

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

# **General Fund Revenue Book**

**FY 2009 Executive Budget  
January 2008**

- 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)<sup>1</sup>. Each major revenue category (personal income tax, sales tax, and corporate income tax) is specified as a function of relevant explanatory variables.

Although the revenue model is specified in precise quantitative terms, two levels of uncertainty exist. The first of these uncertainties is associated with the statistical process itself and hence may be reduced to probabilities and confidence intervals. The other is related to the uncertainties associated with unknown future events. Weather effects on agriculture are a classic example. A forecast of agricultural production must either assume average weather or project some specific future weather condition. The forecast 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.

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<sup>1</sup> 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 2008 *Idaho Economic Forecast*,

a publication produced by the

Division of Financial Management.

## EXECUTIVE SUMMARY

The current Idaho economic outlook remains similar to the previous forecast, although some of the details have changed. In the October 2007 *Idaho Economic Forecast* nonfarm employment growth was expected to dip to 1.4% this year then accelerate through 2010. Over the 2007-2010 period, it was forecast to average 2.1% per year. In the current forecast, as in the previous one, Idaho nonfarm employment growth slows in 2008, and then it picks up speed thereafter. However, its average growth over the forecast period is slightly higher (2.3% versus 2.1%). By 2010, there are nearly 5,400 (0.8%) more jobs in the current forecast compared to the previous one. Most of the differences in employment reflect data revisions. In October it was reported there were an estimated 651,033 jobs in the third quarter, while the revised data show employment were 659,820 jobs. The data revisions have raised the starting point for the employment forecast, but they did not change its trajectory. As was mentioned above, Idaho nonfarm employment is expected to advance an average of 2.3% per year, which is just 0.2 percentage point faster than in the previous forecast. The Idaho personal income forecast has changed little since October 2007. For example, Idaho nominal personal income advances about 6.3% annually over the forecast period, compared to 6.4% in the previous forecast. In 2010, it is \$200 million (-0.4%) lower than in the previous forecast. Even after adjusting for inflation, Idaho personal income is just 0.5% lower in 2010 than the October amount. Since none of the historical personal income data were revised, none of these changes to the forecasts are attributable to a higher starting point. Instead, they reflect the impacts caused by economic fundamentals. Idaho's economy is expected to slow this year, and then it will gradually pick up speed during the remaining years of the forecast. As in the previous forecasts, Idaho is projected to expand faster than the national economy.

The national economic forecast comes with the warning that the economy's recent showing is not indicative of its future performance, especially in the short term. Rapid growth in the third quarter and a resilient labor market may suggest that the economy is doing just fine, but the storm clouds are still gathering. Growth is slowing, and the credit crisis has returned, threatening a more severe tightening in credit to households and businesses. Under these conditions, growth is expected to be zero in the fourth quarter, followed by weak but positive growth in the first quarter, before gradually improving over the rest of 2008. Key ingredients for this improvement are continuing robust export growth, lower oil prices, and a bottoming-out of housing starts by midyear. Housing remains the biggest drag on growth. Housing starts are forecast to hit bottom at just below 1.0 million units (annual rate) in the first half of 2008. Home prices will react more slowly than starts, but are heading lower too. Consumer spending growth will run at less than 1.5% annualized over the next three quarters. Slower growth in consumer and housing demand will make businesses more cautious about capital spending. The incentive to spend will be greatest for businesses who are selling into export rather than domestic markets. Nonresidential construction has boosted GDP growth throughout 2007. But the decline in home-building and the recent sharp tightening in credit conditions will begin to weigh on commercial construction. Fortunately, the falling dollar and relatively strong global economic growth should boost real net exports enough for the U.S. economy to skirt a recession. Falling prices should help gradually work off the huge housing inventory overhang, which will take an enormous weight off the economy's shoulders. Relieved of this burden, real GDP is expected to grow nearly 3.0% in each of the next three years.

**IDAHO ECONOMIC FORECAST  
EXECUTIVE SUMMARY  
JANUARY 2008**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>U.S. GDP (BILLIONS)</b>												
Current \$	9,817	10,128	10,470	10,961	11,686	12,434	13,195	13,827	14,315	14,966	15,691	16,468
% Ch	5.9%	3.2%	3.4%	4.7%	6.6%	6.4%	6.1%	4.8%	3.5%	4.5%	4.8%	5.0%
2000 Chain-Weighted	9,817	9,891	10,049	10,301	10,676	11,004	11,319	11,563	11,779	12,118	12,469	12,832
% Ch	3.7%	0.8%	1.6%	2.5%	3.6%	3.1%	2.9%	2.2%	1.9%	2.9%	2.9%	2.9%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	31,290	33,054	33,849	34,816	38,123	40,414	43,917	47,294	49,986	52,894	56,164	59,874
% Ch	7.6%	5.6%	2.4%	2.9%	9.5%	6.0%	8.7%	7.7%	5.7%	5.8%	6.2%	6.6%
Idaho Nonfarm (Millions)	30,448	32,039	32,921	34,099	37,136	39,539	43,266	46,330	48,963	51,840	55,082	58,759
% Ch	8.5%	5.2%	2.8%	3.6%	8.9%	6.5%	9.4%	7.1%	5.7%	5.9%	6.3%	6.7%
U.S. (Billions)	8,430	8,724	8,882	9,164	9,727	10,301	10,983	11,662	12,204	12,797	13,458	14,163
% Ch	8.0%	3.5%	1.8%	3.2%	6.2%	5.9%	6.6%	6.2%	4.6%	4.9%	5.2%	5.2%
<b>PERSONAL INCOME - 2000 \$</b>												
Idaho (Millions)	31,289	32,376	32,690	32,970	35,167	36,214	38,295	40,234	41,717	43,423	45,286	47,424
% Ch	5.0%	3.5%	1.0%	0.9%	6.7%	3.0%	5.7%	5.1%	3.7%	4.1%	4.3%	4.7%
Idaho Nonfarm (Millions)	30,447	31,382	31,795	32,290	34,256	35,429	37,727	39,414	40,863	42,558	44,414	46,541
% Ch	5.9%	3.1%	1.3%	1.6%	6.1%	3.4%	6.5%	4.5%	3.7%	4.1%	4.4%	4.8%
U.S. (Billions)	8,429	8,545	8,578	8,678	8,973	9,231	9,578	9,922	10,185	10,506	10,852	11,219
% Ch	5.4%	1.4%	0.4%	1.2%	3.4%	2.9%	3.8%	3.6%	2.7%	3.2%	3.3%	3.4%
<b>HOUSING STARTS</b>												
Idaho	11,501	12,207	13,226	16,381	18,638	23,312	19,410	15,110	15,991	16,239	16,753	18,296
% Ch	11.0%	6.1%	8.3%	23.9%	13.8%	25.1%	-16.7%	-22.2%	5.8%	1.5%	3.2%	9.2%
U.S. (Millions)	1,573	1,601	1,710	1,854	1,950	2,073	1,812	1,346	1,035	1,312	1,540	1,717
% Ch	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-12.6%	-25.7%	-23.1%	26.8%	17.4%	11.5%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho	558,582	568,035	568,046	572,550	588,067	611,720	638,902	657,721	668,407	682,257	698,550	718,073
% Ch	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.4%	2.9%	1.6%	2.1%	2.4%	2.8%
U.S. (Thousands)	131,792	131,832	130,347	129,990	131,423	133,696	136,175	137,994	139,152	140,872	142,675	144,536
% Ch	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.9%	1.3%	0.8%	1.2%	1.3%	1.3%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	5.0%	3.6%	4.0%	4.8%	4.8%
Bank Prime	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	8.1%	6.6%	7.0%	7.8%	7.8%
Existing Home Mortgage	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.5%	6.0%	6.4%	7.0%	7.0%
<b>INFLATION</b>												
GDP Price Deflator	2.2%	2.4%	1.7%	2.1%	2.9%	3.2%	3.2%	2.6%	1.6%	1.6%	1.9%	2.0%
Personal Cons Deflator	2.5%	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	2.5%	1.9%	1.7%	1.8%	1.8%
Consumer Price Index	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	2.1%	1.6%	1.9%	1.8%

