

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

General Fund Revenue Book

**FY 2008 Executive Budget
January 2007**

- Economic Forecast
- Revenue Projections
- Tax Structure

Prepared by the 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 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.

Idaho Economic Forecast

The following tables and text are taken from the

January 2007 *Idaho Economic Forecast*,

a publication produced by the

Division of Financial Management.

EXECUTIVE SUMMARY

Idaho's economy should end this decade on a higher note than when it started it. Battered by the high-tech industry's implosion near the turn of the millennium, Idaho nonfarm employment grew an average of 1.8% per year from 1999 through 2004, which was well below the average for the previous five years. While Idaho real personal income did not retreat during this decade's first five years, it did slow considerably. The one noticeable exception came in 2004 when, aided by a strong farm sector, real Idaho personal income jumped 7.0%. Driven by its construction and services sectors, Idaho's economy picked up speed in 2005. The construction sector received the most attention due to its stellar performance. With construction experiencing such strong growth, the services category's fine performance was often overlooked. Services employment advanced "just" 4.4% in 2006. However, given this sector's huge base, services employment increased by 11,723 jobs, which is more than two times greater than the construction sector gain. It is also worth noting both the state's logging and wood products and mining sectors expanded in 2005. Idaho real personal income grew 3.6% in 2005. Early indicators suggest the economy grew faster in 2006 than in 2005. Idaho nonfarm employment is estimated to have increased 4.3%, which is slightly faster than the previous year's 4.0% rate. The strong employment gains pushed total wage and salary payments up 10.2% in 2006, which helped Idaho real personal income swell 5.8%. Looking ahead, Idaho nonfarm employment is forecast to advance 2.5% annually, which is much faster than it grew earlier this decade. Idaho real personal income should also end the decade stronger than when it started it. It is projected to increase 4.8% per year, which is higher than the 3.4% annual rate from 1999 through 2004.

If the U.S. economy were graded on its recent performance, its report card would state that while it may not be failing, it could be doing better. The economy shifted into lower gear in the second half of last year, with real GDP advancing at a meager 2.6% annual rate in the second quarter followed by 2.0% in the third quarter and an estimated 1.2% rate in the last quarter. Real output should begin to accelerate this year, but at less than 3.0% growth it will remain well below its potential. The cooling housing market is partially to blame for this sub-par performance. The impacts of the housing decline will be partially deflected by other economic factors. Nonresidential construction will soften the blow from falling housing starts this year, but it will only provide temporary relief. Eventually, it will weaken under the weight of the ebbing housing sector. Falling oil prices should also help. The roughly 80-cent per gallon decline in gasoline prices since the summer of 2006 has operated like a tax cut for households worth \$96 billion, or 1.0% of disposable income. Another positive factor is trade. Improving economic growth abroad and the declining dollar point to strong exports. Inflation has probably topped out, but it is still too high for the Federal Reserve's comfort. Even so, the Federal Reserve is expected to lower interest rates three times in 2007, so its federal funds rate is 4.5% by the end of this year. After this year, the economy is expected to move up to its potential. Real GDP should advance by at least 3.0% in each year after 2007. Nonfarm employment growth is expected to march to a 1.4% average annual cadence. At this pace, the civilian unemployment rate will eventually fall to 4.4% by 2010, which is comfortably full employment.

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2007**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP (BILLIONS)												
Current \$	9,268	9,817	10,128	10,470	10,961	11,712	12,456	13,237	13,789	14,497	15,285	16,103
% Ch	6.0%	5.9%	3.2%	3.4%	4.7%	6.9%	6.3%	6.3%	4.2%	5.1%	5.4%	5.4%
2000 Chain-Weighted	9,470	9,817	9,891	10,049	10,301	10,704	11,049	11,410	11,659	12,028	12,441	12,854
% Ch	4.4%	3.7%	0.8%	1.6%	2.5%	3.9%	3.2%	3.3%	2.2%	3.2%	3.4%	3.3%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	29,068	31,290	33,054	33,849	34,687	38,090	40,584	44,147	47,361	50,216	53,509	57,370
% Ch	6.5%	7.6%	5.6%	2.4%	2.5%	9.8%	6.5%	8.8%	7.3%	6.0%	6.6%	7.2%
Idaho Nonfarm (Millions)	28,054	30,448	32,039	32,921	33,969	36,942	39,589	43,121	46,303	49,140	52,419	56,267
% Ch	6.5%	8.5%	5.2%	2.8%	3.2%	8.8%	7.2%	8.9%	7.4%	6.1%	6.7%	7.3%
U.S. (Billions)	7,802	8,430	8,724	8,882	9,164	9,731	10,239	10,898	11,432	12,040	12,775	13,550
% Ch	5.1%	8.0%	3.5%	1.8%	3.2%	6.2%	5.2%	6.4%	4.9%	5.3%	6.1%	6.1%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	29,788	31,289	32,376	32,690	32,847	35,143	36,397	38,522	40,599	42,215	44,135	46,444
% Ch	4.8%	5.0%	3.5%	1.0%	0.5%	7.0%	3.6%	5.8%	5.4%	4.0%	4.5%	5.2%
Idaho Nonfarm (Millions)	28,748	30,447	31,382	31,795	32,167	34,083	35,504	37,627	39,692	41,311	43,235	45,551
% Ch	4.7%	5.9%	3.1%	1.3%	1.2%	6.0%	4.2%	6.0%	5.5%	4.1%	4.7%	5.4%
U.S. (Billions)	7,996	8,429	8,545	8,578	8,678	8,979	9,183	9,510	9,800	10,122	10,537	10,969
% Ch	3.4%	5.4%	1.4%	0.4%	1.2%	3.5%	2.3%	3.6%	3.1%	3.3%	4.1%	4.1%
HOUSING STARTS												
Idaho	10,334	11,468	12,184	13,200	16,305	18,486	23,163	20,813	20,071	19,764	19,567	20,195
% Ch	2.3%	11.0%	6.2%	8.3%	23.5%	13.4%	25.3%	-10.1%	-3.6%	-1.5%	-1.0%	3.2%
U.S. (Millions)	1,647	1,573	1,601	1,710	1,854	1,950	2,073	1,801	1,497	1,599	1,703	1,750
% Ch	1.6%	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-13.1%	-16.9%	6.8%	6.5%	2.8%
TOTAL NONFARM EMPLOYMENT												
Idaho	538,098	558,578	568,031	568,041	572,532	588,039	611,687	638,046	654,575	668,922	683,842	704,322
% Ch	3.4%	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.3%	2.6%	2.2%	2.2%	3.0%
U.S. (Thousands)	128,992	131,792	131,832	130,342	129,993	131,424	133,459	135,340	136,614	138,359	140,471	142,481
% Ch	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.5%	1.4%	0.9%	1.3%	1.5%	1.4%
SELECTED INTEREST RATES												
Federal Funds	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	4.9%	4.5%	4.7%	4.8%
Bank Prime	8.0%	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	7.9%	7.5%	7.7%	7.8%
Existing Home Mortgage	7.3%	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.4%	6.5%	7.0%	7.1%
INFLATION												
GDP Price Deflator	1.4%	2.2%	2.4%	1.7%	2.1%	2.8%	3.0%	2.9%	1.9%	1.9%	1.9%	2.0%
Personal Cons Deflator	1.7%	2.5%	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	1.8%	2.0%	1.9%	1.9%
Consumer Price Index	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	1.7%	2.0%	1.8%	1.8%

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2006**

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2007**

	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	13,008	13,197	13,327	13,416	13,572	13,705	13,866	14,012	14,214	14,400	14,595	14,779
% Ch	9.0%	5.9%	4.0%	2.7%	4.7%	4.0%	4.8%	4.3%	5.9%	5.3%	5.5%	5.2%
2000 Chain-Weighted	11,316	11,388	11,451	11,486	11,548	11,616	11,699	11,772	11,881	11,978	12,079	12,176
% Ch	5.6%	2.6%	2.2%	1.2%	2.2%	2.3%	2.9%	2.5%	3.7%	3.3%	3.4%	3.2%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	42,861	43,587	44,507	45,633	46,366	47,007	47,696	48,376	49,061	49,840	50,579	51,383
% Ch	12.6%	6.9%	8.7%	10.5%	6.6%	5.6%	6.0%	5.8%	5.8%	6.5%	6.1%	6.5%
Idaho Nonfarm (Millions)	41,893	42,671	43,451	44,470	45,282	45,965	46,637	47,330	47,997	48,766	49,496	50,301
% Ch	12.6%	7.6%	7.5%	9.7%	7.5%	6.2%	6.0%	6.1%	5.8%	6.6%	6.1%	6.7%
U.S. (Billions)	10,721	10,807	10,954	11,107	11,251	11,365	11,489	11,623	11,781	11,954	12,124	12,302
% Ch	9.4%	3.2%	5.5%	5.7%	5.3%	4.1%	4.4%	4.7%	5.6%	6.0%	5.8%	6.0%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	37,781	38,043	38,615	39,650	40,047	40,401	40,782	41,165	41,539	42,008	42,420	42,894
% Ch	10.3%	2.8%	6.1%	11.2%	4.1%	3.6%	3.8%	3.8%	3.7%	4.6%	4.0%	4.5%
Idaho Nonfarm (Millions)	36,928	37,244	37,699	38,639	39,110	39,505	39,876	40,276	40,639	41,103	41,511	41,990
% Ch	10.4%	3.5%	5.0%	10.4%	5.0%	4.1%	3.8%	4.1%	3.7%	4.7%	4.0%	4.7%
U.S. (Billions)	9,451	9,433	9,504	9,651	9,717	9,768	9,823	9,890	9,975	10,075	10,168	10,269
% Ch	7.2%	-0.8%	3.1%	6.3%	2.8%	2.1%	2.3%	2.8%	3.5%	4.1%	3.7%	4.0%
HOUSING STARTS												
Idaho	23,062	21,427	18,567	20,197	20,223	20,043	20,022	19,995	19,963	19,846	19,701	19,547
% Ch	16.5%	-25.5%	-43.6%	40.0%	0.5%	-3.5%	-0.4%	-0.5%	-0.6%	-2.3%	-2.9%	-3.1%
U.S. (Millions)	2.123	1.873	1.720	1.488	1.484	1.480	1.500	1.522	1.548	1.585	1.614	1.648
% Ch	12.9%	-39.5%	-28.9%	-43.9%	-1.0%	-1.1%	5.3%	6.2%	6.9%	9.8%	7.6%	8.7%
TOTAL NONFARM EMPLOYMENT												
Idaho	631,588	636,917	639,430	644,249	648,352	652,574	656,799	660,576	663,846	667,310	670,543	673,989
% Ch	7.3%	3.4%	1.6%	3.0%	2.6%	2.6%	2.6%	2.3%	2.0%	2.1%	2.0%	2.1%
U.S. (Thousands)	134,722	135,128	135,577	135,934	136,272	136,418	136,687	137,079	137,593	138,104	138,613	139,126
% Ch	1.7%	1.2%	1.3%	1.1%	1.0%	0.4%	0.8%	1.2%	1.5%	1.5%	1.5%	1.5%
SELECTED INTEREST RATES												
Federal Funds	4.5%	4.9%	5.2%	5.2%	5.3%	5.1%	4.6%	4.5%	4.5%	4.5%	4.5%	4.5%
Bank Prime	7.4%	7.9%	8.3%	8.3%	8.3%	8.1%	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%
Existing Home Mortgage	6.4%	6.6%	6.8%	6.5%	6.4%	6.4%	6.3%	6.3%	6.3%	6.4%	6.6%	6.8%
INFLATION												
GDP Price Deflator	3.3%	3.3%	1.8%	1.4%	2.5%	1.6%	1.8%	1.7%	2.1%	2.0%	2.0%	1.9%
Personal Cons Deflator	2.0%	4.0%	2.4%	-0.6%	2.4%	2.0%	2.1%	1.9%	2.0%	1.8%	2.0%	1.9%
Consumer Price Index	2.2%	5.0%	2.9%	-2.5%	3.0%	2.1%	2.2%	2.0%	2.1%	1.8%	1.9%	1.8%

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2006**

NATIONAL FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2006 through the Fourth Quarter of 2010

If the U.S. economy were graded on its recent performance, its report card would state that while it may not be failing, it could be doing better. The economy shifted into lower gear in the second half of last year, with real GDP advancing at a meager 2.6% annual rate in the second quarter followed by 2.0% in the third quarter and an estimated 1.2% rate in the last quarter. Real output should begin to accelerate this year, but at less than 3.0% growth it will remain well below its potential. The cooling housing market is partially to blame for this sub-par performance. The U.S. Department of Commerce reported real residential fixed investment tumbled 11.1% in the second quarter of 2006 and fell 18.7% in the third quarter. While some housing indicators suggest the industry is stabilizing, it will take a while to steady this ship. In fact, activity will continue to fall as builders attempt to get control of large unsold inventories. As a result, housing starts are expected to decline another 16.9% this year.

The impacts of the housing decline will be partially deflected by other economic factors. For example, while residential construction has suffered, nonresidential construction has thrived because of post-hurricane rebuilding, rising utilization rates, and falling office vacancy rates. Nonresidential construction will soften the blow from falling housing starts this year, but it will only provide temporary relief. Eventually, it will weaken under the weight of the ebbing housing sector. Falling oil prices should also help. The roughly 80-cent per gallon decline in gasoline prices since the summer of 2006 has operated like a tax cut for households worth \$96 billion, or 1.0% of disposable income. So far, households have been hesitant to spend this found money, probably because they fear gasoline prices will shoot up again. However, once they are convinced this will not happen, they will spend more freely.

Higher capacity utilization rates and the need to remain competitive are spurring business fixed investment. Orders for nondefense capital goods excluding aircraft are outstripping shipments, signaling rising order backlogs and solid business spending growth ahead. Another positive factor is trade. Improving economic growth abroad and the declining dollar point to strong exports. The dollar's value has dipped because the U.S. economy has weakened relative to other major economies. The greenback will come under pressure as foreign central banks raise interest rates. Thus, it is anticipated by the end of 2007 the euro will rise above \$1.40 and the yen will reach 105 per dollar.

Inflation has probably topped out, but it is still too high for the Federal Reserve's comfort. While falling gasoline prices helped keep consumer inflation below 2.0% this fall, core inflation (all items less food and energy) remain well above the central bank's 1-2% comfort zone. Cooler growth and slower housing costs increases should help core inflation drop below 2.0%. However, not even this will keep the Federal Reserve from worrying. It remains nervous about labor costs, since labor markets remain tight and productivity growth has slowed. However, the Federal Reserve is expected to lower interest rates three times in 2007, so its federal funds rate is 4.5% by the end of this year.

After this year, the economy is expected to move up to its potential. Real GDP should advance by at least 3.0% in each year after 2007. The housing inventory should be manageable, and housing starts should start to recover slowly. Nonfarm employment growth is expected to march to a 1.4% average annual cadence. At this pace, the civilian unemployment rate will eventually fall to 4.4% by 2010, which is comfortably full employment.

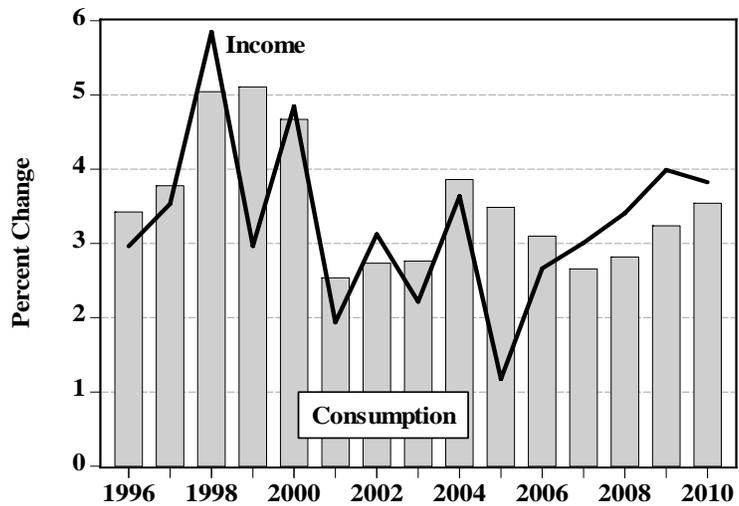
SELECTED NATIONAL ECONOMIC INDICATORS

Consumer Spending: The negative impact of the cooling housing market on consumer spending will be mitigated by steady job growth, rising wages, and lower gasoline prices. Although the U.S. civilian unemployment rate did inch up 0.1 percentage point from October 2006 to 4.5% in November, this rate is near its lowest level in five years and well below the 5.0% threshold considered to be full-employment. Other evidence of the labor market's strength is September's 203,000-increase in nonfarm jobs. These strong employment gains have tightened labor markets, which have fueled moderate wage gains that are outpacing inflation for the first time since 2003. Interestingly, these gains have not been as strong as initial estimates. For example, during last year's third quarter employment unit labor costs expanded 2.3%, which is

significantly lower than the original estimate of 3.8% growth. Falling gasoline prices will feel like a tax break to American consumers and contribute to the first inflation decline in a generation. These three factors are major contributors to the expected turnaround in real disposable income. After expanding a meager 1.2% in 2005, real disposable income is forecast to accelerate during most of the forecast period, growing 2.7% in 2006, 3.0% in 2007, 3.4% in 2008, 4.0% in 2009, and 3.4% in 2010. While consumers' income statements are improving, household balance statements are not likely to maintain the momentum experienced over the past few years. Specifically, thanks in large part to strong home price appreciation, U.S. household real net worth increased 4.7% in 2005. This rate will be the high-water mark for the foreseeable future as housing prices grow more slowly during the next few years. As a result, real net worth is forecast to rise 1.5% in 2006, 0.6% in 2007, 2.9% in 2008, 3.2% in 2009, and 4.5% in 2010. The impact of lower housing price appreciation will affect more than real net worth, however. It will also dampen real consumer spending because it will lead to cutbacks in spending on furniture, appliances, and other durable goods. In addition, consumer spending will be limited by disappearing financing sources. Home equity withdrawals, a funding source for home improvements and consumer spending, are likely to drop off in 2007. In addition, consumers are likely to proceed with caution after watching housing prices stall, or fall in some markets. One beneficiary of consumers' caution is the personal savings rate. After being negative since early 2005, it will eventually turn positive in late 2008. Real consumer spending is forecast to rise 3.1% in 2006, 2.7% in 2007, 2.8% in 2008, 3.2% in 2009, and 3.5% in 2010.

