011	41	38	33	29	15	49
2012	41	38	33	29	18	49
2013	42	35	35	32	17	49
2014	41	36	34	29	19	48
2015	40	37	33	29	18	48
2016	42	34	33	29	7	46
2017	39	35	31	26	8	44
2018	41	33	32	26	9	45
2019	40	34	34	29	10	48
2020	40	33	31	29	10	45
2021	42	30	31	31	11	43
2022	45	27	33	11	12	43
2023	43	29	35	13	13	46
# of States w Tax	51	47	44	47	51	51

Table 5: Longitudinal Tax Ranks by per capita for Idaho Since 2004

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

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

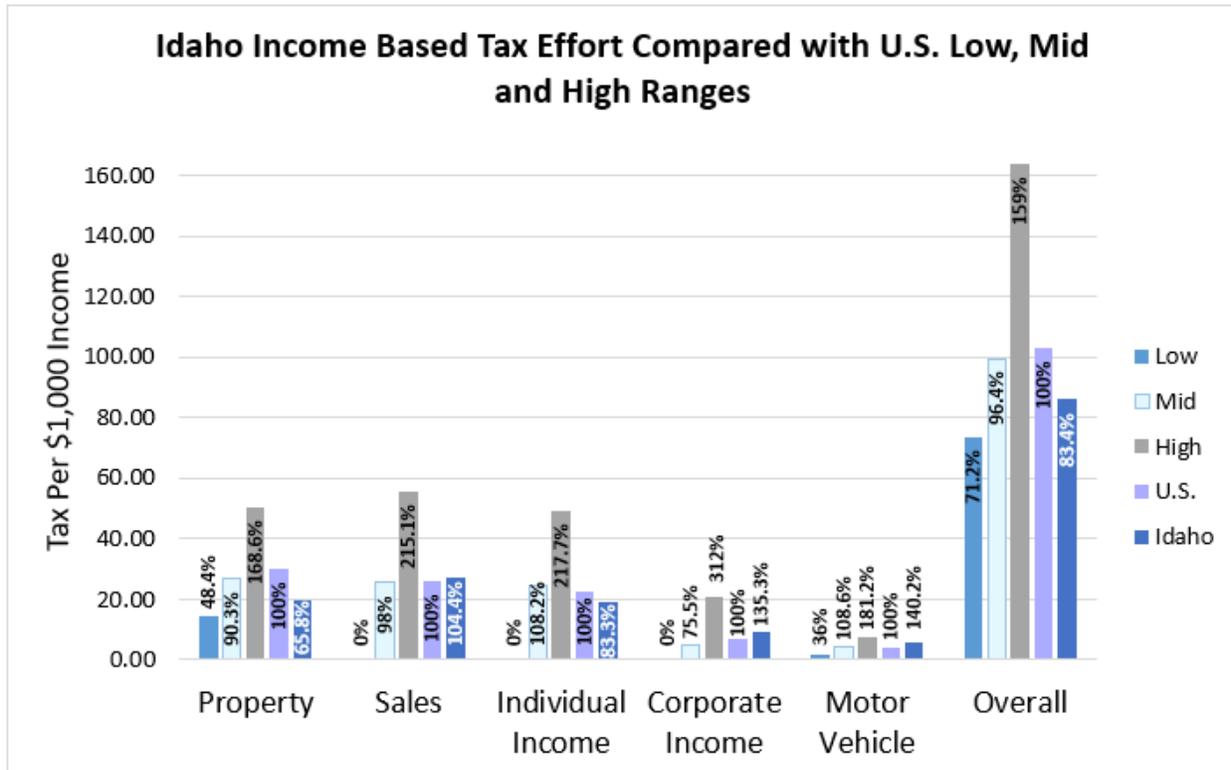


Figure 3: Idaho Tax per \$1,000 Income and Tax Effort Comparison

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

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

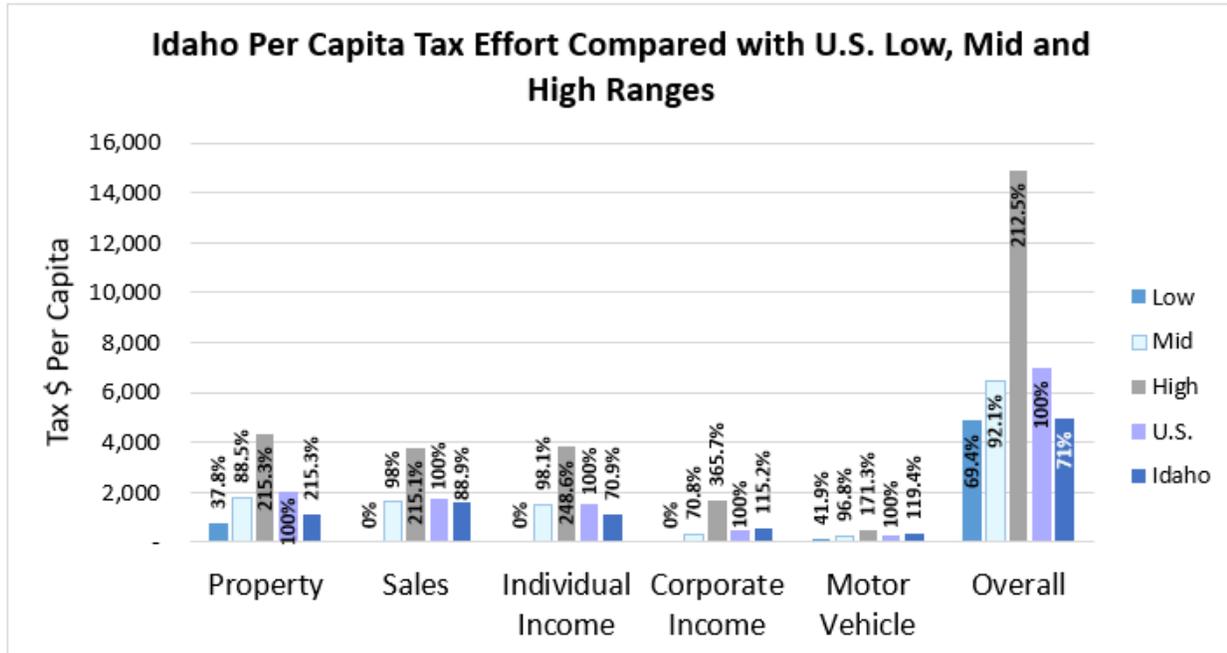


Figure 4: Idaho Tax per Capita and Tax Effort Comparison

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

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

National Analysis with Idaho Comparison		Low	Median	High	U.S.	Idaho
Individual Income	Personal income	\$ -	\$ 24.39	\$ 49.07	\$ 22.54	\$ 18.77
	Tax Effort	0%	108.2%	217.7%	100%	83.3%
	State	Alaska a.	Kansas	New York	U.S.	Idaho
	Per Capita	\$ -	\$ 1,503.3	\$ 3,809.2	\$ 1,532.4	\$ 1,086.6
	Tax Effort	0%	98.1%	248.6%	100%	70.9%
	State	Alaska a.	Georgia	New York	U.S.	Idaho
Corporate Income	Personal income	\$ -	\$ 5.06	\$ 20.92	\$ 6.70	\$ 9.06
	Tax Effort	0%	75.5%	312.0%	100%	135.3%