**National Variables Forecast by GLOBAL INSIGHT  
Forecast Begins the THIRD Quarter of 2007**

**IDAHO ECONOMIC FORECAST  
EXECUTIVE SUMMARY  
JANUARY 2008**

	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>U.S. GDP (BILLIONS)</b>												
Current \$	13,552	13,769	13,967	14,021	14,126	14,238	14,374	14,524	14,704	14,876	15,054	15,231
% Ch	4.9%	6.6%	5.9%	1.5%	3.0%	3.2%	3.9%	4.2%	5.1%	4.7%	4.9%	4.8%
2000 Chain-Weighted	11,413	11,520	11,659	11,660	11,683	11,734	11,807	11,891	11,985	12,074	12,164	12,252
% Ch	0.6%	3.8%	4.9%	0.0%	0.8%	1.8%	2.5%	2.9%	3.2%	3.0%	3.0%	2.9%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	46,384	46,818	47,611	48,363	49,074	49,626	50,290	50,956	51,795	52,499	53,253	54,030
% Ch	11.1%	3.8%	6.9%	6.5%	6.0%	4.6%	5.5%	5.4%	6.8%	5.6%	5.9%	6.0%
Idaho Nonfarm (Millions)	45,384	45,994	46,622	47,320	48,002	48,563	49,300	49,988	50,693	51,455	52,213	53,000
% Ch	8.4%	5.5%	5.6%	6.1%	5.9%	4.8%	6.2%	5.7%	5.8%	6.1%	6.0%	6.2%
U.S. (Billions)	11,469	11,577	11,742	11,861	12,010	12,137	12,262	12,405	12,562	12,716	12,874	13,038
% Ch	10.0%	3.8%	5.8%	4.1%	5.1%	4.3%	4.2%	4.8%	5.1%	5.0%	5.1%	5.2%
<b>PERSONAL INCOME - 2000 \$</b>												
Idaho (Millions)	39,942	39,898	40,406	40,692	41,153	41,510	41,898	42,308	42,821	43,197	43,612	44,063
% Ch	7.3%	-0.4%	5.2%	2.9%	4.6%	3.5%	3.8%	4.0%	4.9%	3.6%	3.9%	4.2%
Idaho Nonfarm (Millions)	39,081	39,196	39,567	39,815	40,254	40,621	41,073	41,505	41,910	42,337	42,760	43,223
% Ch	4.7%	1.2%	3.8%	2.5%	4.5%	3.7%	4.5%	4.3%	4.0%	4.1%	4.1%	4.4%
U.S. (Billions)	9,876	9,866	9,965	9,979	10,071	10,152	10,216	10,300	10,385	10,462	10,543	10,633
% Ch	6.3%	-0.4%	4.1%	0.6%	3.7%	3.2%	2.6%	3.3%	3.3%	3.0%	3.1%	3.5%
<b>HOUSING STARTS</b>												
Idaho	16,636	15,656	13,766	14,381	15,293	16,100	16,267	16,305	16,424	16,569	16,109	15,852
% Ch	41.4%	-21.6%	-40.2%	19.1%	27.9%	22.8%	4.2%	0.9%	3.0%	3.6%	-10.6%	-6.2%
U.S. (Millions)	1,460	1,464	1,304	1,156	0,985	0,992	1,057	1,106	1,194	1,288	1,357	1,410
% Ch	-22.1%	1.1%	-37.2%	-38.2%	-47.3%	3.0%	29.1%	19.7%	35.8%	35.3%	23.1%	16.6%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho	652,120	656,831	659,820	662,115	664,253	666,598	669,844	672,932	676,367	680,385	684,239	688,038
% Ch	4.2%	2.9%	1.8%	1.4%	1.3%	1.4%	2.0%	1.9%	2.1%	2.4%	2.3%	2.2%
U.S. (Thousands)	137,447	137,864	138,160	138,504	138,744	138,955	139,264	139,645	140,139	140,674	141,123	141,554
% Ch	1.5%	1.2%	0.9%	1.0%	0.7%	0.6%	0.9%	1.1%	1.4%	1.5%	1.3%	1.2%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	5.3%	5.3%	5.1%	4.5%	3.8%	3.5%	3.5%	3.5%	3.5%	3.8%	4.2%	4.5%
Bank Prime	8.3%	8.3%	8.2%	7.6%	6.8%	6.5%	6.5%	6.5%	6.5%	6.8%	7.2%	7.5%
Existing Home Mortgage	6.4%	6.5%	6.8%	6.5%	6.1%	6.0%	5.9%	6.0%	6.0%	6.2%	6.5%	6.8%
<b>INFLATION</b>												
GDP Price Deflator	4.2%	2.6%	0.9%	1.5%	2.3%	1.4%	1.4%	1.3%	1.8%	1.7%	1.8%	1.8%
Personal Cons Deflator	3.5%	4.3%	1.7%	3.5%	1.3%	1.0%	1.6%	1.4%	1.7%	1.9%	1.9%	1.7%
Consumer Price Index	3.8%	6.0%	1.9%	4.5%	1.2%	0.6%	1.5%	1.2%	1.8%	2.1%	2.0%	1.7%