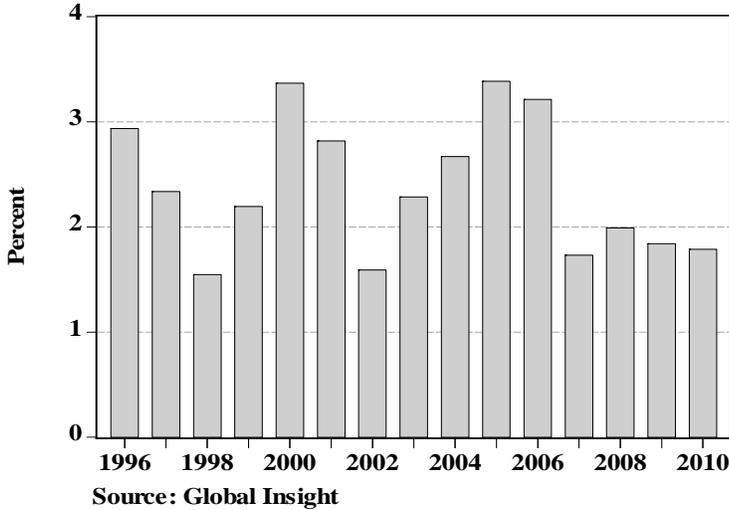
Inflation: Rising labor costs moved to the forefront of inflation watchers radar screens, as oil prices fell from last summer's peak. One noted analyst is Federal Reserve Chairman Ben Bernanke who observed labor costs "have been rising more quickly of late" and "part of this acceleration no doubt is current tightness in labor markets." His attention was well placed given labor costs' major role in driving core inflation (all items less food and energy). His conclusions, however, were based on data that overstated labor costs. For example, the third-quarter rise in unit labor costs was revised down from a 3.8% annual rate to a more moderate 2.3% rate. Furthermore, second-quarter unit labor costs, which were originally reported to have surged 5.3%, actually declined 2.4%. Year-over-year, third-quarter unit labor costs increased just 2.9%, which is significantly lower than the previous estimate of 5.3%. Looking ahead, it

U.S. Real Consumption and Disposable Income Growth



Source: Global Insight

Consumer Price Inflation

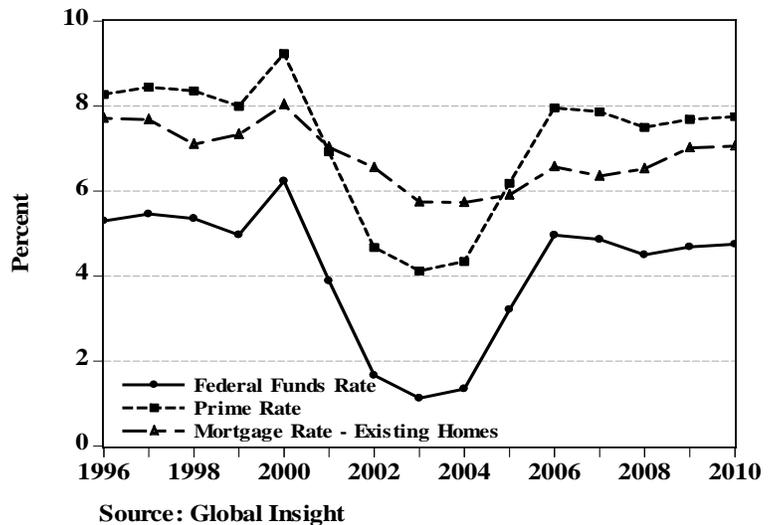


prices are forecast to average \$64.44 per barrel in 2007, \$64.77 per barrel in 2008, \$63.88 per barrel in 2009, and \$63.40 per barrel in 2010. To put these prices in perspective, the price of oil averaged about \$20 per barrel during the 1990s and was about \$26 per barrel at the beginning of the current decade. Nonetheless, as a result of the better-behaved oil prices, the energy component of the consumer price index is expected to fall 2.9% this year, rise a modest 1.9% next year, and remain flat over the remaining forecast years. Overall inflation, as measured by the consumer price index, is anticipated to be 1.7% in 2007, 2.0% in 2008, and 1.8% in both 2009 and 2010.

Financial Markets: These days what the Federal Reserve says is having as big an impact as what it does. Indeed, the nation's central bank appears to be in wait-and-see mode. The Federal Reserve voted on December 12, 2006 to keep its federal funds rate at 5.25% for the fourth consecutive meeting. This action came as no surprise to Federal Reserve watchers because the decision to hold rates steady is consistent with its policy that began last summer. This policy is shaped by concerns of heating inflation and the cooling economy. Interestingly, the most anticipated part of the December meeting was not the federal interest rate target, but the brief statement released after the meeting. It reported the Federal Reserve continued to have concerns about inflation and the economy. It edged down its assessment of economic conditions compared with its October 25, 2006 statement. It now describes the cooling of the housing market as "substantial" and "recent indicators have been mixed." In light of these expressed concerns this forecast assumes the nation's central bank will hold the federal funds rate steady through early May 2007. After that time, it will begin to gradually decrease this bellwether interest rate. Specifically, the federal funds rate will decline in 25-basis point increments on May 9, 2007, followed by cuts on June 28 and August 7. As a result of these cuts, the federal funds rate will settle at 4.5% in the last quarter of 2007 and

appears unit labor costs will grow more slowly than in 2006 over the forecast period. Specifically, unit labor costs are expected to increase 4.1% in 2006, 3.2% in 2007, 2.7% in 2008, 3.0% in 2009, and 3.2% in 2010. This outlook is based on the cooling economy and its attendant labor market pause and recovering labor productivity. Although labor prices have moved into focus, energy prices also remain in view. This should not come as a surprise given the multi-year run up in oil prices that peaked at over \$70 per barrel last summer. The good news is that oil prices should retreat from last year's apex and stabilize over the forecast period. However, oil prices will stabilize near the top end. Crude oil

Selected U.S. Interest Rates



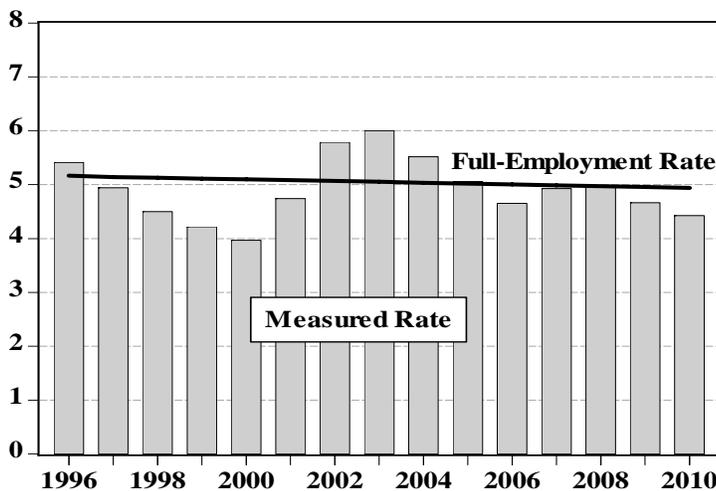
remain at that level through the first quarter of 2009. The federal funds rate is assumed to rise slightly thereafter, averaging just under 5.0%. The future course of the federal funds rate and other closely-watched interest rates are illustrated in the accompanying chart.

Government: The federal budget deficit declined from \$321 billion in federal fiscal year 2005 to \$248 billion in federal fiscal year 2006. The 2006 deficit was lowered in the final month of the year by a surge in revenues and some timing issues that pushed Medicare expenditures into fiscal year 2007. On an annual basis, federal receipts increased 11.8% in fiscal year 2006, while outlays rose 7.8%. After hitting its lowest point this decade, the federal budget deficit is expected to inch upwards through 2008 then fall gradually through 2010. Congress passed two measures with budget implications: the extension of the continuing resolution on discretionary spending and the Tax Relief and Health Care Act of 2006. The continuing resolution will have a dampening effect on fiscal 2007 spending. The tax relief legislation includes extensions of tax credits and deductions that either expired at the end of 2005 or would expire at the end of 2008. The provisions of this bill include the deduction for higher education expenses, the deduction of state and local sales taxes, a corporate research credit, a credit for alternative energy production, a credit for residential energy efficient property, and provisions for energy efficient buildings and new homes. The incoming Congress will have a new set of policy matters to consider. There are two major policy issues that are likely to receive attention before the next administration moves into the White House. Raising the federal minimum wage is a major economic policy initiative that is expected to move quickly through the Democratic Congress and is likely to be assented to by President Bush. Although the 41% increase from \$5.15 per hour to \$7.25 per hour is large, its ripple effect through the economy is likely to be smaller. First, the anticipated hike to \$7.25 per hour will cause the federal minimum wage to catch up with the existing minimum wage rates of about half the states. Second, due to tight labor markets, entry-level wage rates in many local areas are already above the proposed national minimum wage. Third, the Federal Reserve has given its nod for an increase, so it appears it will not unduly react to temporary upward blips in the employment cost index that would follow. Another pressing issue is the alternative minimum tax (AMT). The AMT will start biting middle-class taxpayers much harder, unless increased exemptions are extended beyond the end of 2006. This forecast assumes no permanent action will be taken on the AMT until after the 2008 election. Instead, the exemptions will be extended yearly until a permanent fix is enacted.

Employment: National nonfarm employment growth is expected to moderate in the short-term from its recent pace. It is estimated 1.9 million jobs were added in 2006, or about 157,000 jobs per month. The civilian unemployment rate fell to 4.6% from the previous year's 5.1% rate. What these annual statistics

do not show is the labor market was already showing signs of slowing in late 2006. For example, during the second half of last year the monthly job pace had dropped to about 134,000 jobs per month, versus over 161,000 jobs per month during the first half of 2006. This trend is expected to continue early into this year. As a result, the U.S. civilian unemployment rate is expected to inch up above 5.0% in 2007. While the employment situation is softer in 2007 compared to 2006, it is not as bad as it may appear on the surface. First, the weaker employment situation is temporary. After falling below a one-percent annual pace during the first half of this year, nonfarm employment

U.S. Civilian Unemployment Rate



Source: Global Insight

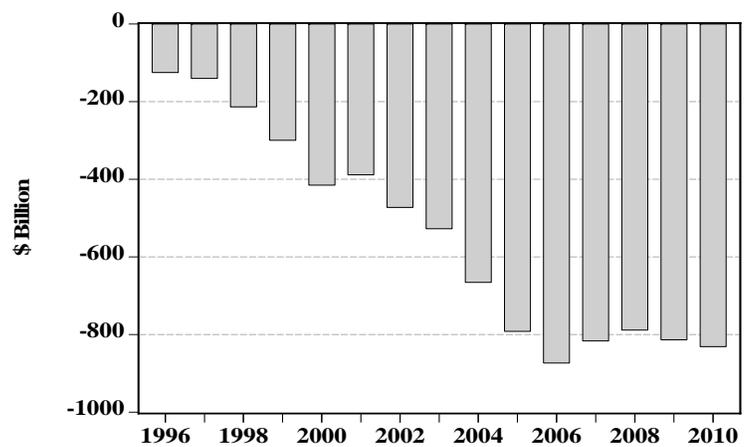
should begin logging healthier gains during the second half of 2007. The fallout from this slower employment growth will hang on through the first half of 2008. However, even at its apex the unemployment rate is barely above the full-employment threshold. National nonfarm employment is forecast to expand 1.4% in 2006, 0.9% in 2007, 1.3% in 2008, 1.5% in 2009, and 1.4% in 2010. The forecasted civilian unemployment rate is 4.6% in 2006, 4.9% in 2007, 5.0% in 2008, 4.7% in 2009, and 4.4% in 2010. The minimum wage rises in three steps to \$7.25 per hour in this forecast. While the minimum wage debate has focused on demand, it could also increase supply. Teenage labor-force participation has slumped to 43.5%, from 52% in 2000. Since about a quarter of minimum wage earners in 2005 were teenagers, any labor-supply impact would show up in this category. It is estimated each percentage point increase in the teenage participation rate changes the unemployment rate 0.1 percentage point. For example, should the teenage participation rate recover half the ground lost since 2000 by rising 4.25 percentage points, the employment rate would increase almost 50 basis points.

International: The improving trade picture will be a major plus to the economy over the forecast period. It is estimated real net exports (exports less imports) will contribute 0.8 percentage point to output growth during the fourth quarter of 2006—its strongest positive contribution in 10 years. On an annual basis, net exports in 2006 will be slightly higher than in 2005. However, these annual statistics mask last year’s improvements. Keep in mind the real trade gap narrowed by close to \$30 billion from the first quarter of 2006 to the last quarter. Gains should continue through 2010, with the fastest improvement in the first couple of years.

This forecast reflects the positive influence of improved competitiveness and the sliding dollar on exports and dampening effect of slower U.S. consumer spending on imports. Until recently, the greenback was being pulled in opposite directions. The huge current-account deficit has been pushing down its value while the combination of stronger domestic growth and higher U.S. interest rates have buoyed the dollar. But this situation has changed because the U.S. economy has begun to slow and interest rates are expected to fall. As a result, all forces are exerting downward pressure on the dollar. Under these conditions the euro is expected to rise from around \$1.33 in late 2006 to \$1.40 by the end of this year. Over this same period the yen will rise from \$0.87 to \$0.95 and the Chinese renminbi will appreciate about 5%.

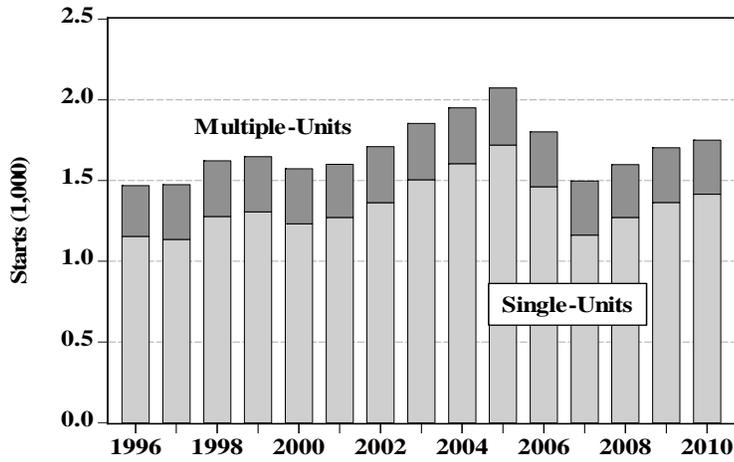
Housing: The housing industry should remain a short-term drag on the U.S. economy. It has been estimated residential construction shaved 1.4 percentage points off GDP growth in the fourth quarter of 2006 and will shave another 0.9 percentage point off output in 2007. Other indicators confirm this sector’s weakness. Housing starts plunged 14.6% in October 2006 and the number of housing permits dropped 6.3% for its ninth straight month. Despite the spate of bad news, there are several factors that suggest housing demand is near its bottom. First, inventories of new and existing homes appear to be stabilizing. Second, sales of existing single-family homes seem stable. Third, applications to purchase homes have risen. These conditions are largely due to both falling mortgage interest rates and home prices. From June 2006 to last fall the 30-year fixed mortgage rate tracked by the Mortgage Bankers Association fell just over 80 basis points. In addition, the National Association of realtors reported the median price of an existing home dropped 3.4% between October 2005 and October 2006. Although there are reasons to believe demand is stabilizing, a housing turnaround is not imminent. The current

U.S. Trade Deficit



Source: Global Insight

U.S. Housing Starts



Source: Global Insight

housing inventory needs to be whittled down before starts and spending recover. With housing prices adjusting sluggishly to weak demand, new and existing home sales should rebound in this year's second half. These sales will help the inventory of new houses to peak later this year then gradually decline. Eventually housing starts will increase again, but at the pace experienced during the first years of this decade. Specifically, U.S. housing starts hit 2.1 million units in 2005—its most recent peak. The forecasted number of starts is 1.8 million in 2006, 1.5 million in 2007, 1.6 million in 2008, 1.7 million in 2009, and 1.8 million in 2010.

IDAHO FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2006 through the Fourth Quarter of 2010

Idaho's economy should end this decade on a higher note than when it started it. Battered by the high-tech industry's implosion near the turn of the millennium, Idaho nonfarm employment grew an average of 1.8% per year from 1999 through 2004, which was well below the average for the previous five years. The state's computer and electronics sector suffered the most serious reversal of fortune from the initial high-tech collapse and its aftershocks. This sector enjoyed robust growth and was a steady cog in the state's long economic expansion. For example, this sector's employment declined in just one year (1999) from 1991 to 2001. However, it has contracted in four of the last five years. While Idaho real personal income did not retreat during this decade's first five years, it did slow considerably. The one noticeable exception came in 2004 when, aided by a strong farm sector, real Idaho personal income jumped 7.0%.

Driven by its construction and services sectors, Idaho's economy picked up speed in 2005. The construction sector received the most attention due to its stellar performance. Idaho housing starts topped a long string of gains by growing 25.3% in 2005. As a result, the state's construction payroll expanded by an amazing 13.3% in that year, which translates to about 5,300 jobs. With construction experiencing such stellar growth, the services category's fine performance was often overlooked. It is true services employment advanced "just" 4.4% in 2006. However, given this sector's huge base, services employment increased by 11,723 jobs, which is more than two times greater than the construction sector gain. It is also worth noting both the state's logging and wood products and mining sectors expanded in 2005. Idaho real personal income grew 3.6% in 2005.

Early indicators suggest the economy grew faster in 2006 than in 2005. Idaho nonfarm employment is estimated to have increased 4.3%, which is slightly faster than the previous year's 4.0% rate. Once again, construction employment, which grew 16.6%, contributed heavily to the economy's success. Services employment advanced 4.2%, which was down slightly from 2005. After a long absence from the plus column, Idaho computer and electronics employment posted a 2.4% gain last year. The strong employment gains pushed total wage and salary payments up 10.2% in 2006. This increase helped Idaho real personal income swell 5.8%, which was its best performance since 2004.