	State	Nevada b.	Utah	New York	U.S.	Idaho
	Per Capita	\$ -	\$ 322.4	\$ 1,665.4	\$ 455.4	\$ 524.7
	Tax Effort	0%	70.8%	365.7%	100%	115.2%
	State	Nevada b.	Maine	New York	U.S.	Idaho
Sales	Personal income	\$ -	\$ 25.49	\$ 55.80	\$ 25.95	\$ 27.08
	Tax Effort	0%	98.0%	215.1%	100.0%	104.4%
	State	Delaware c.	North Carolina	Hawaii	U.S.	Idaho
	Per Capita	\$ -	\$ 1,608.0	\$ 3,801.1	\$ 1,764.1	\$ 1,567.9
	Tax Effort	0%	91.2%	215.5%	100%	88.9%
	State	Delaware c.	Hawaii	Washington	U.S.	Idaho
Property	Personal income	\$ 14.43	\$ 26.90	\$ 50.23	\$ 29.79	\$ 19.59
	Tax Effort	48.4%	90.3%	168.6%	100%	65.8%
	State	Alabama	Hawaii	Vermont	U.S.	Idaho
	Per Capita	\$ 765.7	\$ 1,793.1	\$ 4,360.7	\$ 2,025.2	\$ 1,134.5
	Tax Effort	37.8%	88.5%	215.3%	100%	56.0%
	State	Alabama	Minnesota	Dist. of Col	U.S.	Idaho
Motor Vehicle	Personal income	\$ 1.46	\$ 4.42	\$ 7.37	\$ 4.07	\$ 5.70
	Tax Effort	36.0%	108.6%	181.2%	100%	140.2%
	State	New Jersey	South Carolina	Iowa	U.S.	Idaho
	Per Capita	\$ 115.9	\$ 267.9	\$ 473.8	\$ 276.6	\$ 330.1
	Tax Effort	41.9%	96.8%	171.3%	100%	119.4%
	State	New Jersey	Alabama	Hawaii	U.S.	Idaho
Overall	Personal income	\$ 73.42	\$ 99.41	\$ 163.94	\$ 103.08	\$ 85.97
	Tax Effort	71.2%	96.4%	159.0%	100%	83.4%
	State	South Dakota	Utah	New Mexico	U.S.	Idaho
	Per Capita	\$ 4,866.7	\$ 6,455.2	\$ 14,893.5	\$ 7,009.0	\$ 4,978.0
	Tax Effort	69.4%	92.1%	212.5%	100%	71.0%
	State	Mississippi	Iowa	Dist. of Col	U.S.	Idaho