**National Variables Forecast by GLOBAL INSIGHT  
Forecast Begins the THIRD Quarter of 2007**

## NATIONAL FORECAST DESCRIPTION

### **The Forecast Period is the Third Quarter of 2007 through the Fourth Quarter of 2011**

The current forecast comes with the warning that the economy's recent showing is not indicative of its future performance, especially in the short term. Rapid growth in the third quarter and a resilient labor market may suggest that the economy is doing just fine, but the storm clouds are still gathering. Growth is slowing, and the credit crisis remains, threatening a more severe tightening in credit to households and businesses. Under these conditions, growth is expected to stall in the fourth quarter, followed by weak but positive growth in the first quarter, before gradually improving over the rest of 2008. Key ingredients for this improvement are continuing robust export growth, lower oil prices, and a bottoming-out of housing starts by midyear.

The economy is vulnerable to a potential double shock. The first shock is from housing and the credit crunch. Credit fears have re-emerged over the past month, while housing remains in a slump. Still threatening is a second shock from oil, although this risk has eased slightly over the past month, as prices have backed away from \$100/barrel. It is assumed that prices will slide down to \$75/barrel by the second quarter of 2008. Third-quarter GDP growth was impressive at 4.9%, revised up from 3.9%, but part of that revision came from stronger inventory accumulation—which is unlikely to be repeated. Growth dips to zero in the fourth quarter, as the decline in residential construction accelerates, consumer spending growth slows, and inventories become a drag, largely on production adjustments by automakers. Over the next three quarters, growth runs at an annual average pace of just 0.9%.

Housing remains the biggest drag on growth. The newly unveiled plan to freeze interest rates for some subprime borrowers, thereby limiting foreclosures, may reduce the downside risks to housing in 2008, but there is no magic solution to the overhang of unsold properties and no way to avoid further declines in home prices. Housing starts are forecast to hit bottom at just below 1.0 million units (annual rate) in the first half of 2008. Home prices will react more slowly than starts, but are heading lower too. The housing sector's blues will be shared by other parts of the economy.

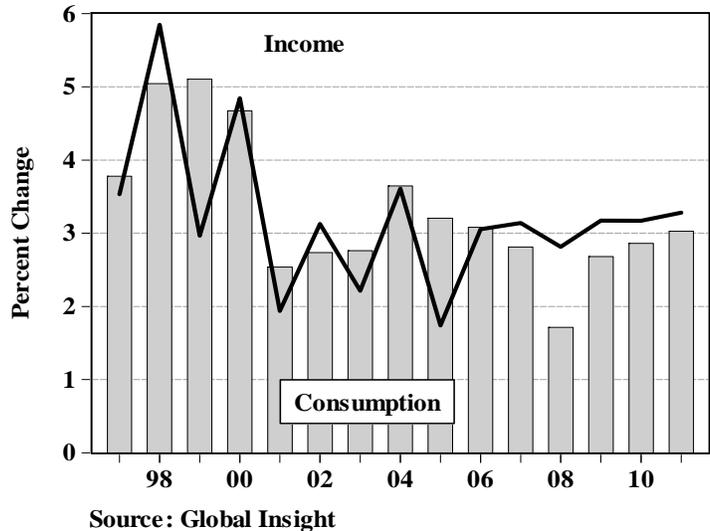
Slower employment gains, falling home prices, tighter credit availability, and high energy prices squeeze the consumer. As a result, spending growth is forecast to run at less than 1.5% annualized over the next three quarters. Indeed, 2007 is likely to be the first year since 2002 in which consumer spending growth falls short of income growth. Next year, consumer spending growth slips to 1.7%, well below the 2.8% gain in incomes. Slower growth in consumer and housing demand will make businesses more cautious about capital spending. Equipment spending growth is running around a 5.5% average pace in the second half of 2007, but should slow to just 2.2% in the first half of 2008. The incentive to spend will be greatest for businesses who are selling into export rather than domestic markets. Nonresidential construction has boosted GDP growth throughout 2007. But the decline in home-building and the recent sharp tightening in credit conditions will begin to weigh on commercial construction.

Fortunately, the falling dollar and relatively strong global economic growth should boost real net exports enough for the U.S. economy to skirt a recession. Falling prices should help gradually work off the huge housing inventory overhang, which will take an enormous weight off the economy's shoulders. Relieved of this burden, real GDP is expected to grow nearly 3.0% in each of the next three years.