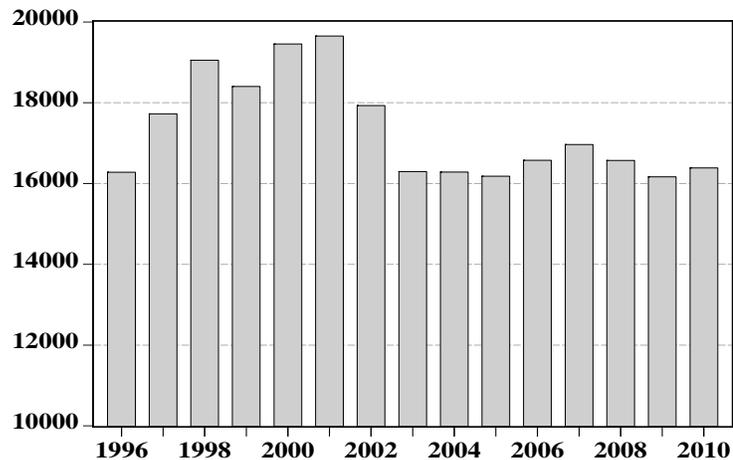
Looking ahead, total nonfarm employment growth is expected to slip below 3.0% in each year of the forecast period. This cooling reflects the anticipated declines in the construction sector. These decreases are more accurately described as a return to sustainable levels rather than a collapse. Specifically, after peaking at 52,634 jobs in 2006, Idaho construction employment will settle down to 50,242 jobs in 2010, which is still 5,000 more construction jobs than in 2005. Service employment growth is also expected to slow, but not retreat over the next few years. Overall, Idaho nonfarm employment is forecast to advance 2.5% annually, which is much faster than it grew earlier this decade. Idaho real personal income should also end the decade stronger than it started it. It is projected to increase 4.8% per year, which is higher than the 3.4% annual rate from 1999 through 2004.

SELECTED IDAHO ECONOMIC INDICATORS

Computer and Electronics: The state's largest manufacturing sector should experience relatively stable employment levels over the forecast period. While future job growth rates are expected to be far below those experienced in the 1990s, they will be an improvement over the declines this industry suffered earlier this decade. Idaho computer and electronics manufacturing was an important source for jobs during the state's protracted economic expansion, averaging 7.0% growth from 1991 to 1999. The momentum from this growth help it minimize calamities from the lows of the business cycle, which helped it peak at nearly 21,000 jobs in 2001.

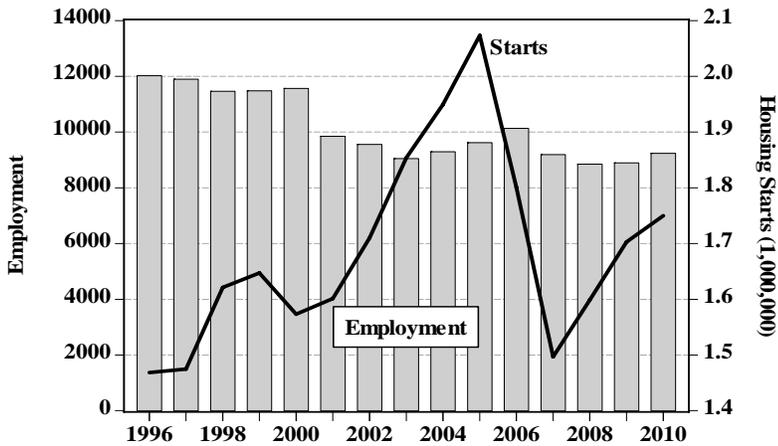
Unfortunately, this sector was not able to dodge the implosion of the high-tech bubble. The victims of the slowdown included some of this sector's highest flyers. Jabil Circuit halted a planned expansion and eventually closed its doors after customer orders evaporated. In 2001, MicronPC.com, SCP Global Technologies, Micron MCMS, AMI, and Hewlett-Packard also reduced their staffs. Despite these setbacks, employment expanded 1% in 2001. Unfortunately, it would be the last year-over-year job gain for several years. Employment plunged 8.8% in 2002. Micron Technology, the state's largest private employer, eventually succumbed to the high-tech downturn and reduced its Idaho workforce by about 1,000 in early 2003, and the state's computer electronics sector's employment base shrank another 9.1% in 2003. This sector's back-to-back job declines resulted in 3,400 fewer jobs in 2003 compared to 2001. Unfortunately, it has not experienced a quick turnaround. In fact, the recovery has been tenuous, with employment virtually unchanged in 2004 and 2005. Employment did grow a healthy 2.4% in 2006, however. It is forecast to rise to about 17,000 jobs this year, which is its high-water mark over the next few years. Indeed after this year, employment is forecast to slide to about 16,400 by 2010.

Idaho Computer and Electronic Products Employment



Logging and Wood Products: Idaho's lumber and wood products sector will retreat from its 2006 peak over the forecast period due to the cooling U.S. housing market. This sector has benefited from the nation's recent housing boom. The accompanying strong demand for wood products has bolstered local employment levels, bucking the negative supply trends that have suppressed this sector for several years. Interestingly, Idaho's lumber and wood products sector was a latecomer to the housing party. National housing starts began heating up in 2001 and grew by at least 5% annually from 2002 through 2005. Looked at another way, the total number of U.S. housing starts soared from 1.57 million units in 2000 to 2.07 million units in 2005. Wood production rose about 4.0% over this same period. Despite these positive indicators, Idaho lumber and wood product employment did not increase until 2004. Unfortunately, job gains have been the exception instead of the rule for this sector. Supply factors have determined this sector's past performance and will determine its fate. The biggest challenge Idaho's lumber and wood products sector faces is the dwindling public forests timber supply. The U.S. Forest Service estimates over the ten-year period from 1994 to 2004 the harvest from Idaho national forests fell by two-thirds, from 429.7 million board feet to 143.3 million board feet. This decline represents a significant resource loss to the state. Specifically, national forests' share of Idaho's timber harvest shrank from 28.5% in 1994 to 12.3% in 2004. This decline has been particularly hard on the state's

Idaho Wood Product Employment and U.S. Housing Starts

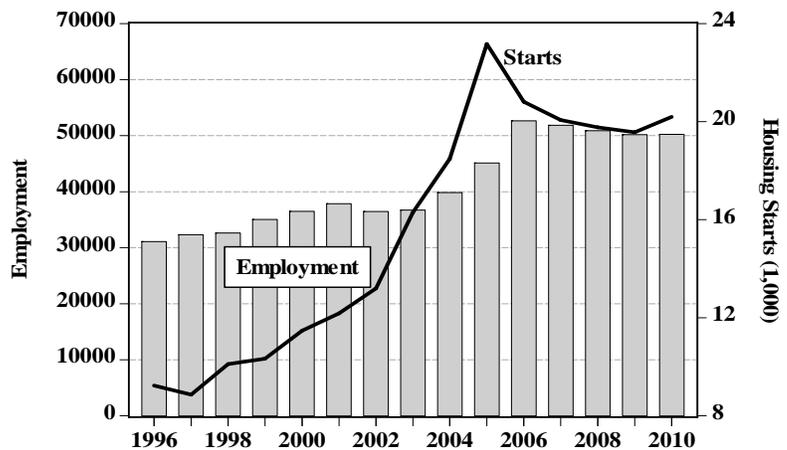


older, less efficient mills. Approximately 125 jobs were lost when Boise Cascade shuttered its Cascade, Idaho mill in 2001. About 250 jobs were lost in 2002 when the company’s Emmett, Idaho mill closed. Potlatch ceased operations at its Jaype Mill near Pierce, a move that cost about 215 jobs. Louisiana-Pacific closed its Bonners Ferry mill, putting about 140 people out of work. These closings have increased the lumber and wood products sector’s overall efficiency, which suggest fewer workers will be needed in the future. Despite the industry’s downsizing,

excess capacity remains a challenge. Strong markets in the 1990s led to heavy capital investment in this sector. As a result, it is estimated the industry can produce 20% to 25% more lumber than is being consumed in North America. These supply factors will dominate this sector’s outlook as the housing sector recedes. Unfortunately, there is evidence this is already taking place (see the national housing sector review). Closer to home, the Random Length’s lumber composite index for November 2006 was down 23.4% from the previous November and its structural panel composite was off 26.9%. It is anticipated U.S. housing starts will fall to 1.50 million units this year then gradually expand to 1.75 million in 2010. Over this same time period, U.S. wood products production is expected to fall and remain below its 2002 benchmark. After peaking at 10,134 jobs in 2006, Idaho lumber and wood products employment is projected to decline to a nadir of 8,891 jobs in 2008 before recovering to 9,238 jobs in 2010.

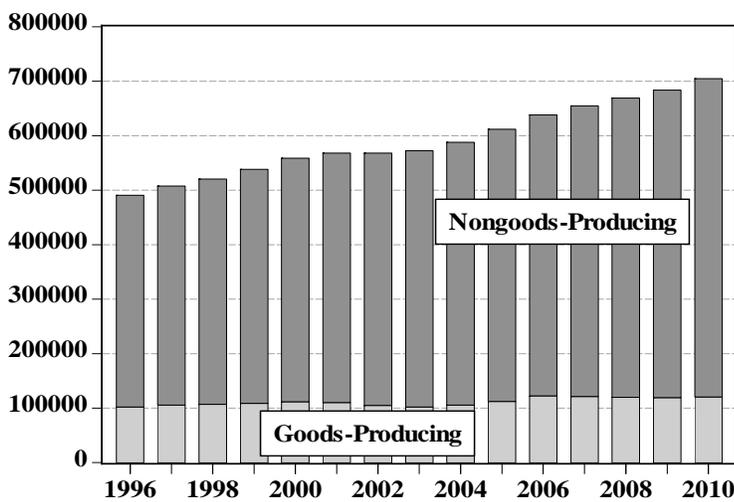
Construction: Idaho’s high-flying construction sector should cruise closer to the ground over the next few years as the red-hot housing market cools. The industry’s recent performance has been nothing short of extraordinary. Idaho housing starts soared from under 9,000 units in 1997 to a peak of 23,200 units in 2005. It slid to an estimated 20,800 units in 2006, which is still high compared to historical levels. Thanks to the strong housing starts, Idaho construction employment grew an average of 4.3% per year, which was nearly twice as fast as overall nonfarm growth. These statistics show how the construction sector has been a major force propelling the state’s economy. Most local economy watchers agree construction cannot maintain its recent pace, and this raised fears that the coming correction may be severe. These concerns are legitimate. A hot market caused Idaho housing starts to peak at over 12,600 units in 1977, which was a threefold increase from 1970’s 4,000 housing units. Three years later there were less than 6,000 housing starts in the state, and housing

Idaho Construction Employment and Housing Starts



starts remained below 6,000 units for the next decade. However, there are several reasons why a correction of this magnitude is not expected to occur over the forecast period. First, interest rates and population growth are expected to change gradually, giving the construction industry ample time to adjust. Second, although the Idaho housing sector has been robust, there does not appear to be a serious excess inventory of properties in the state. Third, Idaho could benefit from a boom in second homes. Fourth, nonresidential construction and alterations and repairs should remain healthy. Nonresidential construction typically follows residential construction as the businesses follow the population. Repairs and alterations still grow after a hot housing market cools because purchasers of existing homes usually take up to three years to remodel after purchasing a home. Indeed, in the current forecast Idaho construction employment expands in 2006 even though housing starts decline. The number of Idaho housing starts is forecast to recede from 20,813 units in 2006 to 20,195 units in 2010. Idaho construction employment is projected to ease from a high of 52,634 jobs in 2006 to 50,242 jobs in 2010.

Idaho Nonfarm Employment



Nongoods-Producing Industries:

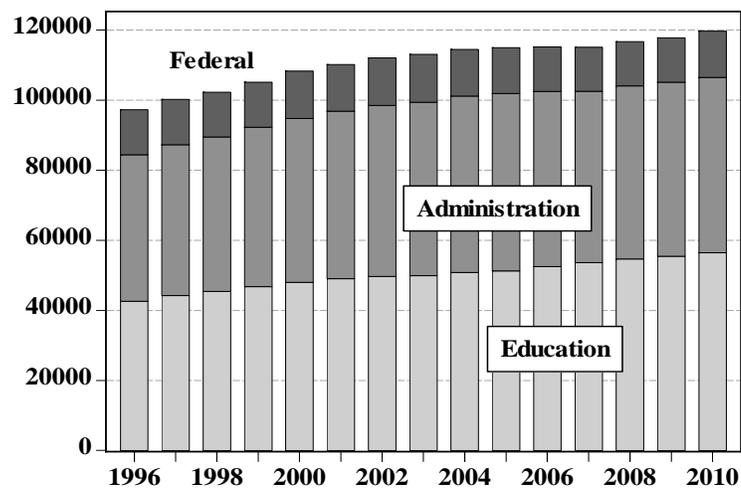
Idaho’s largest private sector will contribute most of the state’s employment growth over the forecast period. It is estimated the nongoods-producing sector accounted for about two-thirds of all new jobs in 2006. This sector benefits from the huge job bases of both services and trade. The former accounts for 46% of total nonfarm employment while the latter counts for 17% of employment. The services category consists of information services; financial activities, transportation, warehousing, and utilities; professional and business services; education and health services;

leisure and hospitality services; and other services. Trade is divided into retail and wholesale categories. Not only is employment in services greater than trade employment, it has also grown faster than trade, advancing an average of 2.4% annually over the last five years versus 1.9% for trade. One of the services sector’s star performers is professional and business services. This category grew an impressive 6.1% in 2006. Part of last year’s strong showing reflects a reclassification of employees from the information services category to the professional and business services category in the first quarter of 2006. Looking forward, this category’s employment should expand an average of 3.5% per year. Other strong performers include education and health services and leisure and hospitality services. An interesting trait of the former is that it is driven more by demographics than economics. As such, it is relatively immune to business cycle swings. This category should add jobs at a 3.6% average annual pace over the forecast period. The leisure and hospitality category will expand at virtually the same rate. Overall services employment is projected to increase 3.6% per year. The trade sector’s employment should grow an average of 4.2% per year.

Government: Idaho’s state and local government employment’s future should look much like its past. That is, this sector’s employment is forecast to rise slowly over the next few years. The number of state and local government jobs has grown from 75,900 in 1992 to an estimated 102,496 in 2006, or an average of 2.2% per year. This growth was largely driven by the need to meet the demands of the state’s expanding population. Driven by a flood of newcomers, Idaho’s population expanded nearly 30% from

1990 to 2000. Although population growth cooled in the early years of the current decade, it has recently accelerated. The U.S. Census Bureau estimates the Gem State's population jumped about 2.6% in 2006, making it the nation's third fastest growing state behind Arizona and Nevada. The Gem State's population is forecast to grow more than 2.0% per year over the forecast period, which is more than twice as fast as the nation's population. Constant population pressures will cause government payrolls to rise over the next few years to 106,468 jobs by 2010. The lion's share of growth will be education related. Traditionally, state and local employment has grown much faster than federal employment. In fact, lately the former has been expanding while the latter has been contracting. Federal government employment has been falling because, unlike state and local government employment, Idaho federal government employment is driven more by budget decisions made in the nation's capital than by local population growth. It is anticipated real federal government purchases will grow slowly over the next four years. As a result, Idaho federal government employment should remain relatively flat. Idaho federal government employment is forecast to hover near 12,600 jobs during most of the forecast period. However, it jumps to around 13,200 in 2010 when the nation conducts its next census.

Idaho Government Employment

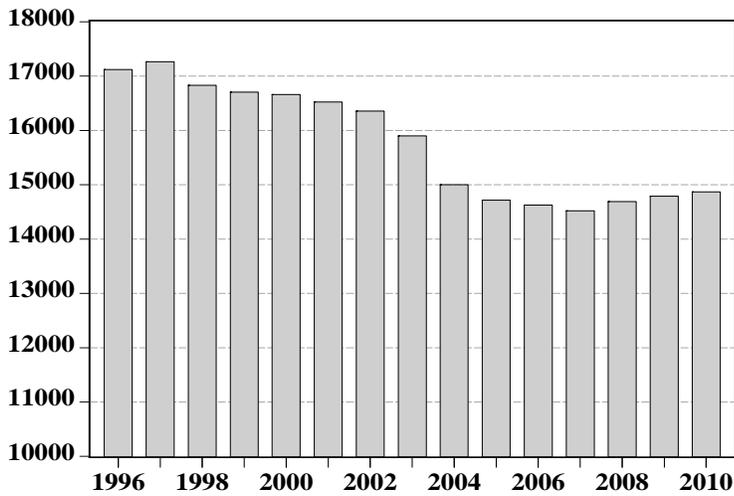


Traditionally, state and local employment has grown much faster than federal employment. In fact, lately the former has been expanding while the latter has been contracting. Federal government employment has been falling because, unlike state and local government employment, Idaho federal government employment is driven more by budget decisions made in the nation's capital than by local population growth. It is anticipated real federal government purchases will grow slowly over the next four years. As a result, Idaho federal government employment should remain relatively flat. Idaho federal government employment is forecast to hover near 12,600 jobs during most of the forecast period. However, it jumps to around 13,200 in 2010 when the nation conducts its next census.

Mining and Chemicals: The Gem State's mining sector enjoyed a four-year run of job gains from 2002 to 2006. Over this period the number of mining jobs increased from 1,758 to 2,363. This showing can be characterized as a welcome reprieve from a declining trend, instead of a return to more prosperous times. Indeed, current data suggest mining employment peaked at 2,416 in the second quarter of 2006. This peak is significantly lower than its previous employment peak of 3,115 that occurred in the first quarter of 1997. The lower peak is consistent with a trend in which an employment peak is lower than its predecessor. This is apparent in the annual employment data. For example, Idaho mining employment peaked at 5,200 jobs in 1981. The next peak occurred in 1990, but it was 3,900 jobs. A peak of 3,000 jobs followed in 1997. Idaho mining employment is forecast to fall over the next few years, from 2,363 in 2006 to 1,866 in 2010. Like the state's mining sector, Idaho's chemical sector has experienced employment gains recently. These increases were a welcome relief from the pummeling this sector experienced early in the decade. Most notably Astaris (formerly FMC) shut down its elemental phosphorous plant located just outside of Pocatello in 2002. Chemical employment declined over 17% that year. It shrank another 4.9% in 2003. This sector's recovery began slowly but accelerated over time. It posted its biggest annual gain in 2006, due in large part to the reclassification of retail workers as chemical workers. This reclassification occurred at the start of last year and explains why chemical employment climbed at a 37.5% annual rate during the first quarter of 2006. It appears this sector has another year of growth in it. Chemical employment should reach 2,142 this year then gradually fall to 1,961 in 2010.