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

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

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

Table 6: National Analysis with Idaho Comparison

National Analysis

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

In Idaho the individual income tax per \$1,000 was \$18.77, which was \$5.62 lower than the median claimed by Kansas and \$3.77 below the U.S. average. Idaho's tax effort was 83.3%, which was 24.9% below the median and 16.7% below the U.S. average. The individual income per capita was \$1,086.60, which was \$416.70 lower than the median claimed by Georgia and \$445.80 below the U.S. average. Idaho's tax effort was 70.9%, which was -27.2% below the median and -29.1% below the U.S. average.

The corporate income tax per \$1,000 was \$9.06, which was \$4 higher than the median claimed by Utah and \$2.36 higher than the U.S. average. Idaho's tax effort was 135.3%, which was 59.8% above the median and 35.3% above the U.S. average. The corporate income tax per capita was \$524.70, which was \$202.30 above the median claimed by Maine and \$69.3 above the U.S. average. Idaho's tax effort was 115.2%, which was 44.4% above the median and 15.2% above the U.S. average.

The sales tax per \$1,000 was \$27.08, which was \$1.59 above the median claimed by North Carolina and \$1.13 above the U.S. average. Idaho's tax effort was 104.4%, which was 6.4% above the median and 4.4% above the U.S. average. The sales tax per capita was \$1,567.9, which was \$40.1 lower than the median claimed by Hawaii and \$196.20 below the U.S. average. Idaho's tax effort was 88.9%, which was 2.3% below the median and 11.1% below the U.S. average.

The property tax per \$1,000 was \$19.59, which was \$7.31 lower than the median claimed by Hawaii and \$10.20 below the U.S. average. Idaho's tax effort was 65.8%, which was 24.50% below the median and 34.2% below the U.S. average. The property tax per capita was \$1,134.50, which was \$658.60 lower than the median claimed by Minnesota and \$890.70 below the U.S. average. Idaho's tax effort was 56%, which was -32.5% below the median and 44% below the U.S. average.

The motor vehicle tax per \$1,000 was \$5.70, which was \$1.28 above the median claimed by South Carolina and \$1.63 above the U.S. average. Idaho's tax effort was 140.2%, which was 31.6% above the median and 40.2% above the U.S. average. The motor vehicle per capita was \$330.10, which was \$62.20 above the median claimed by Alabama and \$53.50 above the U.S. average. Idaho's tax effort was 119.4%, which was 22.6% above the median and 19.4% above the U.S. average.

The overall tax per \$1,000 was \$85.97, which was \$13.44 lower than the median claimed by Utah and \$17.11 below the U.S. average. Idaho's tax effort was 83.4%, which was 13% below the median and 16.6% below the U.S. average. In Idaho the overall tax per capita was \$4,978, which was \$1,477.20 lower than the median claimed by Iowa and \$2,031 below the U.S. average. Idaho's tax effort was 71%, which was 21.1% below the median and 29% below the U.S. average.

Western Regional Analysis

Results illustrated in *Table 7* found on the next page include 13 states which make up the western region of the U.S. The western regional analysis provides an additional lens for forming conclusions about Idaho's relative tax structure. The purpose of this analysis is to see how Idaho's regional results compare with its national results. In the national analysis for 2023, Idaho's tax structure is observed as being quite favorable for taxpayers.