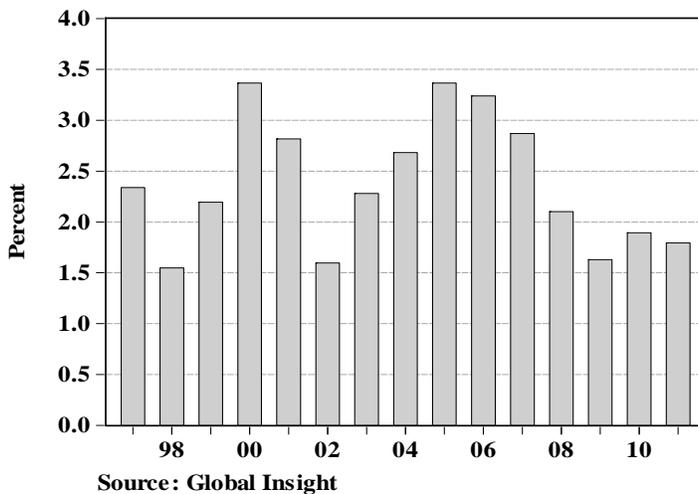
## SELECTED NATIONAL ECONOMIC INDICATORS

**Consumer Spending:** The nation's 16-year consumer spending spree is expected to continue despite threats in the form of the deepening housing slump, high energy prices, and a slowdown in job growth. After growing at a healthy 2.7% annual rate in the third quarter of 2007, real spending growth is expected to downshift, falling to a nadir of 0.8% in the first quarter of 2008. The housing situation's impact on spending deserves further clarification. Falling home prices are expected to erode household net worth and cause consumers to cut back on discretionary purchases. After declining 0.5% in 2007, real net worth is anticipated to eke out just 0.3% growth in 2008 followed by 1.1% growth in 2009. In addition, purchases of certain goods and services closely tied with the housing sector, such as appliances, furniture, and landscaping services, will also cool. Fortunately, total spending should be kept afloat by continued spending on electronics, health care, and recreation. It needs to be pointed out that high oil prices pose a significant risk to the consumer spending outlook. In November 2007 it was assumed a gradual retreat in the West Texas Intermediate crude oil price, from an average of \$90 per barrel in the current quarter to \$75 per barrel in the spring of 2008. It was calculated if oil prices were \$10/barrel higher in 2008, real disposable income would be reduced by 0.4% and real consumption would be 0.3% lower. It was also determined the economy would have 100,000 fewer jobs and 190,000 fewer light vehicles would be sold. Over the forecast period, real consumer spending should grow more in line with income than it has in the past. Real spending is forecast to increase 2.8% in 2007, 1.7% in 2008, 2.7% in 2009, 2.9% in 2010, and 3.0% in 2011. Real disposable income is expected to expand 3.1% in 2007, 2.8% in 2008, and around 3.2% in each of the remaining years of the forecast.

### U.S. Real Consumption and Disposable Income Growth



### Consumer Price Inflation



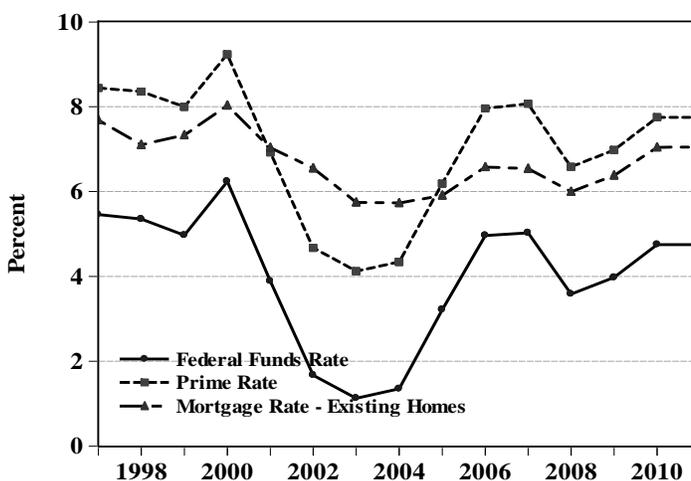
**Inflation:** Headline inflation should moderate over the forecast period, despite a flare up in late 2007. Inflation, as measured by the consumer price index, surged 4.5% in the fourth quarter due to pressures from its energy and food components. Food prices rose at a nearly 5.0% annual pace in that quarter and energy prices jumped at a 21.6% clip. However, when the impacts of these prices are removed from the index, core inflation rose just 2.3%. This moderate increase is good news. First, the impacts of rising energy and food prices remain well contained. While the prices of some consumer goods, such as airline tickets, have risen with fuel costs, the impacts have

been surprisingly benign. One of the reasons for this is global competition makes it harder for domestic businesses to pass rising costs on to their customers. Second, employer costs increases have been relatively low. For example, they have risen at about a 3% pace in recent quarters. This is important because these costs are a major determinant of core inflation. Employer labor costs, and, therefore, core consumer inflation, are expected to remain modest because of the slackening job market. Specifically, employment costs are forecast to increase 3.1% in 2007, 3.0% in 2008, 2.8% in 2009, 3.0% in 2010, and 3.2% in 2011. Core inflation should increase 2.3% in 2007, 2.1% in 2008, 1.9% in 2009, 2.0% in 2010, and 2.0% in 2011. The current forecast assumes energy prices will retreat then remain relatively stable over the next few years. Thus, overall inflation is expected to recede over most of the next few years. Overall consumer price inflation is projected to run 2.9% in 2007, 2.1% this year, 1.6% next year, 1.9% in 2010, and 1.8% in 2011.

**Financial Markets:** The recent aggressive policy action by the nation's central bank seems to be having some positive impact on the credit crises and the stability of the financial markets. As of early December, the Federal Reserve had lowered its federal funds rate a cumulative 75-basis points since September 18, 2007. This reduction resulted in lowered borrowing costs. For example, fixed-rate mortgages dropped about 50 basis points to near 6.2% in early November. While the effective reduction of borrowing costs is a positive development, in several other critical dimensions the recent distress in the financial and credit markets actually turned south. First, the major debt-rating