Food Processing: Idaho's food processing sector remains the state's second largest manufacturing employer despite having suffered nine straight years of job losses. With an estimated 14,623 employees in 2006, only the computer and electronics sector is larger. The food processing sector has experienced a

Idaho Food Processing Employment



rash of calamities. For example, nearly 360 jobs were lost when unfavorable business conditions caused the J.R. Simplot Company to close its Nampa meat packing plant in the fall of 2003. In addition, the J.R. Simplot Company shuttered its Heyburn potato processing plant that was built in 1960 and since then had run continuously. More recently, the Swift and Company beef processing plant fell victim to the embargo of Canadian beef imports into the U.S. Concerns over mad cow disease restrict imports to animals under 30 months old. The Nampa plant processed older animals and was not able to get enough animals to keep

operations viable. About 400 jobs were lost when the company permanently closed the plant. These temporary setbacks do not mean this industry is in trouble. One of this sector's greatest strengths is its ability to adapt to changes, and this will keep the death knell from sounding. Although some plants have closed, new plants are opening. Gossner Foods, Inc. has opened a new cheese manufacturing plant in Heyburn on land formerly occupied by the J.R. Simplot plant. Marathon Cheese is building a \$27-million plant in Mountain Home that will employ 250 workers. The plant's employment should climb to twice that many jobs in five years, making it one of Elmore County's largest employers. After several years of losses, Idaho food processing employment is expected to stabilize near 15,000 jobs.

ALTERNATIVE FORECASTS

Global Insight has assigned a 60% probability of occurrence to its December 2006 baseline forecast of the U.S. economy. The major features of this forecast include:

- Real GDP increases 3.3% in 2006, 2.2% in 2007, 3.2% in 2008, 3.4% in 2009, and 3.3% in 2010;
- U.S. nonfarm employment grows 1.4% in 2006, 0.9% in 2007, 1.3% in 2008, 1.5% in 2009, and 1.4% in 2010;
- the annual U.S. civilian unemployment rate is no higher than 5.0% through 2010;
- consumer inflation is 3.2% in 2006, 1.7% in 2007, 2.0% in 2008, and 1.8% in both 2009 and 2010;
- the current account deficit is \$873 billion in 2006, \$816 billion in 2007, \$788 billion in 2008, \$814 billion in 2009, and \$831 billion in 2010; and
- the federal unified budget deficit is \$248 billion in 2006, \$280 billion in 2007, \$287 billion in 2008, \$267 billion in 2009, and \$255 billion in 2010.

OPTIMISTIC SCENARIO

Global Insight has assigned its *Optimistic Scenario* a 20% probability of occurrence. Seven assumptions distinguish this scenario from the baseline. First, total factor productivity is stronger. Underlying this assumption is the belief the information-driven technology boom will continue. Second, foreign economic growth is stronger, which causes U.S. exports to grow faster in most years in this scenario. Third, the U.S. dollar is stronger in this scenario. Fourth, business investment is stronger. This is not hard to imagine because the current level of business spending is below the historical average at a time when businesses are running out of industrial capacity. Fifth, the federal budget deficit is lower thanks to higher revenues and lower federal transfer payments. Also contributing to the smaller deficit is lower interest payments. Sixth, better job growth, lower mortgage interest rates, and higher consumer confidence lead to stronger housing starts. Seventh, the *Optimistic Scenario* assumes energy prices are lower than in the baseline.

These assumptions produce a rosier forecast than the baseline. Real GDP is stronger in 2007, 2.7% versus 2.2%. Although economic growth and labor markets are stronger, inflation is lower because of the stronger dollar and the higher productivity gains. The lower inflation allows the Federal Reserve to keep its federal funds rate below the *Baseline Scenario's* rate. Job growth is also stronger, which keeps the unemployment rate below its baseline counterpart over the forecast period.

Although the U.S. economic outlook clearly improves under the assumptions of the *Optimistic Scenario*, it creates mixed results for the Idaho economy. Namely, Idaho's economy performs stronger in the early years of the forecast compared to the baseline, but this advantage disappears over time as stronger productivity growth suppresses both employment and wage gains. The effects are apparent in both the Idaho employment and income data. Idaho nonfarm employment goes from having about 2,100 more jobs in 2007 compared to its baseline counterpart to having about 1,400 fewer jobs by 2010. Idaho real personal income displays a similar pattern. It is \$112 million higher in 2007, but is nearly \$300 million lower than in the *Baseline Scenario* by 2010.

IDAHO ECONOMIC FORECAST
BASELINE AND ALTERNATIVE FORECASTS
JANUARY 2007

	BASELINE				OPTIMISTIC				PESSIMISTIC			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
GDP (BILLIONS)												
Current \$	13,789	14,497	15,285	16,103	13,819	14,560	15,375	16,193	13,657	14,286	15,213	16,151
% Ch	4.2%	5.1%	5.4%	5.4%	4.4%	5.4%	5.6%	5.3%	3.2%	4.6%	6.5%	6.2%
2000 Chain-Weighted	11,659	12,028	12,441	12,854	11,721	12,191	12,694	13,174	11,511	11,710	12,077	12,403
% Ch	2.2%	3.2%	3.4%	3.3%	2.7%	4.0%	4.1%	3.8%	0.9%	1.7%	3.1%	2.7%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	47,361	50,216	53,509	57,370	47,155	49,510	52,372	55,720	48,380	51,785	55,755	60,934
% Ch	7.3%	6.0%	6.6%	7.2%	6.2%	5.0%	5.8%	6.4%	8.8%	7.0%	7.7%	9.3%
U.S. (Billions)	11,432	12,040	12,775	13,550	11,442	12,057	12,807	13,569	11,446	12,003	12,805	13,707
% Ch	4.9%	5.3%	6.1%	6.1%	5.0%	5.4%	6.2%	5.9%	5.0%	4.9%	6.7%	7.0%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	40,599	42,215	44,135	46,444	40,711	42,175	43,990	46,145	41,032	42,507	44,342	46,973
% Ch	5.4%	4.0%	4.5%	5.2%	5.0%	3.6%	4.3%	4.9%	5.8%	3.6%	4.3%	5.9%
U.S. (Billions)	9,800	10,122	10,537	10,969	9,878	10,270	10,757	11,237	9,708	9,853	10,184	10,568
% Ch	3.1%	3.3%	4.1%	4.1%	3.9%	4.0%	4.7%	4.5%	2.1%	1.5%	3.4%	3.8%
TOTAL NONFARM EMPLOYMENT												
Idaho	654,575	668,922	683,842	704,322	656,663	670,715	684,345	702,906	656,993	667,688	680,578	700,975
% Ch	2.6%	2.2%	2.2%	3.0%	2.7%	2.1%	2.0%	2.7%	2.7%	1.6%	1.9%	3.0%
U.S. (Thousands)	136,614	138,359	140,471	142,481	137,009	139,369	142,121	144,498	135,844	136,226	138,024	140,124
% Ch	0.9%	1.3%	1.5%	1.4%	1.2%	1.7%	2.0%	1.7%	0.4%	0.3%	1.3%	1.5%
GOODS-PRODUCING SECTOR												
Idaho	121,399	120,018	119,385	120,347	121,655	121,102	119,972	120,072	120,251	116,461	116,911	117,030
% Ch	-1.0%	-1.1%	-0.5%	0.8%	-0.8%	-0.5%	-0.9%	0.1%	-1.9%	-3.2%	0.4%	0.1%
U.S. (Thousands)	22,046	21,932	22,011	22,190	22,045	22,112	22,402	22,728	21,923	21,185	21,050	21,111
% Ch	-1.5%	-0.5%	0.4%	0.8%	-1.5%	0.3%	1.3%	1.5%	-2.1%	-3.4%	-0.6%	0.3%
NONGOODS-PRODUCING SECTOR												
Idaho	533,176	548,904	564,457	583,976	535,008	549,613	564,373	582,834	536,742	551,227	563,667	583,944
% Ch	3.4%	2.9%	2.8%	3.5%	3.5%	2.7%	2.7%	3.3%	3.9%	2.7%	2.3%	3.6%
U.S. (Thousands)	114,568	116,427	118,460	120,290	114,964	117,257	119,719	121,770	113,921	115,041	116,975	119,013
% Ch	1.4%	1.6%	1.7%	1.5%	1.8%	2.0%	2.1%	1.7%	0.9%	1.0%	1.7%	1.7%
SELECTED INTEREST RATES												
Federal Funds	4.9%	4.5%	4.7%	4.8%	4.7%	4.3%	4.5%	4.5%	7.0%	7.1%	6.1%	5.7%
Bank Prime	7.9%	7.5%	7.7%	7.8%	7.7%	7.3%	7.5%	7.5%	10.0%	10.1%	9.1%	8.7%
Existing Home Mortgage	6.4%	6.5%	7.0%	7.1%	6.2%	6.2%	6.7%	6.7%	7.4%	8.1%	7.9%	7.9%
INFLATION												
GDP Price Deflator	1.9%	1.9%	1.9%	2.0%	1.6%	1.3%	1.4%	1.5%	2.3%	2.8%	3.3%	3.4%
Personal Cons Deflator	1.8%	2.0%	1.9%	1.9%	1.1%	1.3%	1.4%	1.4%	2.9%	3.3%	3.2%	3.2%
Consumer Price Index	1.7%	2.0%	1.8%	1.8%	0.9%	1.4%	1.4%	1.3%	2.7%	3.0%	2.9%	3.0%

Forecast Begins the THIRD Quarter of 2006

PESSIMISTIC SCENARIO

The *Pessimistic Scenario* has been assigned a 20% probability of occurrence. In this scenario, a key lever in the forecast is core inflation is higher than in the baseline case. One of the reasons for the price acceleration is this alternative assumes there is less spare capacity in the world. Rapid technological advances and high oil prices may have rendered obsolete much of the idled capacity that theoretically remains on the books. This alternative forecast also assumes the dollar weakens as foreign investors flee the greenback over concerns of the huge U.S. trade deficit. The Federal Reserve raises interest rates more steeply in this alternative compared to the baseline. Despite this more aggressive stance, both the bond and stock markets slip on signs the Federal Reserve may have responded too slowly to rising inflation. Both of these factors point to higher interest rates than in the baseline. The rising interest rates deepen the housing downturn. The Federal Reserve may concede the round to inflation, but not the match, and it continues to raise rates in order to stop inflation.

Consumer confidence suffers from the higher interest rates and persistently high energy prices. Consumer confidence is dented further under the combined weight of slow job growth and increasing debt loads. As a result of these combined concerns, consumers reel in their discretionary spending, which causes the economy to suffer. The economy does not sink into a recession in this alternative, but merely fails to come as close to its potential as in the baseline.

Idaho nonfarm employment increases slightly slower in the *Pessimistic Scenario*, averaging 2.3% annual growth versus the *Baseline Scenario's* 2.5% pace. As a result of this dampened growth, Idaho nonfarm employment in 2010 is about 3,500 lower than its baseline counterpart. The state's goods-producing sector accounts for virtually the entire gap. However, Idaho real personal income fares better in the *Optimistic Scenario* thanks to strong showings in 2007 and 2010. As a result, Idaho real personal income is \$529 million higher than in the baseline case. This gap partially results from stronger wage growth that stems from the weaker productivity growth. But wages do not explain the entire difference. The dividends, interest, and rent income portion of personal income is also higher thanks to elevated interest rates.

Idaho General Fund Revenue

History and Projections

The following pages provide descriptions of the sources of General Fund revenue, historical rate and distribution formula information, historical revenue collection and distribution information, and a brief explanation of the basis of the forecast for each source of revenue that contributes to the General Fund.

Three primary revenue categories (individual income tax, corporate income tax, and sales tax) presently account for about 94% of General Fund revenue as of fiscal year 2006. These sources of revenue are forecast using a combination of econometric methods and judgment. The econometric method is multiple regression, using variables contained in the Idaho Economic Model (IEM). Exogenous forecast data are obtained from the January 2007 *Idaho Economic Forecast*. Both are products of the 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 responsible for or otherwise involved with the collection of each revenue category. The largest miscellaneous revenue category, Insurance Premium Tax, is forecast in cooperation with the staff of the Department of Insurance, using simulation models to account for relevant variables and parameters that affect the cash flow into the General Fund.

GENERAL FUND REVENUE
(\$ MILLION)

SOURCE	ACTUAL								
	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
INDIVIDUAL INCOME TAX	\$459.44	\$508.02	\$559.17	\$596.46	\$650.85	\$704.82	\$776.19	\$841.87	\$960.16
% CHANGE	6.3%	10.6%	10.1%	6.7%	9.1%	8.3%	10.1%	8.5%	14.1%
CORPORATE INCOME TAX	\$57.97	\$70.00	\$87.63	\$131.64	\$151.98	\$122.36	\$117.29	\$95.44	\$124.87
% CHANGE	-3.4%	20.8%	25.2%	50.2%	15.5%	-19.5%	-4.1%	-18.6%	30.8%
SALES TAX	\$364.32	\$402.82	\$452.68	\$481.57	\$463.00	\$476.73	\$496.81	\$588.80	\$627.50
% CHANGE	8.5%	10.6%	12.4%	6.4%	-3.9%	3.0%	4.2%	18.5%	6.6%
CIGARETTE TAX	\$7.07	\$7.00	\$7.61	\$7.25	\$7.48	\$7.49	\$7.48	\$7.23	\$7.30
TOBACCO PRODUCTS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
BEER TAX	\$1.66	\$1.70	\$1.71	\$1.65	\$1.62	\$1.63	\$1.62	\$1.68	\$1.75
WINE TAX	\$0.75	\$0.75	\$0.81	\$1.14	\$1.52	\$1.66	\$1.80	\$1.90	\$1.96
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>
PRODUCT TAXES	\$14.43	\$14.39	\$15.07	\$14.99	\$15.57	\$15.73	\$15.84	\$15.76	\$15.96
% CHANGE	1.9%	-0.2%	4.7%	-0.6%	3.9%	1.0%	0.7%	-0.5%	1.2%
KILOWATT-HOUR TAX	\$1.61	\$1.45	\$2.09	\$1.69	\$2.89	\$2.97	\$3.24	\$2.89	\$2.77
MINE LICENSE TAX	\$0.59	\$0.11	\$0.47	\$0.29	\$0.80	\$0.66	\$0.96	\$1.98	(\$0.66)
INTEREST EARNINGS	\$11.81	\$10.54	\$10.61	\$15.00	\$18.54	\$18.24	\$17.93	\$18.69	\$21.56
COURT FEES AND FINES	\$3.39	\$3.21	\$3.72	\$3.89	\$4.24	\$4.71	\$5.02	\$5.13	\$5.31
INSURANCE PREMIUM TAX	\$31.94	\$28.81	\$33.19	\$34.93	\$36.13	\$40.26	\$42.85	\$45.47	\$46.43
ALCOHOLIC BEVERAGE LICENSES	\$1.01	\$0.96	\$1.04	\$1.07	\$1.05	\$1.14	\$1.15	\$1.16	\$1.30
UCC FILINGS	\$1.40	\$0.91	\$0.78	\$0.85	\$0.94	\$0.03	\$0.03	\$0.01	\$0.02
UNCLAIMED PROPERTY	\$1.35	\$1.34	\$1.71	\$2.09	\$1.39	\$0.83	\$1.17	\$1.59	\$2.31
LANDS	\$0.21	\$0.23	\$0.22	\$0.24	\$0.24	\$0.24	\$0.27	\$0.32	\$0.70
ONE-TIME TRANSFERS	\$0.51	\$0.00	\$3.42	\$0.00	\$0.15	\$0.00	\$0.00	\$0.43	\$0.57
ESTATE TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OTHER DEPTS & TRANSFERS	<u>\$1.86</u>	<u>\$0.68</u>	<u>\$1.26</u>	<u>\$3.39</u>	<u>\$3.18</u>	<u>\$3.14</u>	<u>\$3.40</u>	<u>\$4.91</u>	<u>\$12.15</u>
MISC. REVENUE	\$55.68	\$48.23	\$58.52	\$63.46	\$69.55	\$72.23	\$76.01	\$82.57	\$92.46
% CHANGE	-6.2%	-13.4%	21.3%	8.4%	9.6%	3.9%	5.2%	8.6%	12.0%
TOTAL GENERAL FUND*	\$951.84	\$1,043.47	\$1,173.07	\$1,288.10	\$1,350.94	\$1,391.86	\$1,482.14	\$1,624.43	\$1,820.96
% CHANGE	5.6%	9.6%	12.4%	9.8%	4.9%	3.0%	6.5%	9.6%	12.1%

* Totals may not add due to rounding.