For individual income, of the 13 western regional states, Idaho ranked 7th for personal income and 8th for the variable per capita. Three other states ranked lower than Idaho for personal income and 2 states ranked lower for the variable per capita. Three states had no individual income tax. For both variables in individual income, Oregon ranked the highest. For the variable personal income six other states had higher tax effort than Idaho and for the variable per capita seven other states had higher tax effort.

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

For sales tax, of the 13 western regional states, Idaho ranked 8th in its tax effort for personal income and 10th in per capita. Four other states ranked lower than Idaho for personal income and two states ranked lower for per capita. Montana has no sales tax. For the variable personal income, Hawaii ranked the highest, and for the variable per capita, Washington ranked the highest. In both variables Idaho is at, and below, the median rank of seven.

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

For motor vehicle tax, of the 13 western regional states, Idaho ranked 4th in its tax effort personal income and 7th for per capita. Nine other states ranked lower than Idaho for personal income and six states ranked lower for per capita. Idaho is below the median for the variable personal income and is at the median for the variable per capita.

For the overall category of the 13 western regional states, Idaho ranked 12th in its tax effort for both personal income and per capita. Of the western states only, Arizona has a more favorable tax structure for taxpayers.

Western Regional Analysis		Alaska	Arizona	California	Colorado	Hawaii	Idaho	Montana	Nevada	New Mexico	Oregon	Utah	Washington	Wyoming
Individual Income	Personal Income	\$ -	\$ 10.51	\$ 31.07	\$ 14.65	\$ 32.84	\$ 18.77	\$ 31.60	\$ -	\$ 22.88	\$ 49.07	\$ 30.30	\$ 1.38	\$ -
	Western Rank	11	9	4	8	2	7	3	11	6	1	5	10	11
	Tax Effort	0%	46.6%	137.9%	65.0%	145.7%	83.3%	140.2%	0%	101.5%	217.7%	134.4%	6%	0%
	Per Capita	\$ -	639.56	2,458.74	1,149.03	2,150.69	1,086.62	2,021.43	0	1,247.57	3,212.37	1,887.00	107.7765701	0
	Western Rank	11	9	2	7	3	8	4	11	6	1	5	10	11
Corporate Income	Personal Income	\$ 8.55	\$ 3.42	\$ 9.65	\$ 5.06	\$ 3.68	\$ 9.06	\$ 4.26	\$ -	\$ 3.84	\$ 6.96	\$ 4.04	\$ -	\$ -
	Western Rank	3	10	1	5	9	2	6	11	8	4	7	11	11
	Tax Effort	127.6%	51.0%	144.1%	75.5%	55.0%	135.3%	63.5%	0%	57.4%	103.9%	60.3%	0%	0%
	Per Capita	\$ 603.17	\$ 207.93	\$ 763.72	\$ 396.87	\$ 241.30	\$ 524.73	\$ 272.21	\$ -	\$ 209.48	\$ 455.37	\$ 251.73	\$ -	\$ -
	Western Rank	2	10	1	5	8	3	6	11	9	4	7	11	11
Sales	Personal Income	\$ 6.81	\$ 38.50	\$ 24.27	\$ 25.57	\$ 55.80	\$ 27.08	\$ -	\$ 44.52	\$ 53.26	\$ 4.81	\$ 29.72	\$ 48.56	\$ 29.16
	Western Rank	11	5	10	9	1	8	13	4	2	12	6	3	7
	Tax Effort	26.2%	148.4%	93.5%	98.5%	215.1%	104.4%	0%	171.6%	205.3%	19%	114.5%	187%	112.4%
	Per Capita	\$ 480.23	\$ 2,343.61	\$ 1,920.09	\$ 2,005.33	\$ 3,653.87	\$ 1,567.87	\$ -	\$ 2,864.31	\$ 2,903.71	\$ 314.68	\$ 1,850.84	\$ 3,801.11	\$ 2,351.34
	Western Rank	11	6	8	7	2	10	13	4	3	12	9	1	5
Property	Personal Income	\$ 34.07	\$ 20.14	\$ 29.70	\$ 28.29	\$ 26.90	\$ 19.59	\$ 31.45	\$ 21.72	\$ 22.57	\$ 30.53	\$ 22.91	\$ 25.61	\$ 35.27
	Western Rank	2	12	5	6	7	13	3	11	10	4	9	8	1
	Tax Effort	114%	67.6%	99.7%	95.0%	90.3%	65.8%	106%	72.9%	75.8%	102.5%	76.9%	86.0%	118.4%
	Per Capita	\$ 2,404.00	\$ 1,226.05	\$ 2,350.05	\$ 2,219.28	\$ 1,761.36	\$ 1,134.48	\$ 2,011.28	\$ 1,397.29	\$ 1,230.73	\$ 1,998.43	\$ 1,427.04	\$ 2,004.93	\$ 2,843.76
	Western Rank	2	12	3	4	8	13	5	10	11	7	9	6	1
Motor Vehicle	Personal Income	\$ 2.27	\$ 2.67	\$ 5.43	\$ 2.52	\$ 7.24	\$ 5.70	\$ 6.91	\$ 4.52	\$ 4.93	\$ 6.07	\$ 4.13	\$ 4.36	\$ 5.23
	Western Rank	13	11	5	12	1	4	2	8	7	3	10	9	6
	Tax Effort	55.7%	65.7%	133.4%	62.1%	177.9%	140.2%	169.8%	111.2%	121.1%	149.2%	101.6%	107%	128.7%
	Per Capita	\$ 147.06	\$ 151.37	\$ 417.15	\$ 202.24	\$ 453.93	\$ 334.28	\$ 444.92	\$ 287.81	\$ 241.65	\$ 368.12	\$ 247.76	\$ 330.67	\$ 423.58
	Western Rank	13	12	3	11	1	7	2	8	9	5	10	6	4
Overall	Personal Income	\$ 106.28	\$ 81.70	\$ 112.93	\$ 86.06	\$ 148.97	\$ 85.97	\$ 91.41	\$ 98.35	\$ 163.94	\$ 116.08	\$ 99.41	\$ 98.53	\$ 99.40
	Western Rank	5	13	4	11	2	12	10	9	1	3	6	8	7
	Tax Effort	103.1%	79.3%	109.6%	83.5%	144.5%	83.4%	88.7%	95.4%	159.0%	113%	96%	95.6%	96.4%
	Per Capita	\$ 7,498.94	\$ 4,973.64	\$ 8,935.90	\$ 6,750.70	\$ 9,754.57	\$ 4,978.00	\$ 5,846.38	\$ 6,327.02	\$ 8,937.88	\$ 7,598.29	\$ 6,191.64	\$ 7,713.40	\$ 8,015.56
	Western Rank	7	13	3	8	1	12	11	9	2	6	10	5	4
Tax Effort	107.0%	71.0%	127.5%	96%	139.2%	71.0%	83.4%	90.3%	127.5%	108.4%	88.3%	110.0%	114.4%	