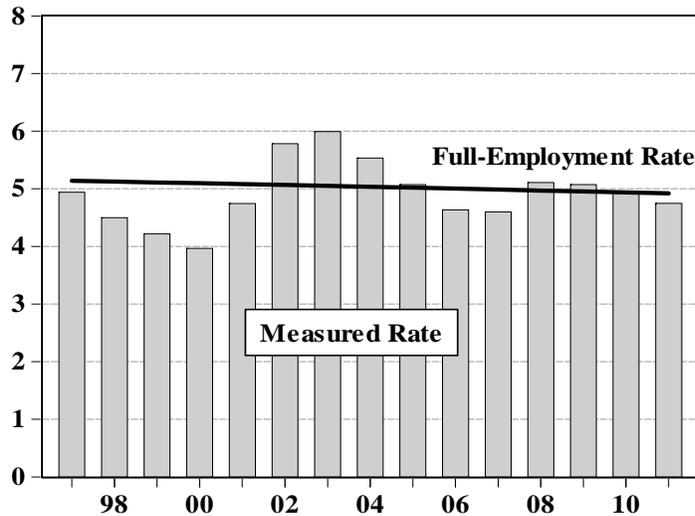
agencies continued to downgrade the ratings of mortgage-backed securities. The lower ratings continues to put severe downward pressure on mortgage-backed securities prices, which is putting more bank capital at risk beyond the write-downs that have already been taken. Second, the volume of asset-backed commercial paper outstanding declined through early November. Third, credit conditions have tightened. A Federal Reserve survey of senior loan officers in October showed tighter credit conditions for mortgages rose to a historical high this fall. Unfortunately, not only did credit conditions tighten for mortgages, but they also tightened significantly for commercial loans, commercial real estate loans, and other consumer loans. Not surprisingly, consumer credit growth has slowed. Until recently, consumers had been tapping credit card and auto loans to offset tighter credit conditions on home equity loans and refinancings. It now appears even these borrowing sources are drying up. Given the softening economic conditions, the question this fall was not if the Federal Reserve would loosen, but when and by how much. The answer came on December 11, 2007 when the Central Bank lowered its federal funds rate by 25 basis points. This move was anticipated and is built in to this forecast. This forecast also assumes the Federal Reserve will lower its federal funds rate by another 75 basis points to 3.5% over the first quarter of this year, and it will remain there through the rest of 2008. Once the Federal Reserve is convinced the economy has negotiated this rough patch, it will begin to tap on the monetary brakes, with the federal funds rate climbing to 4.8% by the end of 2010.

**Selected U.S. Interest Rates**



Source: Global Insight

## U.S. Civilian Unemployment Rate



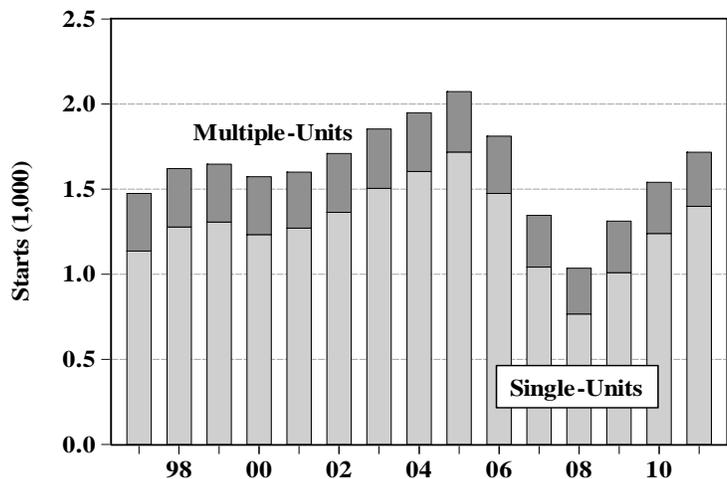
Source: Global Insight

of 2007. Unfortunately, this will be the high-water mark for several quarters. Nonfarm employment growth is forecast to slip below one percent in each of the first three quarters of this year. This slower job growth will further loosen labor markets, sending the unemployment rate to 5.2% by this year's third quarter. The hiring rate rises back above 1.0% beginning in the fourth quarter of 2008, once companies are convinced the economy is again on solid footing. Unfortunately, nonfarm employment does not improve fast enough to make a significant dent in the unemployment rate until later in the forecast horizon. After peaking at 5.2% in this year's third quarter, the civilian unemployment rate is still around 5.0% in 2010. It drops to 4.7% in 2011. It should be pointed out that the unemployment rate is higher than what is considered full-employment over most of the next few years.

**Housing:** Housing remains the biggest drag on the U.S. economy. Residential investment reduced economic output growth by 0.3 percentage point in 2006 and an estimated one percentage point in 2007. The housing industry is already two years into its recession, and it has yet to find its trough. Existing home sales plunged 4.7% in August and another 8.0% in September—to its lowest level since this data has been published. Other data also expose this sector's recent weaknesses. Housing starts sank 10.2% in September to their lowest level since March 1993. Single-family permits fell 7.1% that same month, portending another drop in housing starts in the fourth quarter of 2007. The inventory outlook also worsened this fall. The supply of existing single-family homes rose from 9.3 months to 10.2 months—its highest reading since February 1988. This inventory glut has pushed down housing

**Employment:** While labor markets are expected to cool over the next few quarters, they should remain warm enough to help keep the economy afloat. Many economists were pleasantly surprised when the U.S. Department of Labor reported nonfarm payroll employment increased by 94,000 jobs in November 2007 and the unemployment rate held steady at 4.7%. The report pointed out job growth continued in the professional and technical services, health care, and food services sectors. On the other hand, manufacturing continued to shed jobs, as did several other housing-related sectors, including construction, credit intermediation, and real estate. Overall, nonfarm employment is forecast to have increased 1.0% in the last quarter