GENERAL FUND REVENUE
(\$MILLION)

SOURCE	ACTUAL						FORECAST	
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
INDIVIDUAL INCOME TAX	\$1,023.97	\$835.85	\$837.80	\$902.13	\$1,035.54	\$1,216.49	\$1,273.64	\$1,254.80
% CHANGE	6.6%	-18.4%	0.2%	7.7%	14.8%	17.5%	4.7%	-1.5%
CORPORATE INCOME TAX	\$141.53	\$76.30	\$93.13	\$103.02	\$139.56	\$194.13	\$208.20	\$212.95
% CHANGE	13.3%	-46.1%	22.1%	10.6%	35.5%	39.1%	7.2%	2.3%
SALES TAX	\$647.29	\$657.12	\$700.24	\$886.08	\$950.83	\$880.77	\$1,084.68	\$1,196.90
% CHANGE	3.2%	1.5%	6.6%	26.5%	7.3%	-7.4%	23.2%	10.3%
CIGARETTE TAX	\$7.98	\$8.00	\$8.26	\$30.04	\$7.81	\$7.98	\$1.00	\$10.00
TOBACCO PRODUCTS	\$4.06	\$4.31	\$4.67	\$5.49	\$5.75	\$6.16	\$6.40	\$6.60
BEER TAX	\$1.82	\$1.88	\$1.91	\$1.96	\$1.95	\$1.99	\$2.15	\$2.23
WINE TAX	\$1.90	\$1.88	\$1.97	\$2.14	\$2.33	\$2.43	\$2.45	\$2.50
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$10.24</u>	<u>\$10.80</u>
PRODUCT TAXES	\$20.70	\$21.02	\$21.75	\$44.57	\$22.79	\$23.50	\$22.24	\$32.13
% CHANGE	29.7%	1.5%	3.5%	104.9%	-48.9%	3.1%	-5.3%	44.4%
KILOWATT-HOUR TAX	\$1.80	\$1.79	\$1.80	\$1.83	\$1.53	\$2.29	\$2.60	\$2.30
MINE LICENSE TAX	\$0.12	\$0.82	\$0.04	\$0.07	\$0.03	\$0.27	\$2.40	\$0.15
INTEREST EARNINGS	\$22.30	\$11.33	\$2.98	\$4.97	\$8.92	\$18.12	\$12.80	\$9.30
COURT FEES AND FINES	\$5.49	\$5.19	\$5.29	\$4.98	\$4.66	\$4.79	\$5.00	\$5.10
INSURANCE PREMIUM TAX	\$55.88	\$55.37	\$59.49	\$62.77	\$60.85	\$60.38	\$59.39	\$59.10
ALCOHOLIC BEVERAGE LICENSES	\$1.22	\$1.36	\$1.39	\$1.61	\$1.64	\$1.72	\$1.66	\$1.70
UCC FILINGS	\$2.01	\$2.03	\$2.14	\$2.39	\$2.69	\$3.02	\$3.20	\$3.25
UNCLAIMED PROPERTY	\$5.81	\$0.88	\$3.76	\$3.69	\$9.83	\$1.99	\$2.50	\$2.50
LANDS	\$0.34	\$0.35	\$0.36	\$0.33	\$0.53	\$0.33	\$0.35	\$0.38
ONE-TIME TRANSFERS	\$8.08	\$15.42	\$14.46	\$71.91	\$2.03	\$0.81	\$1.03	\$0.22
ESTATE TAX	\$35.81	\$7.59	\$13.65	\$4.43	\$3.30	\$1.11	\$0.20	\$0.00
OTHER DEPTS & TRANSFERS	<u>\$12.29</u>	<u>\$8.01</u>	<u>\$5.67</u>	<u>\$2.33</u>	<u>\$22.96</u>	<u>\$21.62</u>	<u>\$26.43</u>	<u>\$26.95</u>
MISC. REVENUE	\$151.15	\$110.14	\$111.02	\$161.31	\$118.98	\$116.43	\$117.56	\$110.95
% CHANGE	63.5%	-27.1%	0.8%	45.3%	-26.2%	-2.1%	1.0%	-5.6%
TOTAL GENERAL FUND*	\$1,984.64	\$1,700.43	\$1,763.95	\$2,097.10	\$2,267.69	\$2,431.31	\$2,706.33	\$2,807.72
% CHANGE	9.0%	-14.3%	3.7%	18.9%	8.1%	7.2%	11.3%	3.7%

* Totals may not add due to rounding.

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. 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 ⁽¹⁾								
	\$0-1000	\$1001-\$2000	\$2001-\$3000	\$3001-4000	\$4001-5000	\$5001-6000	\$6001-7500	\$7501- \$20000+	\$20000+
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 ²	1.61%	3.23%	4.30%	5.38%	6.45%	8.60%	8.60%	8.60%	8.60%
1957 ³	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%
	\$0-1022	\$1023-2044	\$2045-3066	\$3067-4088	\$4089-5110	\$5111-7666	\$7667-20,442	\$20443+	
2000	1.9%	3.9%	4.4%	5.4%	6.4%	7.4%	7.7%	8.1%	
	\$0-1056	\$1057-2113	\$2114-3169	\$3170-4226	\$4227-5282	\$5283-7923	\$7924-21129	\$21130+	
2001	1.6%	3.6%	4.1%	5.1%	6.1%	7.1%	7.4%	7.8%	
2002	\$0-1087	\$1088-2173	\$2174-3260	\$3261-4346	\$4347-5433	\$5434-8149	\$8150-21730	\$21731+	
2003	\$0-1104	\$1105-2207	\$2208-3311	\$3312-4415	\$4416-5518	\$5519-8278	\$8279-22074	\$22075+	
2004	\$0-1129	\$1130-2258	\$2259-3387	\$3388-4515	\$4516-5644	\$5645-8466	\$8467-22577	\$22577+	
2005	\$0-1158	\$1159-2317	\$2318-3476	\$3477-4635	\$4636-5793	\$5794-8691	\$8692-23177	\$23178+	
2006	\$0-1198	\$1199-2396	\$2397-3594	\$3595-4793	\$4794-5991	\$5992-8986	\$8987-23963	\$23964+	

1. Amounts shown are for single and married filing separate returns.

For all other filing status returns double the income bracket amounts at the top of the columns.

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 adjusted gross income (AGI). For Idaho residents, income from all states 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 states 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 U.S. government securities. For a complete delineation of Idaho's income tax structure, 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, 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 15th 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 31st) 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. Beginning in FY 2001, withholding collections on Idaho lottery winnings are distributed to public schools and counties. An amount equal to 20% of the individual income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$1,500,000 in the State Income Tax Refund Fund at the end of the year is transferred to the General Fund on June 30.

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 "check offs" that can be used by the taxpayer to donate various amounts (usually from refunds) to special funds such as non-game wildlife, drug enforcement, etc.

Basis of Projection:

The projections of General Fund revenue from the individual income tax for FY 2007 and FY 2008 are based on a combination of econometric analysis and judgment.

The econometric analysis begins with the Idaho Economic Model (IEM), an economic base model of Idaho's economy that is used to derive employment by industry and by income type. Idaho income data is then used to correlate historical net withholding collections (gross withholding collections less refunds) to Idaho wage and salary payments. Filing collections are estimated using national capital gains and Idaho dividend, interest, and rent income as the explanatory variables.

The econometric-based forecast of net withholding collections and filing collections are then 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 that follows assumes no further change in current Idaho income tax law, a standard practice of the Division's revenue forecasts.

Historical Data:

INDIVIDUAL INCOME TAX

(\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Refunds	Gen. Fund	Perm. Building Fund	Misc. & "Check-Off" Donations
FY70	Actual	\$45,142.5	\$6,603.4	\$35,858.7	\$1,120.0	\$1,560.3
FY71	Actual	51,186.3	7,512.8	40,738.9	1,104.3	1,830.3
FY72	Actual	64,107.9	9,460.1	51,235.1	1,040.2	2,372.5
FY73	Actual	76,510.6	13,658.2	59,164.7	977.7	2,710.0
FY74	Actual	95,373.9	16,058.6	75,103.7	973.4	3,238.3
FY75	Actual	117,911.0	23,372.8	89,566.6	1,046.8	3,924.8
FY76	Actual	131,064.3	26,024.7	99,386.0	940.7	4,711.9
FY77	Actual	150,650.7	29,844.0	116,587.3	920.6	3,298.8
FY78	Actual	169,195.1	24,210.7	143,660.6	39.6	1,284.1
FY79	Actual	198,231.0	31,245.2	163,203.8	907.8	2,874.0
FY80	Actual	212,761.8	35,322.8	172,620.9	1,081.4	3,736.7
FY81	Actual	242,743.6	41,262.4	196,892.1	1,093.2	3,495.8
FY82	Actual	264,162.3	44,012.5	215,835.5	1,082.1	3,232.1
FY83	Actual	272,845.0	55,669.9	212,356.6	1,064.1	3,755.4
FY84	Actual	287,957.0	54,731.7	230,002.0	3,008.0	215.3
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 ¹	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 ²
FY06	Actual	1,425,769.1	203,019.6	1,216,486.7	5,408.6	854.2
FY07	Projection	1,508,621.2	228,279.7	1,273,640.0	5,800.0	901.5
FY08	Projection	1,510,300.0	248,684.9	1,254,802.1	5,900.0	913.0

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

2. Includes impact from a single large lottery winner.

CORPORATE INCOME TAX

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

Collections from the corporate income tax are currently based on a flat rate of 7.6% 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. For tax year 2001, an additional “incentive” investment tax credit was allowed in low income/high unemployment counties. 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.

CORPORATE INCOME TAX RATE HISTORY

Tax Rates on the Portion of Income:								
Greater Than		\$0	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000
But Not More Than		\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	
Tax	1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%
Years	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% Beginning of Single "Flat" Tax Rate on all Positive Net Taxable Income						
	1957	8.0% + 10% Surcharge in 1957 and 1958.						
	1959	9.5%						
	1963	10.5%						
	1965	6.0%						
	1972	6.5%						
	1981	6.5% + 0.2% franchise tax up to \$250,000.						
	1983	7.7%						
	1987	8.0%						
	2001	7.6%						

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 State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$1,500,000 in the State Income Tax Refund Fund at the end of the 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 are based on a combination of econometric analysis, a simulation model of the cash-flow process under quarterly payments, and judgment. Historical corporate income tax collections are correlated with income and financial concepts found in the IEM and Global Insight's *U.S. Economic Outlook*.

The revenue collected in FY 1991 declined as a consequence of declines in one-time cash flow from quarterly payments. Quarterly payments have also accelerated the response time between changes in profit conditions and corporate income tax cash flow. When combined with multi-state apportionment, this yields an accelerated link between national economic conditions and Idaho corporate income tax receipts.

Historical Data:

CORPORATE INCOME TAX

(\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Refunds	Gen. Fund	Perm. Building Fund	Multi-State Tax Compact
FY70	Actual	\$11,125.8	\$1,661.1	\$9,412.6	\$52.1	
FY71	Actual	12,562.9	1,875.8	10,629.6	57.5	
FY72	Actual	12,895.0	1,924.9	10,907.4	62.7	
FY73	Actual	16,024.7	3,340.0	12,615.9	68.7	
FY74	Actual	23,076.0	4,021.6	18,980.3	74.0	
FY75	Actual	28,161.7	5,616.1	22,464.5	81.1	
FY76	Actual	31,751.8	2,215.4	29,448.9	87.6	
FY77	Actual	31,033.6	1,931.6	29,009.9	92.1	
FY78	Actual	33,326.2	2,481.8	30,802.9	41.5	
FY79	Actual	39,247.1	3,322.2	35,869.3	55.5	
FY80	Actual	42,603.9	3,133.3	39,363.2	107.4	
FY81	Actual	50,875.5	4,416.2	46,288.4	127.2	\$43.6
FY82	Actual	45,602.0	5,416.2	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	Projection	251,098.3	39,900.8	208,197.5	350.0	2,650.0
FY08	Projection	256,761.8	40,811.6	212,950.2	350.0	2,650.0

SALES TAX

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

Idaho's sales tax rate was 5% from April 1986 to April 2003. The sales tax rate was raised to 6% in May 2003 and remained at that level through fiscal years 2004 and 2005. The sales tax rate returned to 5% on July 1, 2005. The rate was increased to 6% on October 1, 2006. Beginning in fiscal year 2005, the Agricultural Equipment Property Tax Exemption is funded by the Sales Tax. The rate and distribution history is shown on the following table.

SALES TAX RATE HISTORY AND DISTRIBUTION FORMULA

(\$ THOUSANDS)

Effective Date	Tax Rate	Gen. Fund	Perm. Build Fund	Rev. Sharing	Alloc. to Counties ⁷	Pollut-ion Control	Public School Inc. Fund	Agricultural Equipment Prop. Tax Exemption	Misc. Distributions
Jul-1965	<u>3.0%</u>	Bal.	\$500						<u>1,2</u>
Jul-1968	3.0%	Bal.	\$500		<u>5.0%</u>				2
Jul-1969	3.0%	Bal.	\$500		<u>10.0%</u>				2
Jul-1970	3.0%	Bal.	\$500		<u>15.0%</u>				2
Jul-1971	3.0%	Bal.	\$500		<u>20.0%</u>				2
Jul-1975	3.0%	Bal.	\$500		20.0%				<u>2,4</u>
Jul-1976	3.0%	Bal.	\$500		20.0%				2,4
Jul-1977	3.0%	Bal.	\$500		20.0%				2,3,4
Jul-1980	3.0%	Bal.	\$500		<u>10.0%</u>		<u>10.0%</u>		2,3,4
Mar-1983	<u>4.0%</u>	Bal.	\$500		10.0%		10.0%		2,3,4
Jun-1983	<u>4.5%</u>	Bal.	\$500		10.0%		10.0%		2,3,4
Jul-1984	<u>4.0%</u>	Bal.	\$500	<u>6.25%</u>	<u>7.5%</u>	<u>\$4,800</u>			3,4
Apr-1986	<u>5.0%</u>	Bal.	\$500	6.25%	7.5%	\$4,800			3,4
Jul-1987	5.0%	Bal.	\$500	<u>7.75%</u>	<u>6.0%</u>	\$4,800			3,4
Jul-1988	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800			3,4,5
Jul-1995	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800			3,4,5,6
Jul-1998	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800			3,4,5
Jul-2000	5.0%	Bal.	<u>\$5,000</u>	<u>13.75%</u>	<u>0.0%</u>	\$4,800			3,4,5
May-2003	<u>6.0%</u>	Bal.	\$5,000	13.75%	0.0%	\$4,800			3,4,6
Jun-2003	6.0%	Bal.	\$5,000	<u>11.50%</u>	0.0%	\$4,800			3,4,5
Jul-2004	6.0%	Bal.	\$5,000	11.50%	0.0%	\$4,800		<u>\$13,448</u>	3,4,5
Jul-2005	<u>5.0%</u>	Bal.	\$5,000	11.50%	0.0%	\$4,800		\$13,448	3,4,5
Aug-2005	5.0%	Bal.	\$5,000	<u>13.75%</u>	0.0%	\$4,800		\$13,448	3,4,5
Oct-2006	<u>6.0%</u>	Bal.	\$5,000	13.75%	0.0%	\$4,800		\$13,448	3,4,5
Nov-2006	6.0%	Bal.	\$5,000	<u>11.50%</u>	0.0%	\$4,800		<u>\$8,487</u>	3,4,5

1. Amount equal to 1-mill of all assessed property values distributed to Teachers Retirement System; \$1,000,000 lump sum (one-time) distribution to Tax Commission.
2. Amount equal to the sum required to be certified by the state controller distributed to the Social Security Trust Fund.
3. Amount equal to the sum required to be certified by the Idaho housing agency.
4. \$1.00 per registration fee on vehicle registration transfers that do not involve sales tax.
5. Amount certified by the Tax Commission as necessary to fund the Circuit Breaker.
6. Amount necessary to fund Property Tax Relief.
7. 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.

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 been made in any year, 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. In effect, this provision has been repealed for bonds issued on or after January 1996.

Basis of Projection:

The projections of FY 2007 and FY 2008 net 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. The adjusted data is then related to Idaho wage and salary disbursements and construction data using econometric analysis. Income forecasts from the *Idaho Economic Forecast* are then used to forecast gross sales tax collections. Historical refund levels and the current distribution formula are used to translate gross collections to net General Fund accruals. Judgmental considerations include the results of ongoing revenue monitoring and the expected impacts of new compliance and audit activities.

SALES TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions										
			Refunds	Perm. Gen. Fund	Building Fund	Rev. Sharing	Alloc. To Counties	Pollut- ion Control	Property Circuit Breaker	Agricultural Tax Relief	Equipment Prop. Tax Exemption	Misc. Dist.	
FY70	Actual	\$41,678.2	\$61.6	\$33,055.0	\$500.0		\$4,161.7					\$3,899.9	^{1,2}
FY71	Actual	45,368.6	101.9	34,076.7	500.0		6,790.0					3,900.0	^{1,2}
FY72	Actual	51,704.1	81.1	36,967.1	500.0		10,324.6					3,831.3	^{1,2}
FY73	Actual	60,999.6	70.3	43,281.3	500.0		12,186.1					4,961.9	^{1,2}
FY74	Actual	69,833.3	340.7	49,250.0	500.0		13,898.5					5,844.1	^{1,2}
FY75	Actual	79,108.7	100.4	57,022.8	500.0		15,801.7					5,683.8	¹
FY76	Actual	88,874.0	137.5	63,650.6	500.0		17,747.3					6,838.6	¹
FY77	Actual	103,859.6	219.2	73,594.5	500.0		20,728.1					8,817.8	¹
FY78	Actual	118,866.2	157.0	84,107.4	500.0		23,741.8					10,360.0	¹
FY79	Actual	129,906.4	205.9	91,463.6	500.0		25,940.1					11,796.8	¹
FY80	Actual	137,113.9	264.5	95,984.6	500.0		27,369.9					12,994.9	¹
FY81	Actual	145,008.0	220.5	97,679.3	500.0		14,476.0					32,132.2	^{1,2}
FY82	Actual	146,206.9	311.8	98,720.2	500.0		14,607.4					32,067.5	^{1,2}
FY83	Actual	165,441.1	181.2	115,407.0	500.0		15,266.3					34,086.6	^{1,2}
FY84	Actual	241,838.4	596.2	188,422.1	500.0		16,192.2					36,127.9	^{1,2}
FY85	Actual	238,544.3	449.7	200,026.6	500.0	\$14,876.1	17,851.5	\$4,800.0				40.4	³
FY86	Actual	250,490.1	516.8	211,564.2	500.0	15,036.7	18,044.1	4,800.0				28.3	³
FY87	Actual	297,892.0	538.4	259,358.6	500.0	14,853.3	17,827.1	4,800.0				14.6	³
FY88	Actual	311,382.5	672.5	258,762.1	500.0	24,084.5	18,637.1	4,800.0	\$3,890.1			36.2	³
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	³
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	³
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	³
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	³
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	³
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	³
FY95	Actual	575,751.5	1,767.4	481,568.8	500.0	44,455.1	34,435.8	4,800.0	8,241.1			-16.6	³
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	\$40,757.1		17.6	³
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	45,238.4		60.7	³
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	50,400.4		594.5	³
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	³
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	³
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	³
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	
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	
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	
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	922.5	⁴
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	
FY07	Projection	1,281,774.7	6,408.8	1,084,683.6	5,000.0	155,614.5	0.0	4,800.0	14,300.0	0.0	10,967.8	0.0	
FY08	Projection	1,399,179.1	6,995.9	1,196,895.0	5,000.0	160,101.1	0.0	4,800.0	16,900.0	0.0	8,487.1	0.0	

1. Social Security Trust.
2. Public School Income.
3. Multi-State Tax Compact.
4. Amount includes one extra quarterly payment.

CIGARETTE TAX

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

The cigarette tax rate is 57 cents per pack of 20 cigarettes. The revenue from this tax is distributed as follows. The Public School Income Fund (PSIF) and Department of Juvenile Corrections each both receive 5.1746 cents per pack. The remaining amount per pack is distributed as follows: the Permanent Building Fund receives 17.3%; the Central Tumor Registry Fund receives 0.4% (to a maximum of the legislative appropriation); the Cancer Control Fund receives 1%; the General Fund receives an amount equal to the appropriation for the Bond Levy Equalization Program. All remaining revenues flow to the Permanent Building Fund to be used to repair, remodel, and restore the Capitol and related facilities. After these projects are completed, all remaining revenues are redirected to the Economic Recovery Reserve Fund.