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

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

Table 7: Western Regional Analysis

Discussion

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

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

Varying factors may influence the desirability to live in any state. For instance, America's wealthiest individuals tend to choose states with no state income tax as their primary state of domicile. When the tax structure for a state is moderate, then it becomes advantageous to competitively adjust policies to balance the needs of the state and the individual. Competitive balancing is especially attractive for those who live within a state and grow accustomed to their relative tax burdens and the state programs they benefit from. The study reveals that in Idaho tax effort are very low for property tax and for individual income tax. Sales tax hovers near 100% tax effort for both variables per capita and personal income. Motor vehicle and corporate income taxes are overutilized.

More research should be invested in Idaho to identify whether taxpayers are satisfied with the allocation of their tax dollars. Since 1997, overall tax effort in Idaho for 2023 was at an all-time low. The concern is that even when tax effort is this low, if taxpayers disagree with how the tax dollars are effectively managed then the tax structure may still be determined as inefficient. The hypothesis is that when the tax effort is appropriately adjusted, and the quality of the policies reflect or surpass the dollars invested, then taxpayer sentiments will be highest. Without proper surveying of the state, it becomes incredibly difficult to ensure this level of efficiency in policy development.

Idaho taxpayers are now facing their lowest relative tax burdens since 2010. In 2023 Idaho ranked 46 overall in its tax effort, just 5 states ranked more advantageous for taxpayers. In 2023 Idaho ranked 45th in property tax, 20th in sales, 35th in income tax, 9th in corporate income tax 6th in motor vehicle tax and 46th overall with personal income as the basis for ranking. Idaho collects its greatest share of revenue from sales tax, property tax, and individual income tax. Revenue collected in Idaho is distributed differently depending on the tax type.

In Idaho, property tax revenue is just utilized at the local level and does not contribute to state revenue. Idaho counties collect property tax and then distribute locally. Decreases in property tax revenue in Idaho would impact local government entities which can include, but are not limited to, cities, counties, school districts, and public services such as police, fire protection, and parks. Just 6 states are more advantageous for property-tax payers than Idaho. Historically, Idaho has been decreasing property tax liabilities at the request of taxpayers, but to offset the revenue loss has had to allocate more revenue generated by sales tax.