## U.S. Housing Starts



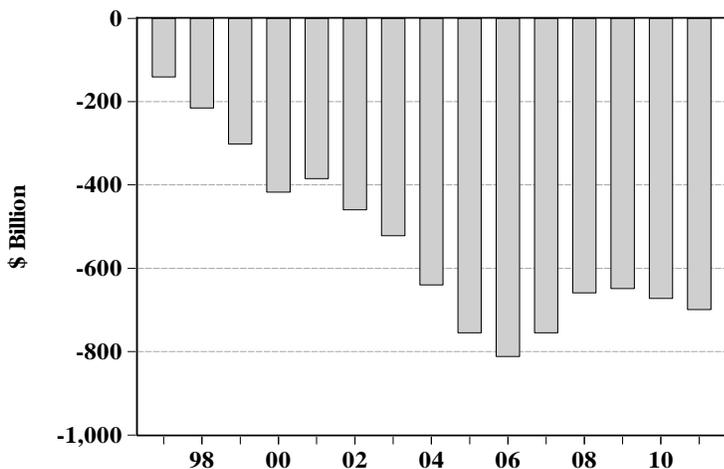
Source: Global Insight

prices. For example, the Office of Federal Housing Enterprise Oversight reported at the end of November its quarterly Housing Price Index (HPI) shrank for the first time in nearly 13 years in the third quarter of 2007. Unfortunately, housing prices are expected to slide further. The newly unveiled plan to freeze interest rates for some subprime borrowers may reduce the downside risks to the housing sector in 2008, but it is not a silver bullet solution to the inventory over hang and falling prices. The HPI is forecast to fall another 6.3% this year and 3.8% next year. While unpleasant, these declines are necessary for this industry’s eventual recovery. Lower housing prices should eventually stimulate new and existing homes sales in the second half of 2008. The rebound in sales will help work off bloated inventories and set the stage for a rebound in single-family housing starts. Housing prices are expected to rise again in 2010. In summary, US housing starts are forecast to fall to 1.035 million units in 2008, but increase to 1.312 million units in 2009, 1.540 million units in 2010, and 1.717 million units in 2011.

**International:** International trade should be an important counterweight to the faltering housing sector. Unlike construction, real exports are expected to be a positive contributor to real GDP growth over the next few years. Specifically, net exports add 0.6 percentage point to real output in 2007, 0.9 percentage point in 2008, and 0.3 percentage point in 2009. This change marks a significant reversal. Up until last year, real exports were a drag on economic growth. The expected turnaround in real exports is being fueled by robust global growth and the weakening dollar. Growth in Asia is most promising. The mild global slowdown will only put a small dent in China’s rapid growth rate. However, the Chinese government may have to tighten conditions later this year in order to prevent its economy from over heating. Of course, this policy runs the risk of overshooting the target, which could make for a harder-than-expected landing. This is important because the fates of several other Asian economies are tied to China’s economy. Another Asian powerhouse is India. Thanks to domestic-led growth, this country should be able to sustain around 8.5% growth over the next few years. Not all the world’s economies will grow this fast, however. Except for commodity-exporting countries, world economic growth is expected to “recouple” with the United States and slow down. Europe will be hit by multiple headwinds, including the global slowdown, a stronger currency, the continuing credit crunch, high oil prices, and housing problems in some countries. Japan will be similarly afflicted, although there is little evidence of fallout from the subprime and housing-related problems of the United States. For Canada and Mexico, weak U.S. growth will be offset by strong oil prices. Real exports will also benefit from the falling

dollar that tips the scale in favor of U.S. goods and services in the global market. The greenback has lost about one-fifth of its value over the last five years, and its slide is not over. Sentiments on the dollar should begin to improve in the second half of this year and early 2009, as the economy recovers. The Canadian dollar may have already peaked against the greenback, if oil prices keep falling. This forecast assumes the euro peaks at around \$1.55 next summer and falls to \$1.49 by year end. However, both the Japanese yen and Chinese renminbi should continue to rise against the dollar because of the large current-account surpluses in both countries.

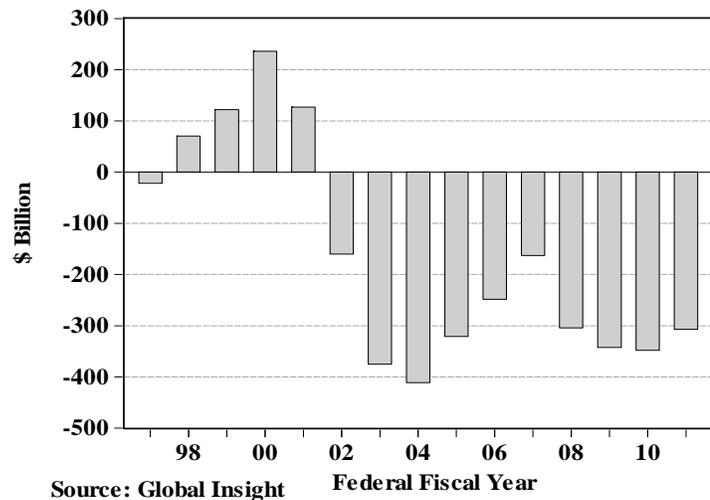
**U.S. Current Trade Deficit**



Source: Global Insight

**Government:** The current forecast assumes Congress will not allow all of the Bush tax cuts to expire as scheduled at the end of 2010. The income tax burden is expected to increase, however, through the capricious impact of the Alternative Minimum Tax or through some kind of tax reform that raises revenues. However, no major tax initiatives are anticipated before the 2008 presidential election. The unified federal budget deficit shrank to \$162.8 billion in 2007—its third straight annual decline. Unfortunately, the streak of declining deficits is expected to end soon. Predicted faster federal spending growth and slower revenue growth point to growing deficits in the future. The unified federal budget deficit swells to \$304.5 in 2008, to \$342.8 billion in 2009 and \$348.3 billion in 2010 and then shrinks to \$307.1 billion in 2011.

### U.S. Federal Government Surplus Unified Basis



## IDAHO FORECAST DESCRIPTION

### **The Forecast Period is the Third Quarter of 2007 through the Fourth Quarter of 2011**

The current Idaho economic outlook remains similar to the previous forecast, although some of the details have changed. In the October 2007 *Idaho Economic Forecast* nonfarm employment growth was expected to dip to 1.4% this year then accelerate through 2010. Over the 2007-2010 period, it was forecast to average 2.1% per year. In the current forecast, as in the previous one, Idaho nonfarm employment growth slows in 2008, and then it picks up speed thereafter. However, its average growth over the forecast period is slightly higher (2.3% versus 2.1%). By 2010, there are nearly 5,400 (0.8%) more jobs in the current forecast compared to the previous one.