CIGARETTE TAX RATE AND DISTRIBUTION HISTORY

Effective Date	Rate per Cigarette			Distribution of Remaining Receipts					
	Total	PSIF	Juv. Prob. Svcs.	Gen. Fund	Central Tumor Reg. Fund ^{2,3}	Perm Build. Fund ⁴	Water Poll. Control Fund	Cancer Control Fund	Economic Recovery Reserve 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>		<u>\$0.00050</u>			
Jul-1963	<u>0.003500</u>			<u>\$0.00300</u>		0.00050			
Jul-1972	<u>0.004550</u>			<u>\$0.00350</u>	<u>\$0.00005</u>	to <u>\$40,000</u>	0.00050	<u>\$0.00050</u>	
Jul-1974	0.004550			Balance	<u>1.099%</u>	to <u>\$40,000</u>	<u>10.989%</u>	<u>10.989%</u>	
Jul-1975	0.004550			Balance	1.099%	to <u>\$55,000</u>	10.989%	10.989%	
Jul-1978	0.004550			Balance	1.099%	to <u>\$70,000</u>	10.989%	10.989%	
Jul-1979	0.004550			Balance	1.099%	to <u>\$70,000</u>	10.989%	10.989%	<u>3.645%</u>
Jul-1980	0.004550			Balance	1.099%	to <u>\$85,000</u>	10.989%	10.989%	3.645%
Jul-1982	0.004550			Balance	1.099%	to <u>\$95,000</u>	10.989%	10.989%	3.645%
Jul-1984	0.004550			Balance	1.099%	to <u>\$100,000</u>	10.989%	10.989%	3.645%
Mar-1987	<u>0.009000</u> ¹			Balance ¹	1.099%	to <u>\$100,000</u>	10.989%	10.989%	3.645%
Jul-1987	0.009000			Balance	<u>1.000%</u>	to <u>\$100,000</u>	<u>43.300%</u>	<u>6.700%</u>	<u>2.500%</u>
Jul-1989	0.009000			Balance	1.000%	to <u>\$110,000</u>	43.300%	6.700%	2.500%
Jul-1994	<u>0.014000</u>	<u>\$0.00500</u>		Balance	1.000%		43.300%	6.700%	2.500%
Mar-1995	0.014000	<u>0.002500</u>	<u>\$0.002500</u>	Balance	1.000%		43.300%	6.700%	2.500%
Jul-2000	0.014000	0.002500	0.002500	Balance	1.000%		43.300%	<u>0.000%</u>	2.500%
Jun-2003	<u>0.028500</u>	<u>0.002587</u>	<u>0.002587</u>	Balance	1.000%		43.300%	0.000%	2.500%
Jul-2003	0.028500	0.002587	0.002587	<u>21.25% plus balance up to \$23.5 M</u>	<u>0.400%</u>		<u>17.300%</u>	<u>0.000%</u>	<u>1.000%</u> <u>Balance above \$23.5M</u>
Jul-2004	0.028500	0.002587	0.002587	<u>21.25%</u>	0.400%		17.300%	0.000%	1.000% <u>Balance</u>
Jul-2006	0.028500	0.002587	0.002587	<u>Bond Levy Equalization Appropriation</u>	0.400%		17.300%	0.000%	1.000%
							<u>+ Balance</u>		

1. From March 1, 1987 to July 1, 1987 the additional \$0.00445 was all distributed 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 Capitol restoration complete, then balance accrues to Economic Recovery Reserve Fund.

Basis of Projection:

The projections of General Fund revenues from this source for FY 2007 and FY 2008 are based on a subjective assessment of recent collections history, Idaho population growth, cigarette taxes in border 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 Fund	Cancer Control Fund	Central Tumor Registry Fund	Public School Income Fund	County Juvenile Probation Fund	Economic Recovery Fund		
FY70	Actual	\$4,885.9	\$4,188.0	\$697.9	\$0.0									
FY71	Actual	5,173.4	4,434.4	739.0	0.0									
FY72	Actual	6,136.8	5,260.2	876.6	0.0									
FY73	Actual	8,074.5	6,248.4	867.1	0.0		\$919.1		\$40.0					
FY74	Actual	8,365.7	6,475.7	925.0	0.0		925.0		40.0					
FY75	Actual	8,544.4	6,599.6	939.1	0.0	\$26.6	939.1		40.0					
FY76	Actual	8,866.2	6,868.8	959.9	0.0	22.5	959.9		55.0					
FY77	Actual	8,980.5	6,926.6	983.8	0.0	31.3	983.8		55.0					
FY78	Actual	9,098.5	7,010.6	995.0	0.0	43.0	995.0		55.0					
FY79	Actual	8,919.2	6,841.5	974.2	0.0	59.2	974.2		70.0					
FY80	Actual	9,009.1	6,580.3	981.9	0.0	69.3	981.9	\$325.7	70.0					
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	Projection	46,542.2	1,000.0	6,522.3	29,652.3	100.7	0.0	377.0	150.8	4,369.4	4,369.4			0.0
FY08	Projection	\$45,571.7	\$10,000.0	\$6,386.2	\$20,011.5	\$100.7	\$0.0	\$369.1	\$147.7	\$4,278.3	\$4,278.3			\$0.0

TOBACCO PRODUCTS TAX

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

Idaho levies a 35% tax on the wholesale price of tobacco products, except for 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 \$250,000 appropriated to Idaho State Police. 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 Poll. Control	General. Fund	Public School Income	Dept. of Juvenile Corr.
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% ¹	2.5%
Jul-2000	0.0%	35.0%	2.5% ¹	2.5%

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

Basis of Projection:

The projections of General Fund revenues from this source for FY 2007 and FY 2008 are based on a subjective assessment of recent collections history, Idaho population growth, inflation, and the trend of reduced consumption of tobacco products.

Historical Data:

TOBACCO TAX
\$ THOUSANDS

Year		Gross Collections	Distributions				
			Gen. Fund	Refunds	Water Pollution Fund	Public School Income Fund	County Juvenile Probation Fund
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	Projection	7,343.3	6,400.0	29.0	0.0	457.1	457.1
FY08	Projection	\$7,571.8	\$6,600.0	\$29.0	\$0.0	\$471.4	\$471.4

BEER TAX

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

A total 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 considered to be wine for tax purposes. Of the total beer tax, 20% is distributed to the Alcoholism Treatment Fund, 33% to the Permanent Building Fund, and the remainder (47%) to the General Fund. Historical rates of the tax and its distribution are listed below.

BEER TAX RATE HISTORY AND DISTRIBUTION MECHANISM

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.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2007 and FY 2008 are based on an assessment of recent collections, the slow decline in per capita beer consumption, and Idaho population growth.

Historical Data:

BEER TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions			Alcoholism Treatment Fund
			Gen. Fund	Perm. Building Fund	Refunds	
FY70	Actual	\$1,989.6	\$1,326.5	\$663.1		
FY71	Actual	2,097.3	1,398.3	699.1		
FY72	Actual	2,316.1	1,544.1	772.0		
FY73	Actual	2,564.2	1,709.6	854.5		
FY74	Actual	2,690.0	1,793.4	896.5		
FY75	Actual	2,938.3	1,959.0	979.3		
FY76	Actual	3,062.9	2,023.2	1,011.6	\$28.1	
FY77	Actual	3,241.1	2,144.3	1,072.0	24.8	
FY78	Actual	3,326.7	2,200.7	1,100.3	25.7	
FY79	Actual	3,466.0	2,291.6	1,145.7	28.6	
FY80	Actual	3,516.2	2,326.4	1,163.2	26.6	
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	Projection	4,576.5	2,150.0	1,509.6	2.0	914.9
FY08	Projection	\$4,746.7	\$2,230.0	\$1,565.7	\$2.0	\$948.9

WINE TAX

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

A tax of \$0.45 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 Alcoholism Treatment Fund, 5% to the Idaho Grape Growers and Wine Producers Commission Fund, and the remainder (83%) to the General Fund. Historical rates of the tax and its distribution are listed in the table below.

WINE TAX RATE HISTORY AND DISTRIBUTION MECHANISM

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.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2007 and FY 2008 are based on a subjective assessment of recent collection history, the trend toward lower wine consumption per capita, the rising popularity of microbrewery beers, and Idaho population growth.

Historical Data:

WINE TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Gen. Fund	Refunds	Alcoholism Treatment Fund ID Grape Growers & Wine Producers Commission	
FY70	Actual	\$0.0	\$0.0			
FY71	Actual	0.0	0.0			
FY72	Actual	394.9	394.9			
FY73	Actual	437.1	437.1			
FY74	Actual	425.5	425.5			
FY75	Actual	457.7	457.7			
FY76	Actual	488.5	470.7	\$17.8		
FY77	Actual	502.3	485.6	16.7		
FY78	Actual	591.6	573.0	18.6		
FY79	Actual	652.5	632.1	20.4		
FY80	Actual	657.6	629.5	28.1		
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	Projection	2,956.8	2,450.0	5.0	354.2	147.6
FY08	Projection	\$3,017.0	\$2,500.0	\$5.0	\$361.4	\$150.6

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. Power 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:

Kilowatt-hour tax receipts for FY 2007 and FY 2008 are based on an assessment of recent collection history in comparison to river flows, water availability, and changes in power generation capacity.

Historical Data:

KILOWATT-HOUR TAX

(\$ THOUSANDS)

Year		Gross Collections	Distributions	
			Refunds	Gen. Fund
FY70	Actual	\$403.3		\$403.3
FY71	Actual	575.0		575.0
FY72	Actual	550.3		550.3
FY73	Actual	826.1		826.1
FY74	Actual	592.8		592.8
FY75	Actual	408.1		408.1
FY76	Actual	1,255.7	\$88.4	1,167.3
FY77	Actual	597.1	0.1	597.0
FY78	Actual	510.4	0.0	510.4
FY79	Actual	1,651.8	0.0	1,651.8
FY80	Actual	1,404.9	0.0	1,404.9
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	Projection	2,600.0	0.0	2,600.0
FY08	Projection	2,300.0	0.0	2,300.0

MINE LICENSE TAX

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

Revenue is derived from a 1% "profit" tax on Idaho mining operations. For mining operations without a cyanidation facility, sixty-six percent of the collections accrue to the General Fund and the remainder (34%) goes to the Abandoned Mine Reclamation Fund. The distribution for the mine license tax collected from mining operations with cyanidation facilities is slightly different. Thirty-three percent of the tax collections from operations with a cyanidation facility are distributed to the General Fund, thirty-three percent goes to the Cyanidation Facility Closure Fund, and the remainder (34%) goes to the Abandoned Mine Reclamation Fund. 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. The sharp General Fund increase in FY 1999 and the sharp refund increase in FY 2000 are due to a large payment (\$1.25 million) that was made under protest in FY 1999 then refunded in FY 2000.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2007 and FY 2008 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
FY70	Actual	\$264.1				\$264.1
FY71	Actual	268.2				268.2
FY72	Actual	152.9				152.9
FY73	Actual	73.9				73.9
FY74	Actual	192.8				192.8
FY75	Actual	482.0				482.0
FY76	Actual	413.6	\$8.1			405.5
FY77	Actual	203.2	0.4			202.8
FY78	Actual	273.5	4.3			269.2
FY79	Actual	552.3	1.4			551.0
FY80	Actual	1,905.9	0.4			1,905.5
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	Projection	3,642.0	6.0	0.0	1,236.0	2,400.0
FY08	Projection	\$233.3	\$6.0	\$0.0	\$77.3	\$150.0

ESTATE AND TRANSFER TAX

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

The Idaho Estate and Transfer Tax is a “Pick Up” tax. The federal code allows 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 is equal to this credit. The Federal Economic Growth and Tax Relief Reconciliation Act of 2001 phased out this credit so that it does not apply to any deaths after 2004. As a result, the amount of Idaho Estate and Inheritance Tax collected will eventually disappear. Ten percent of the amount collected is distributed to the county of probate and the remainder, net of refunds, accrues to the state’s General Fund.

ESTATE AND TRANSFER TAX DISTRIBUTION HISTORY

Effective Date	Counties	Refunds	Water Poll. Control	Water Resources Conservation	General
Mar-1929	10%	Actual	0%	0%	90%
Jul-1969	50%	Actual	0%	0%	50%
Jul-1970	10%	Actual	90%	0%	0%
Jul-1972	10%	5% ¹	85%	0%	0%
Jul-1979	10%	5% ¹	85%	\$435,000 ²	0%
Apr-1980	10%	5% ¹	85%	\$105,000 ³	0%
Jul-1986	10%	Actual	80%	10%	0%
Jul-1987	10% ⁴	Actual	Balance	10%	0%
Jul-2000	10% ⁴	Actual	0%	0%	Balance

1. 5% up to a cap of \$50,000. Excess to Water Pollution Control Fund.

2. First \$435,000 collected earmarked for Water Resources Conservation & Development Trust Account.

3. \$105,000 transferred to the Water Resources Conservation & Development Trust Account.

4. 10% of Estate Tax collected before refunds.

Basis of Projection:

The FY 2007 and FY 2008 General Fund revenue projection for this source is based on a trend analysis of past collections, the impacts of the Federal Economic Growth and Tax Relief and Reconciliation Act of 2001, and judgment.

Historical Data:

ESTATE AND TRANSFER TAX

% THOUSANDS

Year		Gross Collections	Distributions				
			Gen. Fund	Refunds	Counties	Resource Conservation	Water Pollution Fund
FY70	Actual		0.0			0.0	0.0
FY71	Actual		0.0			0.0	0.0
FY72	Actual		0.0			0.0	0.0
FY73	Actual		0.0			0.0	0.0
FY74	Actual		0.0			0.0	0.0
FY75	Actual		0.0			0.0	0.0
FY76	Actual		0.0			0.0	0.0
FY77	Actual		0.0			0.0	0.0
FY78	Actual		0.0			0.0	0.0
FY79	Actual		0.0			0.0	0.0
FY80	Actual		0.0			0.0	0.0
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	\$3,071.7	\$0.0	\$207.2	\$286.5	\$0.0	\$2,578.1
FY87	Actual	1,489.6	0.0	137.7	148.9	135.2	1,067.9
FY88	Actual	3,831.9	0.0	70.8	383.2	355.7	3,022.2
FY89	Actual	1,853.2	0.0	63.1	185.3	160.5	1,444.3
FY90	Actual	1,848.3	0.0	104.4	186.4	155.7	1,401.7
FY91	Actual	2,364.4	0.0	299.0	236.4	182.9	1,646.1
FY92	Actual	20,449.8	0.0	103.4	2,044.4	1,830.2	16,471.8
FY93	Actual	5,143.5	0.0	331.1	532.0	428.0	3,852.4
FY94	Actual	6,844.8	0.0	122.9	684.5	603.7	5,433.6
FY95	Actual	7,350.3	0.0	270.2	735.0	634.5	5,710.6
FY96	Actual	6,342.7	0.0	240.6	634.3	546.8	4,921.0
FY97	Actual	4,168.0	0.0	116.0	416.8	363.5	3,271.7
FY98	Actual	9,124.1	0.0	499.8	912.4	771.2	6,940.7
FY99	Actual	11,494.7	0.0	374.7	1,149.5	997.1	8,973.5
FY00	Actual	11,454.1	0.0	371.1	1,145.4	993.8	8,943.8
FY01	Actual	41,376.3	35,806.8	1,431.9	4,137.6	0.0	0.0
FY02	Actual	9,070.7	7,589.0	574.7	907.1	0.0	0.0
FY03	Actual	15,577.0	13,649.2	370.0	1,557.7	0.0	0.0
FY04	Actual	6,233.9	4,430.6	1,179.9	623.4	0.0	0.0
FY05	Actual	6,378.0	3,296.6	2,443.6	637.8	0.0	0.0
FY06	Actual	1,541.0	1,110.4	276.5	154.1	0.0	0.0
FY07	Projection	222.0	200.0	0.0	22.0	0.0	0.0
FY08	Projection	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

LIQUOR SURCHARGE

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

Gross revenue is derived from liquor sold by the State Liquor Dispensary. Two percent of gross liquor revenue is dedicated to the Drug Court and Family Court Services Fund. From FY2006 to FY2009, 60% of the Liquor Dispensary's net profits are distributed to cities and counties. The remaining 40% of net profits are distributed as follows: \$1.8 million to cities and counties, \$1.2 million to the Alcoholism Treatment Fund, \$0.3 million to the Community College Fund, \$1.2 million to the Public School Income Fund, and \$0.65 million to the Cooperative Welfare Fund, and the remainder of this portion to the General Fund.

The distribution formula changes beginning with FY2010. Over the five-year period covering FY2010 to FY2014, the cities and counties 60% share of net profits will drop by two-percentage points per year to 50%. The other 40% share of profits will rise annually in two-percentage points increments to 50% over this same period. This portion of the total net profits will be distributed as follows: \$1.2 million to the Alcoholism Treatment Fund, \$0.3 million to the Community College Fund, \$1.2 million to the Public School Income Fund, and \$0.65 million to the Cooperative Welfare Fund, and the remainder of this portion to the General Fund.

Historical Data:

LIQUOR SURCHARGE

(\$ THOUSANDS)

Year		Gross Distribu.	Distributions																	
			General Fund	Alcohol Treat. Fund	Community College Fund	Coop. Welfare Fund	Public School Fund	Budget Reserve Fund	Permanent Building Fund	Drug Court & Family Court Services Fund	Water Resources Revolving Development Fund	Cities & Counties								
FY70	Actual	\$7,116.0	\$1,910.4																	
FY71	Actual	8,228.1	2,005.5																	
FY72	Actual	8,686.9	2,401.0																	
FY73	Actual	10,497.1	2,814.7																	
FY74	Actual	10,739.6	2,961.7																	
FY75	Actual	9,445.4	2,517.4																	
FY76	Actual	11,371.8	2,786.1																	
FY77	Actual	10,569.5	2,883.4																	
FY78	Actual	11,241.4	3,192.7																	
FY79	Actual	12,138.3	3,369.9																	
FY80	Actual	13,490.0	3,529.6																	
FY81	Actual	14,378.7	3,741.8																	
FY82	Actual	12,914.8	3,948.1																	
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	27,748.4	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0			2,093.4		0.0						17,360.0
FY07	Projection	38,575.0	10,242.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0			2,500.0		0.0						22,483.0
FY08	Projection	40,813.0	10,795.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0			2,750.0		0.0						23,918.0

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, U.S. 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 United States Small Business Administration Loans.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2007 and FY 2008 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2007 projection includes approximately \$3.6 million of earnings by the Treasurer from the issuance of a tax anticipation note. The FY 2008 projection does not include tax anticipation note earnings.