All the state's revenue goes to holding funds as statutorily required and is then allocated. You can find the distributions of revenue on Idaho State Tax Commission's comparative statements, which are published on our website under Reports and Statistics. Twenty percent of income taxes are allocated towards the refund fund, and 11.5% of sales tax revenue is allocated to counties and cities. with the actual amounts having increased recently to offset decreases in property tax revenue. Overall, Idaho ranks 46th in its tax effort and is a product of continuous effort to decrease tax liabilities for Idaho taxpayers.

For fiscal year 2025, the growth of the general fund was overestimated, which later resulted in state agencies needing to cut 3% of their budgets for fiscal year 2026. Decreases in property tax have been offset with sales tax, but that also meant less dollars which could be utilized for the state's budgeting. For fiscal year 2026 there have been decreases in estimated payments made by corporate filers in Idaho. Currently, the Idaho State Tax Commission is forecasting a 10% decrease in corporate revenue to the general fund for fiscal year 2026. Efforts to decrease tax liabilities have been successful while overall revenue generated to the general fund in Idaho continues to grow.

At the end of fiscal year 2025, the overall growth of the general fund was 2.9%, as found on the Department of Fiscal Management Idaho General Fund Revenue Report (Piepmeyer and Phipps 2025). The actual general fund revenue was just 2.2% higher than the Idaho State Tax Commission's forecast for the general fund of \$5.547 billion. Revenue growth in Idaho has been driven by inflation and population increases from interstate migration. For fiscal year 2026 the Idaho state Tax Commission is forecasting 3.1% growth of the general fund which is 2.2% higher than our previous year's estimate. Currently Idaho State Tax Commission is forecasting stagflation leaning towards some economic growth. Stagflation is when there is a prolonged period in which revenue growth is relatively flat. This forecasted stagflation for the immediate future is explained by the state's growth in population and accounting for inflation counteracted by state tax cuts.

Conclusion

This study on tax burden is intended for every Idaho taxpayer. The 2023 edition of the *Idaho Potential Tax Comparative* helps to address how state and local tax burdens compare between Idaho and the U.S. This literature can be a helpful educational piece for any Idaho taxpayer. This study can be used as a springboard for additional studies, and the tables included in the interactive dashboard can be a helpful tool.

Fifty U.S. states and the district of Columbia were included in the analysis. Idaho, overall, ranked 46th for the variable personal income, and per capita. For the secondary variable personal income, Idaho's overall tax effort was 16.6% below the national average tax rate and 29% below the national average for the secondary variable per capita. In 2 out of 5 tax types, Idaho underutilizes its tax effort. Idaho overutilizes its tax effort for the categories motor vehicle and corporate income taxes. When the secondary variable personal income (per capita) is applied for analysis then the sales tax type is 4.4% overutilized; when the secondary variable per capita is used, its 11.1% underutilized. Tax effort in most categories is favorable for Idaho taxpayers. The overall tax effort for both variables, per capita and personal income (per capita) are quite favorably below 100% for Idahoans.

The tax type which has the greatest potential for increasing revenue while remaining under the national average for tax effort is property. The revenue per capita for property tax is \$1,134.50. and is the second highest source of tax revenue. Sales tax is the highest source of tax revenue, and individual income is the third. For the variable personal income, the property tax effort is 65.8% and just 56% for per capita.³ The tax type motor vehicle is the most overutilized tax type and has the greatest need for adjustment. Motor vehicle is the combination of the categories motor fuel and motor vehicle license. The category should be split up and investigated separately to see if either one or both are overutilized. When the secondary variable personal income is used for analysis then the tax type motor vehicle is 40.2% overutilized, and when the secondary variable per capita is used, it is 19.4% overutilized.

There are two significant limitations to the effective delivery of this study. The first is that this study lacks the more granular tax burden findings which come from a tax incidence study. The second is that there is a void which needs to be filled so that taxpayers understand where their tax dollars go and then can be surveyed to report if they are satisfied with the allocation of their tax dollars. Both are potential studies which could increase taxpayer knowledge about taxation and improve state government's relationship with its taxpayers.

³ Property tax generates local revenue in the state and is collected by counties. This implication does impact the feasibility for leveraging this revenue, and additionally would not help to generate more revenue for state funded programs.

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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