Most of the differences in employment reflect data revisions that occurred after the October 2007 *Idaho Economic Forecast* was published. In October it was reported there were 648,520 jobs in the second quarter of 2007 followed by an estimated 651,033 jobs in the third quarter. The revised data show employment was 656,831 jobs in the second quarter and 659,820 jobs in the third quarter. Thus, employment was actually about 1.3% higher in each quarter than was previously reported. The sectors with the largest upward revisions in the third quarter include construction (2,768 jobs), professional and business services (2,321 jobs), leisure and hospitality services (1,371 jobs), and noneducation-related government (1,108 jobs).

The data revisions may have raised the starting point for the employment forecast, but they did not change its trajectory. As was mentioned above, Idaho nonfarm employment is expected to advance an average of 2.3% per year, which is just 0.2 percentage point faster than in the previous forecast. It should also be noted that most of these gains come early in the forecast cycle. For example, nonfarm employment expands 2.9% in 2007 and 1.6% in 2008. In the previous forecast employment rises just 1.9% in 2007 and 1.4% in 2008. However, it rises faster in the last two years. As a result, the gap between the two employment forecasts goes from 6,823 jobs in 2007, to 8,623 jobs in 2008, to 8,340 jobs in 2009, and shrinks to 5,372 jobs in 2010.

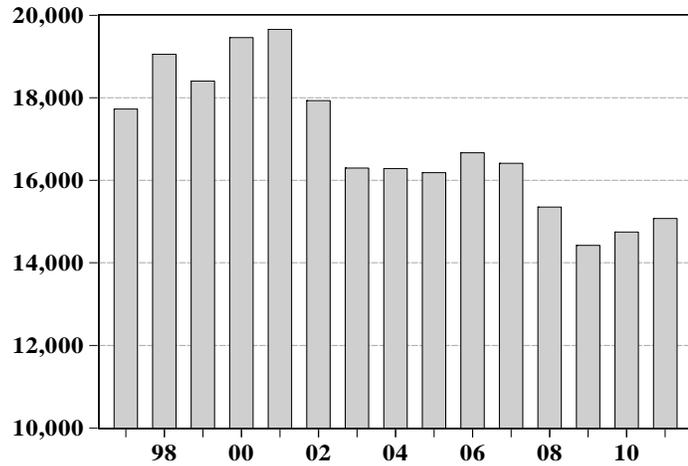
The Idaho personal income forecast has changed little since October 2007. For example, Idaho nominal personal income advances about 6.3% annually over the forecast period, compared to 6.4% in the previous forecast. In 2010, it is \$200 million (-0.4%) lower than in the previous forecast. Even after adjusting for inflation, Idaho personal income is just 0.5% lower in 2010 than the October amount. Since none of the historical personal income data were revised, none of these changes to the forecasts are attributable to a higher starting point. Instead, they reflect the impacts caused by economic fundamentals.

Idaho's economy is expected to slow this year, and then it will gradually pick up speed during the remaining years of the forecast. As in the previous forecasts, Idaho is projected to expand faster than the national economy. From 2007 to 2011, Idaho nonfarm employment is forecast to average 2.4%, which is twice as fast as the average for the nation. Idaho real personal income should increase at a 4.4% annual clip. National real personal income grows 3.2% per year.

## SELECTED IDAHO ECONOMIC INDICATORS

**Computer and Electronics:** The outlook for the state's largest manufacturing sector has changed little since the last forecast. In October 2007, Idaho computer and electronics employment was forecast to shed over 1,900 jobs over the three-year period from 2006 to 2009 and add fewer than 100 jobs in 2010. This malaise is present in the current forecast. Namely, 2,200 jobs are lost from 2006 to 2009 and about 300 jobs in 2010. As in the previous forecast, the current scenario is dominated by the 1,100-job reduction by Micron Technology. Company officials made this move to reduce production costs in order to stem the flow of red ink caused by falling prices for memory devices due to a worldwide glut of these products. For example, Micron Technology lost \$158 million in the last quarter of its fiscal year 2007, and a total of \$320 million last year. It lost \$262 million in the first quarter of its fiscal year 2008, as the prices of memory products continued to slide. Unfortunately, the worldwide imbalance of supply and demand that has depressed prices is not expected to right itself quickly. Idaho computer and electronics manufacturing employment is expected to be 16,411 in 2007, 15,350 in 2008, 14,424 in 2009, 14,746 in 2010, and 15,075 in 2011.

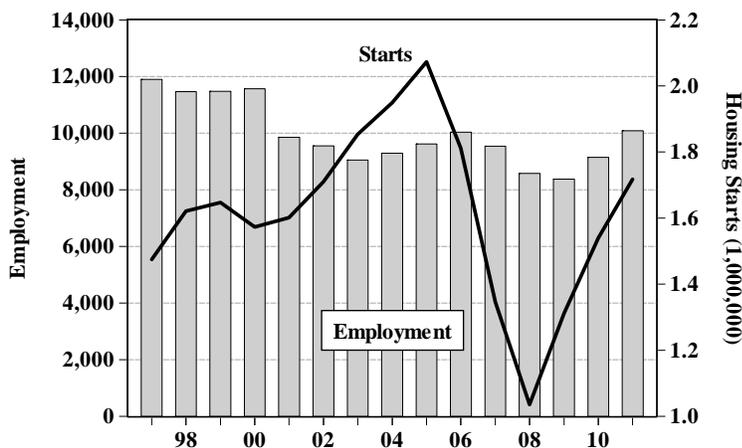
### Idaho Computer and Electronic Products Employment



**Logging and Wood Products:** Idaho lumber and wood products employment is expected to continue straining under the weight of the national housing retreat. The state's second largest durable manufacturing sector shed jobs during most of 2007, as falling lumber and wood product prices and higher costs caused several mills to curtail their operations. Riley Creek Lumber Company shut down its Moyle Springs sawmill in November, idling 75 employees for two weeks. It also shut down at Christmas

for a week. The Welco cedar mill near Naples also experienced layoffs and shutdowns in 2007. Stimson Lumber ran reduced shifts for most of last year. Unfortunately, this sector's declines have been occurring for some time. It appears Idaho's lumber and wood products sector responded much faster to U.S. housing declines than to its increases. Employment began falling in the third quarter of 2006—just one quarter after U.S. housing starts began retreating. National housing starts began taking off in 2002 and peaked at 2.07 million units in 2005. National wood production expanded 11.1% over this