COURT FEES AND FINES

Description: (Sections 1-402 and 19-4705, *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.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2007 and FY 2008 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*)

In 2004 legislation was passed to phase in a single insurance premium tax rate of 1.5% by calendar 2010 for net direct insurance premiums written in the state. The 2.75% insurance premium tax rate reduces to 1.5% points over the six-year period beginning with calendar year 2005. Specifically, the insurance premium tax is 2.5% in calendar 2005, 2.3% in calendar year 2006, 2.1% in calendar year 2007, 1.9% in calendar year 2008, 1.7% in calendar year 2009, and 1.5% in calendar year 2010. This same legislation gradually increases the reduced rate for companies holding Idaho-based assets from 1.4% to 1.5% over the five-year period beginning with calendar year 2006. The reduced rate is 1.4% in calendar year 2005, 1.42% in calendar year 2006, 1.44% in calendar year 2007, 1.46% in calendar year 2008, 1.48% in calendar year 2009, and 1.5% in calendar year 2010. The percent of a company's assets invested in Idaho required for the reduced rate is 25% in calendar year 2005, 20% in calendar year 2006, 15% in calendar year 2007, 10% in calendar year 2008, 5% in calendar year 2009, and 0% in calendar year 2010. The premium tax rate for surplus lines of insurance is 2.75% through calendar year 2006 and 1.5% beginning with calendar year 2007.

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 with the filing in March. The fire insurance premium tax collections are dedicated to the Firemen's Retirement Fund.

The Department of Insurance collects a variety of filing and license fees. These revenues are dedicated to the Insurance Administration Fund to fund operations of the Department of Insurance. At the beginning of each succeeding fiscal year, any balance in the Insurance Administration Fund exceeding the current year appropriation by 25% is transferred to the General Fund. Any such transfer is not included in the Insurance Premium Tax, but is recorded as a miscellaneous agency transfer.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2007 and FY 2008 are based on forecasts of insurance premium growth, trends in insurance rates and coverage, agency records of insurers qualifying for the lower rate, and company insolvencies that result in credits taken for guaranty association assessments. These variables and parameters are then 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*)

Revenue is derived from the sale of alcoholic beverage licenses to retailers, wholesalers, and manufacturers at a standard fee.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2007 and FY 2008 are based on a subjective assessment of recent collection history and Idaho population growth.

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 the like accrue to the state after certain holding periods. Beginning in FY 1983, amounts in the Unclaimed Property Fund exceeding \$100,000 were transferred to the General Fund. Prior to that time, the excess was transferred to the Permanent Building Fund. Beginning in FY 1995, the Tax Commission transferred amounts in the Unclaimed Property Fund exceeding \$250,000 to the General Fund. The holding period before most types of financial properties are considered abandoned is five years.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

Projections of unclaimed property are based on a subjective assessment of recent collection history.

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 many other miscellaneous fees, such as Uniform Commercial Code (UCC) filing fees and notary fees. From July 1, 1996 to June 30, 2000, most of the revenue collected accrued to the Commercial Affairs Administrative Fund. Since the beginning of fiscal year 2001, these monies accrue to the General Fund.

For historical 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 Administration, and Department of Agriculture. Other agencies provide lesser amounts on a sporadic basis. Environmental violation penalties assessed by the Department of Environmental Quality are an irregular income source. The annual transfer to the General Fund from the Federal Power Act (through the State Treasurer) is also included. However, the unpredictable nature of other items included in this source is evidenced by the collection history.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of miscellaneous General Fund revenues for FY 2007 and FY 2008 are based on a subjective assessment of recent collection history and expected transfers.

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
FY70	Actual	\$0.0	\$3,216.1	\$1.8	\$4,831.5	\$444.2	\$0.0	\$873.6	\$15.3	\$955.5	\$502.6
FY71	Actual	0.0	3,151.1	310.5	5,345.7	477.3	0.0	683.7	22.9	0.0	663.0
FY72	Actual	0.0	2,172.5	868.1	6,024.1	526.0	0.0	834.6	32.7	1,000.0	757.3
FY73	Actual	0.0	3,055.8	1,056.4	6,664.1	530.6	0.0	1,192.1	100.3	1,500.0	423.2
FY74	Actual	0.0	5,895.8	1,188.1	7,471.6	555.0	0.0	935.2	40.6	0.0	881.8
FY75	Actual	0.0	7,790.3	1,141.5	7,945.6	573.4	0.0	1,130.2	92.4	0.0	540.1
FY76	Actual	0.0	7,013.4	1,242.0	8,915.8	593.0	0.0	1,051.3	103.9	1,000.0	499.1
FY77	Actual	0.0	5,529.3	1,268.1	10,693.5	624.7	0.0	986.3	100.6	0.0	525.6
FY78	Actual	0.0	5,465.2	1,446.6	12,175.2	654.4	0.0	1,536.3	59.2	0.0	588.7
FY79	Actual	0.0	7,382.4	1,618.6	13,555.0	670.4	0.0	1,181.8	286.1	0.0	559.5
FY80	Actual	0.0	12,946.3	1,894.8	14,894.7	719.6	0.0	1,521.9	136.0	0.0	574.5
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
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
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
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
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
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
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
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
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
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
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
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
FY00	Actual	0.0	21,559.7	5,305.7	46,431.9	1,300.2	2,308.2	22.3	703.1	574.8	12,149.7
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	8,075.0	12,294.8
FY02	Actual	7,589.0	11,334.6	5,188.3	55,370.9	1,363.8	880.7	2,031.8	347.9	15,416.4	8,005.0
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	14,461.3	5,668.4
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	71,912.9	2,330.0
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	2,033.6	22,964.5
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	813.2	21,616.1
FY07	Projection	200.0	12,800.0	5,000.0	59,393.0	1,660.0	2,500.0	3,200.0	350.0	1,025.4	26,433.8
FY08	Projection	\$0.0	\$9,300.0	\$5,100.0	\$59,097.0	\$1,700.0	\$2,500.0	\$3,250.0	\$375.0	\$224.4	\$26,954.5

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 off-setting transfer of \$1,000,000 borrowed and repaid by the Lottery Commission.
5. Includes on-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 for budget relief and \$17.1 million from Division of Financial Management for recovery of cost allocation expenses.
18. Includes \$13.6 million from Division of Financial Management for recovery of cost allocation expenses.
19. Includes \$13.3 million from Division of Financial Management for recovery of cost allocation expenses.
20. Includes \$16.7 million from Division of Financial Management for recovery of cost allocation expenses and \$0.77 million one-time interest payment.
21. Includes \$19.2 million from Division of Financial Management for recovery of cost allocation expenses.

Idaho's Tax Structure

Exemptions, Credits, Exclusions, and Deductions

INTRODUCTION

This report is a comprehensive 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 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. It is not an attempt to judge the merits of any particular tax expenditure.

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 consumption (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.

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, the practical ramifications prevent Idaho from making large deviations from federal tax law. Consequently, 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 is intended to apply 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's because all income that falls into a particular bracket is taxed at that bracket's rate, regardless of the overall income (or any other characteristic) of the taxpayer.

This report includes estimates of the cost of each tax expenditure. 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. It should be noted that in many cases even the fiscal estimates based on the actual tax structure are difficult to produce. Attempting to factor in behavioral adjustments can add a substantial amount of complexity 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 a 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. The 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.

In many cases, tax expenditures have an alternative, appropriation-based method for accomplishing the policy objective behind the tax expenditure. Often, the appropriation-based alternative will have significant differences (relative to the tax expenditure) in terms of overhead cost and public policy ramifications.

Overhead cost comparisons associated with tax expenditures vs. appropriations depend on the specific circumstances of the particular tax expenditure/appropriation alternative being considered, and the “value” of both is difficult to examine.

This is particularly the case with sales and income tax expenditures that are made in the context of confidential tax returns. This means that the beneficiaries are only known to the tax authorities. The secrecy 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 a tax expenditure that in itself increases 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 7.6% on corporate income and a maximum of 7.8% on individual income. Rates on individuals vary from a low of 1.6% to a top rate of 7.8%. Idaho's individual income tax brackets are adjusted each year for inflation. (See page 27 for a delineation of current and historic Idaho individual income tax rates and brackets.)

The tax expenditures granted under the income tax can be classified into two principle categories: exemptions based on the source of income (exclusions); and exemptions based on the use of income (deductions and credits). Source exemptions include interest from 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 with regard 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 adjusted gross 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
New Employee Credit
Riparian Land Improvements Credit (Sunsets 2002)
Broadband Investment Credit
County Incentive Investment Tax Credit (only 2001)
Research Activity Credit
Promoter Sponsored Events Credit
Corporate Headquarters Investment Credit (2005-2009)
Corporate Headquarters Real Property Improvement Credit (2005-2009)
Corporate Headquarters New Jobs Credit (2005-2009)
Small Employer Capital Investment Credit (2006-2010)
Small Employer Real Property Improvement Credit (2006-2010)
Small Employer New Jobs Credit (2006-2010)
Live Organ Donation Expenses Credit

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

SALES AND USE TAX

The Idaho sales tax is a 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.

Idaho's sales tax rate is 6%. No partial exemptions exist. That is, nothing is taxed at a rate below 6% but above 0%.

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 (and therefore are excluded from this compilation of tax expenditures) are "Hotels and Other Lodging Places", "Amusement and Recreation Services", and "Admissions."

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
- Food Stamps/WIC
- Motor Vehicles Used Outside of Idaho
- 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 Snowgrooming Equipment
Clean Rooms
Alternative Electricity-Producing Equipment
Research and Development Equipment
Corporate Headquarters Construction (2005-2009)
Small Employer Headquarters Construction (2006-2010)
Glider Kit Vehicles
Media Production Projects

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

Goods Not Taxed

Motor Fuels
Heating Materials
Utility Sales
Used Mobile 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

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

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 Non-Retailers (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

	CY2003	CY2004	CY2005	CY2006	CY2007	CY2008
1 Income Tax Expenditures (Calendar Year Basis)						
1.1 Uses of Income Not Taxed						
1.1.01 Investment Tax Credit	\$22,661	\$31,976	\$34,693	\$37,040	\$39,010	\$41,441
1.1.02 Other States Tax Credit	\$30,644	\$41,842	\$44,582	\$48,496	\$52,027	\$55,163
1.1.03 Elderly Dependent Credit	\$455	\$482	\$497	\$513	\$529	\$547
1.1.04 Youth and Rehabilitation Credit	\$7,164	\$7,838	\$8,193	\$8,947	\$9,704	\$10,473
1.1.05 Schools, Libraries, and Museums Credit	\$3,685	\$3,871	\$4,125	\$4,487	\$4,814	\$5,104
1.1.06 Grocery Credit	\$23,909	\$24,493	\$25,144	\$25,809	\$26,391	\$26,947
1.1.07 Recycling Equipment Credit	\$11	\$8	\$22	\$22	\$22	\$22
1.1.08 Technological Equipment Deduction	\$45	\$50	\$53	\$58	\$62	\$65
1.1.09 Long-Term Care Insurance Deduction	\$668	\$772	\$824	\$876	\$930	\$979
1.1.10 Alternative Energy Device Deduction	\$224	\$231	\$245	\$266	\$285	\$301
1.1.11 Insulation Deduction	\$492	\$469	\$497	\$540	\$577	\$610
1.1.12 Workers' Compensation Premium Deduction	\$400	\$400	\$400	\$400	\$400	\$400
1.1.13 Child Care Deduction	\$3,480	\$3,577	\$3,627	\$3,681	\$3,720	\$3,764
1.1.14 College Savings Deduction	\$1,065	\$1,249	\$1,268	\$1,288	\$1,309	\$1,329
1.1.15 Health Insurance Deduction	\$7,904	\$8,495	\$9,051	\$9,620	\$10,202	\$10,723
1.1.16 Elderly and Developmental Disability Deduction	\$9	\$9	\$9	\$9	\$9	\$9
1.1.17 Adoption Expense Deduction	\$62	\$55	\$48	\$48	\$48	\$48
1.1.18 Medical Savings Account Deduction	\$1,042	\$1,052	\$1,117	\$1,212	\$1,296	\$1,370
1.1.19 New Employees Credit	\$88	\$190	\$1,510	\$1,510	\$1,510	\$1,510
1.1.20 Riparian Land Improvements Credit	<i>Sunset</i>	<i>Sunset</i>	<i>Sunset</i>	<i>Sunset</i>	<i>Sunset</i>	<i>Sunset</i>
1.1.21 Broadband Investment Credit	\$1,059	\$2,642	\$2,867	\$3,061	\$3,224	\$3,425
1.1.22 County Incentive Investment Tax Credit	\$666	<i>Sunset</i>	<i>Sunset</i>	<i>Sunset</i>	<i>Sunset</i>	<i>Sunset</i>
1.1.23 Research Activity Credit	\$417	\$884	\$959	\$1,250	\$1,316	\$1,399
1.1.24 Promoter Sponsored Events Credit	\$5	\$3	\$15	\$15	\$15	\$15
1.1.25 Corporate Headquarters Investment Credit	\$0	\$0	\$0	\$0	\$0	\$0
1.1.26 Corporate Headquarters Real Property Improvement Credit	\$0	\$0	\$0	\$0	\$0	\$0
1.1.27 Corporate Headquarters New Jobs Credit	\$0	\$0	\$0	\$0	\$0	\$0
1.1.28 Small Employer Capital Investment Credit	\$0	\$0	\$75	\$104	\$132	\$161
1.1.29 Small Employer Real Property Improvement Credit	\$0	\$0	\$125	\$154	\$182	\$211
1.1.30 Small Employer New Jobs Credit	\$0	\$0	\$225	\$254	\$282	\$311
1.1.31 Live Organ Donation Expenses Credit	\$0	\$0	\$0	\$0	\$15	\$15
1.2 Sources of Income Not Taxed						
1.2.01 Capital Gains Exclusion	\$16,757	\$28,228	\$30,048	\$33,160	\$35,007	\$37,080
1.2.02 Government Interest Exclusion	\$2,907	\$2,840	\$2,959	\$3,195	\$3,460	\$3,723
1.2.03 Social Security Exclusion	\$24,017	\$27,768	\$29,669	\$31,484	\$33,394	\$35,413
1.2.04 Railroad Retirement Exclusion						
1.2.05 Retirement Benefit Exclusion	\$3,950	\$4,040	\$4,302	\$4,557	\$4,825	\$5,084
1.2.06 Idaho Lottery Winnings Exclusion	\$4,252	\$4,322	\$4,394	\$4,467	\$4,542	\$4,618
1.2.07 Indian Earnings on Reservation Exclusion	\$399	\$439	\$467	\$508	\$545	\$578
1.2.08 World War II Reparations Exclusion	\$0	\$0	\$0	\$0	\$0	\$0
1.2.09 Marriage Penalty Deduction	\$0	\$0	\$0	\$0	\$0	\$0

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
2 Sales Tax Expenditures (Fiscal Year Basis)						
2.1 Specific Uses Not Taxed						
2.1.01 Production Exemption - Equipment	\$68,002	\$73,555	\$79,098	\$83,578	\$88,646	\$94,568
2.1.02 Production Exemption - Supplies	\$51,478	\$55,681	\$59,877	\$63,269	\$67,105	\$71,588
2.1.03 Irrigation Equipment and Supplies	\$3,217	\$3,298	\$3,380	\$3,465	\$3,551	\$3,640
2.1.04 Pollution Control Equipment	\$3,756	\$4,201	\$4,859	\$8,750	\$8,757	\$8,841
2.1.05 Broadcast Equipment and Supplies	\$1,856	\$2,007	\$2,158	\$2,276	\$2,414	\$2,575
2.1.06 Publishing Equipment and Supplies	\$119	\$129	\$138	\$146	\$155	\$165
2.1.07 Commercial Aircraft	\$1,890	\$1,890	\$1,890	\$1,890	\$1,890	\$1,890
2.1.08 Railroad Rolling Stock and Remanufacturing	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550
2.1.09 Interstate Trucks	\$6,865	\$7,061	\$7,002	\$6,977	\$6,959	\$7,210
2.1.10 Out-of-State Contracts	\$3,093	\$3,345	\$3,597	\$3,793	\$4,023	\$4,291
2.1.11 Trade-in Value	\$29,306	\$30,146	\$29,892	\$29,787	\$29,711	\$30,780
2.1.12 Sale or Lease of Businesses or Business Assets	\$1,468	\$1,587	\$1,707	\$1,800	\$1,909	\$2,037
2.1.13 Food Stamps/WIC	\$6,266	\$7,012	\$7,562	\$7,902	\$8,314	\$8,718
2.1.14 Motor Vehicles Used Outside of Idaho	\$16,369	\$16,838	\$16,697	\$16,638	\$16,595	\$17,193
2.1.15 Common Carrier Purchases and Out-of-State Sales	NA	NA	NA	NA	NA	NA
2.1.16 Donations of Real Property to Idaho Government	\$4	\$4	\$4	\$4	\$4	\$4
2.1.17 Incidental Sales of Tangible Personal Property	\$12	\$12	\$12	\$12	\$12	\$12
2.1.18 Lodging, Eating, and Drinking Places	\$60	\$64	\$70	\$73	\$76	\$79
2.1.19 School Lunches and Senior Citizen Meals	\$2,628	\$2,888	\$3,027	\$3,170	\$3,313	\$3,455
2.1.20 Drivers Education Automobiles	\$39	\$38	\$38	\$39	\$39	\$39
2.1.21 Ski Lifts and Snowgrooming Equipment	\$600	\$600	\$600	\$600	\$600	\$600
2.1.22 Clean Rooms	\$480	\$480	\$480	\$480	\$480	\$480
2.1.23 Alternative Electricity-Producing Equipment	\$0	\$1,276	\$2,550	\$2,550	\$2,550	\$2,550
2.1.24 Research and Development Equipment	\$0	\$1,200	\$7,200	\$7,200	\$7,200	\$7,200
2.1.25 Corporate Headquarters Construction	\$0	\$0	\$0	\$0	\$0	\$0
2.1.26 Small Employer Headquarters Construction	\$0	\$0	\$90	\$90	\$90	\$90
2.1.27 Glider Kit Vehicles	\$0	\$0	\$0	\$288	\$287	\$298
2.1.28 Media Production Projects	\$0	\$0	\$0	\$0	\$60	\$63
2.2 Goods Not Taxed						
2.2.01 Motor Fuels	\$79,027	\$117,594	\$146,885	\$147,779	\$150,648	\$153,186
2.2.02 Heating Materials	\$3,588	\$4,208	\$4,736	\$4,714	\$4,500	\$4,424
2.2.03 Utility Sales	\$73,697	\$75,908	\$78,185	\$80,530	\$82,946	\$85,435
2.2.04 Used Mobile Homes	\$2,760	\$2,760	\$2,760	\$2,760	\$2,760	\$2,760
2.2.05 Vending Machines and Amusement Devices	\$0	\$0	\$0	\$0	\$0	\$0
2.2.06 Prescriptions and Durable Medical Equipment	\$41,438	\$45,538	\$49,867	\$55,248	\$61,674	\$69,869
2.2.07 Funeral Caskets	\$1,067	\$1,138	\$1,173	\$1,208	\$1,244	\$1,281
2.2.08 Containers	\$28	\$30	\$32	\$34	\$35	\$37
2.2.09 Nonprofit Literature	\$116	\$118	\$122	\$125	\$127	\$130
2.2.10 Official Documents	\$57	\$59	\$60	\$62	\$63	\$64
2.2.11 Precious Metal Bullion	\$558	\$558	\$558	\$558	\$558	\$558
2.2.12 Idaho Commemorative Silver Medallions	\$2	\$2	\$2	\$2	\$2	\$2
2.2.13 New Manufactured Homes or Modular Buildings	\$1,850	\$1,919	\$2,009	\$2,128	\$2,211	\$2,299
2.2.14 Telecommunications Equipment	\$795	\$875	\$962	\$1,058	\$1,164	\$1,280

