

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

General Fund Revenue Book

**FY 2010 Executive Budget
January 2009**

- Economic Forecast
- Revenue Projections
- Tax Structure

Prepared by the Division of Financial Management

Costs associated with this publication are available from
the Division of Financial Management
in accordance with Section 60-202, *Idaho Code*.
01-09/58505/010200-180-4001

This page left blank intentionally.

TABLE OF CONTENTS

Introduction	1
Section 1 - Economic Forecast	3
Executive Summary	5
National Forecast Description	9
Idaho Forecast Description	16
Alternative Forecasts.....	22
Section 2 - Revenue Projections.....	25
Description of Individual Revenue Sources.....	25
General Fund Revenue Summary.....	26
Individual Income Tax	29
Corporate Income Tax	32
Sales Tax.....	35
Cigarette Tax	38
Tobacco Tax	40
Beer Tax	42
Wine Tax	44
Kilowatt-Hour Tax	46
Mine License Tax.....	48
Estate and Transfer Tax	50
Liquor Surcharge.....	52
Interest Earnings.....	54
Court Fees and Fines.....	54
Insurance Premium Tax	55
Alcoholic Beverage Licenses	56
Unclaimed Property	56
UCC Filings.....	57
Other Departments and Transfers.....	57
Miscellaneous Revenues.....	58
Section 3 - Tax Structure	59
Introduction	61
Individual and Corporate Income Tax.....	63
Sales and Use Tax	65
Fiscal Summary Table	68
Tax Structure Detail	71
Individual and Corporate Income Tax.....	71
Sales and Use Tax	82
Cross Reference Table	98
In <i>General Fund Revenue Book Order</i>	98
In <i>Idaho Code Order</i>	101

This page left blank intentionally.

INTRODUCTION

The basis for most of the revenue projections made in this book is the *Idaho Economic Forecast* published by the Division of Financial Management (DFM), which in turn is based on the Idaho Economic Model (IEM)¹. 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 is contingent upon that 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 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; while domestic activities like construction, trade, local services, and public utilities are characterized by a dependence on influences from within the State. 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.

¹ The IEM is in turn based on the Global Insight Quarterly Model of the U.S. Economy. Descriptions of both are available in the current *Idaho Economic Forecast*, Division of Financial Management.