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009
2.3 Services Not Taxed						
2.3.01 Construction	\$113,132	\$138,110	\$160,530	\$162,712	\$162,589	\$163,255
2.3.02 Agricultural and Industrial Services	\$2,670	\$2,718	\$2,772	\$2,836	\$2,889	\$2,944
2.3.03 Transportation Services	\$27,321	\$28,302	\$29,655	\$31,133	\$32,793	\$34,659
2.3.04 Information Services	\$62,331	\$63,655	\$65,506	\$67,058	\$68,520	\$69,915
2.3.05 Repairs	\$35,502	\$37,796	\$40,065	\$42,513	\$44,829	\$47,320
2.3.06 Professional Services	\$116,522	\$124,051	\$131,500	\$139,533	\$147,134	\$155,312
2.3.07 Business Services	\$90,638	\$96,494	\$102,289	\$108,537	\$114,450	\$120,811
2.3.08 Personal Services	\$7,798	\$8,301	\$8,800	\$9,337	\$9,846	\$10,393
2.3.09 Health and Medical Services	\$268,763	\$288,285	\$308,145	\$327,781	\$347,681	\$366,874
2.3.10 Social Services	\$42,093	\$45,151	\$48,261	\$51,336	\$54,453	\$57,459
2.3.11 Educational Services	\$29,522	\$31,430	\$33,317	\$35,352	\$37,278	\$39,350
2.3.12 Lottery Tickets and Pari-Mutuel Betting	\$6,846	\$7,057	\$7,284	\$7,511	\$7,738	\$7,992
2.3.13 Media Measurement Services	\$56	\$57	\$59	\$61	\$63	\$65
2.3.14 Miscellaneous Services	\$2,026	\$2,157	\$2,301	\$2,456	\$2,590	\$2,734
2.3.15 Nonprofit Shooting Range Fees	\$0	\$0	\$15	\$30	\$32	\$33
2.4 Specific Entities Not Taxed						
2.4.01 Educational Institution Purchases	\$6,282	\$7,086	\$8,343	\$8,690	\$8,980	\$9,232
2.4.02 Hospital Purchases	\$17,030	\$18,267	\$19,525	\$20,769	\$22,030	\$23,246
2.4.03 Health Entity Purchases	\$297	\$317	\$337	\$354	\$370	\$389
2.4.04 Canal Company Purchases	\$858	\$881	\$909	\$928	\$946	\$964
2.4.05 Forest Protective Association Purchases	\$38	\$39	\$40	\$41	\$42	\$42
2.4.06 Food Bank Purchases	\$213	\$226	\$241	\$253	\$265	\$278
2.4.07 Nonsale Clothier Purchases	\$1	\$1	\$1	\$1	\$1	\$1
2.4.08 Centers for Independent Living	\$4	\$4	\$5	\$5	\$5	\$5
2.4.09 State of Idaho and Local Government Purchases	\$22,090	\$25,032	\$29,106	\$30,882	\$31,415	\$31,868
2.4.10 Ronald McDonald House Rooms	\$1	\$1	\$1	\$1	\$1	\$1
2.4.11 INL Research and Development Purchases	\$3,730	\$4,047	\$4,374	\$4,714	\$4,961	\$5,275
2.4.12 Motor Vehicle Purchases by Family Members	\$1,921	\$1,976	\$1,959	\$1,952	\$1,947	\$2,017
2.4.13 Sales by 4-H and FFA Clubs at Fairs	\$28	\$28	\$28	\$28	\$28	\$28
2.4.14 Sales by Non-Retailers (Yard and Occasional Sales)	\$2,432	\$2,590	\$2,759	\$2,897	\$3,029	\$3,183
2.4.15 Sales by Indian Tribes on Reservations	\$3,837	\$4,120	\$4,481	\$4,662	\$4,864	\$5,084
2.4.16 Sales of Meals by Churches to Members	\$10	\$11	\$12	\$12	\$13	\$13
2.4.17 Sales by Outfitters and Guides	\$16	\$16	\$16	\$16	\$16	\$16
2.4.18 Sales Through Vending Machines	\$1,915	\$2,050	\$2,211	\$2,310	\$2,431	\$2,549
2.4.19 Auto Manufacturer Rebates	\$634	\$652	\$646	\$644	\$642	\$666
2.4.20 Incidental Sales by Churches	\$609	\$649	\$691	\$726	\$759	\$797
2.4.21 Federal Excise Tax Imposed at Retail Level	NA	NA	NA	NA	NA	NA
2.4.22 Federal Constitutional Prohibitions	NA	NA	NA	NA	NA	NA
2.4.23 Other Federal and State Statutory Prohibitions	NA	NA	NA	NA	NA	NA
2.4.24 Volunteer Fire Departments and Emergency Medical Services Agencies	\$139	\$148	\$157	\$165	\$173	\$181
2.4.25 Senior Citizens Centers	\$33	\$35	\$37	\$39	\$41	\$43
2.4.26 Blind Services Foundation, Inc.	\$0	\$8	\$6	\$7	\$7	\$7
2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault	\$0	\$0	\$0	\$8	\$9	\$9
2.4.28 Free Dental Clinics	\$0	\$0	\$0	\$9	\$9	\$10
2.4.29 Museums	\$0	\$0	\$0	\$180	\$188	\$198

TAX STRUCTURE DETAIL

Specific Idaho tax expenditures are detailed in the sections below. Each section contains the expenditure's *Idaho Code* reference, a brief description of its features, 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 deductions from the tax itself that are expressed either as a percentage of some qualifying amount or as a lump sum. Credits may be further divided into those that are refundable, meaning that they can exceed the taxpayer's tax liability and actually lead to a refund, and those that are non-refundable, meaning that 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.

One notable feature that applies to all income tax expenditures is their interaction with federal income tax. Unlike the sales 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 to the taxpayer, \$.35 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 fourteen 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, reduce 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.

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 development 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, the North Idaho Children's Home, the Idaho Youth Ranch, the Children's Home Society of Idaho, Inc., Kinderhaven, Women's and Children's Alliance, Children's Village, Gem Youth Services, Hope House, non-profit centers for independent living located within Idaho, Idaho Drug Free Youth, Inc., the Shepard's Home, Project Safe Place, the Learning Lab, Inc., Project P.A.T.C.H. (Planned Assistance for Troubled Children), or to non-profit 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 carry over provision.

History: The credit was enacted in 1982. Numerous specific entities have been added over the years, including five in 2006: a) the Learning Lab, Inc., b) Project Safe Place, c) Project P.A.T.C.H., d) Idaho Drug Free Youth, Inc., and e) the Shepard's Home.

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

Description: A credit is allowed for 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 State Library; or to non-profit public or private museums located within Idaho. The credit is 50% of the contribution. In the case of individuals, it is limited to 20% of the taxpayer's income tax liability or \$100 whichever is less. In the case of corporations, the credit is limited to 10% of the tax liability or \$1,000 whichever is less.

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. Non-profit museums were added in 1994. The Idaho State Library was added in 1998. University-related research parks were added in 1999.

1.1.06 Grocery Credit *Idaho Code 63-3024A*

Description: This credit is available to every Idaho resident (or part-year resident) who appears as a personal exemption on an Idaho income tax return. It is not available to Idaho residents who do not have sufficient income to meet Idaho's income tax filing requirement unless they are over 62 years of age, are blind, or are a disabled American veteran. The credit amount is \$20 for individuals under 65 years of age, \$35 for individuals 65 years of age or older. Part-year residents are entitled to a proportionate credit reflecting the portion of the year they were domiciled in Idaho. There are no carry-over provisions associated with the grocery credit.

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 resident non-seniors.

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 non-refundable.

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 public 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 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.

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.

History: Enacted in 2001. Amended in 2004 to cover 100% of long-term care insurance premiums. Original deduction applied to 50% 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 in the taxpayer's residence. 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 Division of Environmental Quality.

1.1.11 Insulation Deduction *Idaho Code 63-3022B*

Description: This deduction is for the cost of insulation installed in buildings that "existed" as of January 1, 1976 and served as a residence of the taxpayer. A building "existed" if it was already built, under construction, or subject to an outstanding building permit. The insulation cannot be replacement for existing insulation.

History: Enacted in 1976.

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 (as defined in Chapter 54, Title 33, *Idaho Code*). The deduction is limited to a maximum of \$4,000 per tax year, or \$8,000 per tax year for married couples filing a joint return.

History: Enacted in 2000.

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 \$2,000 per taxpayer (per spouse on joint returns). Other restrictions apply.

History: This deduction was originally enacted in 1994 as Title 41, Chapter 53. Amended in 1995 to eliminate a restriction to high-deductible insurance policies, eliminated administrative responsibilities from the depository institution, and allowed taxpayer funded accounts to qualify. Also, it was moved to 63-3022K in 1995.

1.1.19 New Employees Credit *Idaho Code 63-3029F*

Description: 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 3 years.

History: Enacted in 2000. Amended in 2001 to cover all new employees, but only for tax year 2001. In 2003, the credit limit raised from 45% to 50% of tax otherwise imposed. Expanded in 2004 to include jobs that meet the hourly pay threshold and offer insurance coverage.

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: Enacted in 1997, effective January 1, 1998, sunsets 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% ITC, 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 is transferable (sellable) to other taxpayers.

History: Enacted in 2001, effective January 1, 2001, sunsets 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 14 years.

History: Enacted in 2001, effective January 1, 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 \$5,000,000 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 occurring 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.

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 occurring 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.

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 10 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.

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 through December 31, 2010. 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 thousand 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.

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 through December 31, 2010. 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 thousand 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.

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 through December 31, 2010. This credit is limited to 62.5% of the taxpayers tax liability in any given year. Unused credits can be carried forward for up to 10 years. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least \$500 thousand 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.

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

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

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

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 twelve months; tangible personal property that was used in manufacturing, mining, agriculture, wholesaling, or research and development and held for twelve months or longer; certain cattle or horses held for twenty-four months or longer; other breeding livestock held twelve months or longer; or timber held for over twenty-four 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 eighteen months to 12 months.

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 interest earned on securities issued by the federal government. 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 value of assets subject to the government interest exclusion, to the value of the taxpayer's assets in total.

History: This exclusion has been in effect since enactment of the income tax.

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) U.S. civil service; b) fireman's retirement fund of Idaho; c) policeman's retirement fund of a city within Idaho; and d) U.S. 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.

History: This exclusion was enacted in 1973. It is revised annually by the 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 a 100% exclusion. Amended in 1997 to limit the income exclusion to prizes of less than \$600 (effective 1/1/98). Amended in 1998 to restrict the exclusion to Idaho State Lottery winnings.

1.2.07 Indian Earnings on Reservation Exclusion *Idaho Income Tax Regulation 30*

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

History: This exclusion is the result of various treaties and case law.

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

Description: Amounts paid to individuals from the United States 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. Beginning in 2003 the federal standard deduction for joint filers will be twice the standard deduction for single filers, which will eliminate the Idaho Marriage Penalty deduction.

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. Eliminated in 2003 by federal tax policy.

SALES AND USE TAX DETAIL

The following sales tax expenditures can be divided into four broad categories: 2.1.01 through 2.1.28 cover sales tax expenditures that are related to the specific uses of goods and services; 2.2.01 through 2.2.14 cover sales tax expenditures that are related to specific goods; 2.3.01 through 2.3.15 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, 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 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 vs. 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, and mining. 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. The only exception to this is logging, where any logging equipment qualifies.

Certain specific exclusions from the production exemption exist. They include: hand tools with a unit purchase price of \$100 or less; 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; equipment used to produce exempted gas, electricity, water, literature, or liquor.

History: This exemption was originally enacted in 1965 as 63-3622D. In 1987, custom farmers were added to the exemption by amending 63-3603, 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.

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. The only exception to this is logging, where 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; supplies used to produce exempted gas, electricity, water, literature, or liquor.

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.

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

Description: Exempts agricultural irrigation equipment and supplies, even if attached to real property, and even 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.

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) and was amended in 1987 to add aircraft to the exclusions from the exemption.

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). The only amendment in 1987 to this exemption was to add aircraft to exclusions from the exemption.

2.1.07 Commercial Aircraft *Idaho Code 63-3622GG*

Description: Exempts aircraft purchased for commercial transport of passengers or freight.

History: Enacted in 1988. Amended in 1994 to add any aircraft that are for use outside Idaho.

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 trucks weighing over 26,000 pounds that are registered under the international registration plan (or similar prorata system) and trailers that are used in a fleet operating in interstate commerce. Provides a recapture of sales tax on vehicles that are part of a fleet that are not used at least 10% outside Idaho during the calendar 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 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 in 1967. 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 Food Stamps/WIC *Idaho Code 63-3622EE; 63-3622FF*

Description: Exempts goods purchased with WIC checks and federal food stamps.

History: Mandated in 1987 by the federal government.

2.1.14 Motor Vehicles Used Outside of Idaho *Idaho Code 63-3622R(a)*

Description: Exempts vehicles under 26,000 pounds bought in Idaho for use by a nonresident outside of Idaho. It also applies to trailers. (See 2.1.09 Interstate Trucks for vehicles over 26,000 pounds and trailers used in interstate commerce.)

History: Originally enacted as 63-3622(q) in 1965, it exempted vehicles sold in Idaho for use out-of-state. It was amended in 1989 to add weight limit.

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 either the State of Idaho or to a nonprofit listed in 63-3622O, where the 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 sale of meals to aging persons under the Older Americans Act Program.

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, snow groomers, 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 sunsets 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.

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) through December 31, 2010. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least \$500 thousand 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.

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

Description: Glider kit vehicles, as defined in Idaho Code (49-123(f)), 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.

2.2.01 Motor Fuels *Idaho Code 63-3622C*

Description: Exempts motor fuels subject to motor fuels tax; 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 wood, coal, gas, and petroleum products used as a source of heat for either industrial or domestic purposes.

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 Mobile Homes *Idaho Code 63-3622R(b)*

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

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

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

Description: Exempts coin-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(q) in 1967 to exempt prescription drugs. It was amended in 1971 to add prescription oxygen and amended in 1976 to add prosthetics, limbs, wheelchairs, hearing aides, and crutches. It was amended in 1990 to add durable medical equipment, and numerous other prescription items. Amended in 1992 to clarify that dentures and other orthodontic appliances are taxable when purchased by the practitioner. Amended in 1998 to reverse the 1992 amendment, and provide that dental prostheses and other orthodontic appliances, except fillings, are exempt.

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 U.S. Supreme Court ruling in *Texas Monthly vs. 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.

2.3.01 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 [*Idaho Code 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 (*Idaho Code* 63-3612). In the section 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 (*Idaho Code* 63-3609)."

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 (*Idaho Code* 63-3613(b)7). Exceptions (i.e., taxable transportation charges) include transportation of manufactured homes by the dealer (*Idaho Code* 63-3613(b)7), the cost of transportation prior to the sale (*Idaho Code* 63-3613(a)3), and receipts from intrastate transportation of passengers or freight by air charter [*Idaho Code* 63-3612(j)]. NAICS major groups 481 through 492 are included in this category.

History: Transportation services have generally been exempt since the enactment of 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, photo finishing, and 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.

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

Description: Exempts all purchases by nonprofit colleges, universities, 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 non-resident schools with Idaho facilities. It was amended in 1993 to add all non-resident schools not otherwise excluded. 33-5204 was added in 1999 to explicitly add charter schools to this exemption.

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 Idaho Cystic Fibrosis Foundation, Idaho Epilepsy League, Idaho Lung Association, March of Dimes, American Cancer Society, 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, the Idaho Diabetes Youth Program, the 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 first list of health-related entities. Amended in 1986, 1990, 1999 and 2000 to expand the list.

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 pursuant to Chapter 1, Title 38, *Idaho Code*.

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 "one of whose" primary purposes is the furnishing of food or food products to others without charge.

History: Enacted in 1991. Amended in 1998 to add "growing" to the list of activities that qualify for this exemption.

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 "one of whose" primary purposes is the furnishing of 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, non-profit, non-residential 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 Non-Retailers (Yard and Occasional Sales) *Idaho Code 63-3622K(b)(1,6); 63-3622H*

Description: Exempts sales of items by individuals who are not retailers and who are not behaving as a retailer. 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(j, l) in 1965.

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

Description: Exempts sales by Indian Tribal Enterprises from sales and use tax. This exemption allows a tribal enterprise to make sales to both Indians and non-Indians without collecting sales tax. Further, it provides that no use tax applies to the purchase even if the non-Indian removes the goods from the 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 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 U.S. 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, Jr. 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 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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1.1.06	Grocery Credit	63-3024A
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1.1.21	Broadband Investment Credit	63-3029I
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63-3022M	1.2.02	Government Interest Exclusion
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63-3022Q	1.1.09	Long-Term Care Insurance Deduction
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