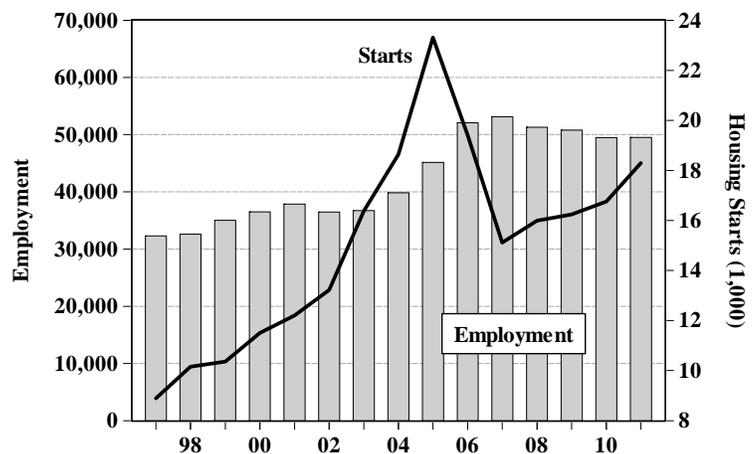
### Idaho Wood Product Employment and U.S. Housing Starts



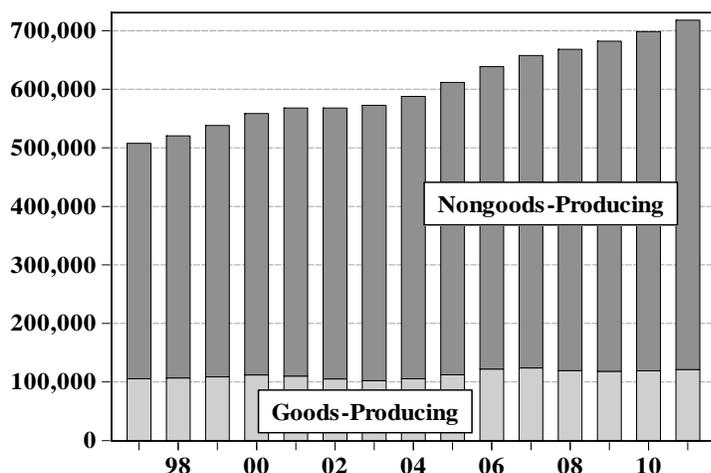
same period. The strong housing sector also led to a run up in lumber prices. Despite these strong conditions, the Gem State’s lumber and wood products sector shed about 800 jobs from 2001 to 2003. Its first year-over-year job gain was delayed until 2004. The job expansion lasted until the second quarter of 2006 when employment peaked at around 10,200 jobs. The strong demand caused employment to offset a trend which had been exerting downward pressure on this sector for years. As demand continues ebbing, supply factors will once again dominate this sector’s future. The biggest challenge Idaho’s lumber and wood products sector faces is the dwindling timber supply from public forests. The U.S. Forest Service estimates the harvest from Idaho national forests fell by 60% from 1994 to 2005. As a result, the national forests’ share of Idaho’s timber harvest shrank from 28.5% in 1994 to 13.9% in 2005. This decline resulted in the closure of several mills around the state. Ironically, these closings have increased the lumber and wood products sector’s overall efficiency. For example, Idaho’s lumber and wood products sector produced 1.849 million board feet of lumber in 1994, which comes to about 157 thousand board feet per job. By 2005, output per worker climbed to 211 thousand board feet, a 34.1% increase. This trend is expected to continue, so it appears fewer workers will be needed in the future. Despite the industry’s downsizing, excess capacity remains a challenge. It is estimated the industry can produce 20% to 25% more lumber than is being consumed in North America. Idaho lumber and wood products employment is forecast to be 9,537 jobs in 2007; 8,579 jobs in 2008; 8,374 jobs in 2009; 9,146 jobs in 2010; and 10,080 jobs in 2011.

**Construction:** The Idaho construction employment forecast has improved slightly compared to the previous forecast. This increase partially stems from revisions to the historical data that raised the starting point for the forecast. The previous data show construction employment falling around 11% in both the second and third quarters of last year. At this pace, employment was 50,489 in the third quarter of 2007. The revised data show Idaho construction employment was 53,257 in the third quarter, which is nearly 2,800 more jobs than in the previous forecast. The revised data also suggest Idaho construction may be more resilient than had been previously believed. This explains why it remains stronger over the forecast period, despite housing starts being lower in the current forecast. Specifically, construction employment declines an average of 1.3% annually through 2010 in the current forecast, while it drops 1.7% in the October 2007 forecast. Although the construction employment outlook has improved, it still pales in comparison to its recent performance. Construction employment growth expanded 5.4% annually from 1997 to 2006, and it was especially strong in the last two years when it grew by 13.3% and 15.4%, respectively. What is particularly remarkable is 2006’s employment gain occurred in a year when Idaho housing starts shrank nearly 17.0%. Employment expanded thanks to robust nonresidential building. Unfortunately, this buffer is not likely to buoy employment for long. Idaho housing starts are estimated to have declined by 22.2% last year. Beginning this year, housing starts are forecast to grow again, albeit slowly. After increasing 2.0% in 2007, Idaho construction employment is expected to decline 3.4% in 2008, 1.1% in 2009, 2.5% in 2010, and remain flat in 2011.

**Idaho Construction Employment and Housing Starts**



## Idaho Nonfarm Employment



### Nongoods-Producing Industries:

Idaho's largest private employment sector, nongoods, will also be its fastest growing sector over the forecast period. Its importance should come as no surprise given its huge size. It accounted for roughly two-thirds of last year's job gain. Industries in this sector can be divided into two broad categories: services and trade. The services category had 292,726 employees in 2006 and there were 107,466 trade jobs. The services category consists of information services; financial activities; transportation, warehousing, and utilities; professional and business services; education and health services; leisure and hospitality

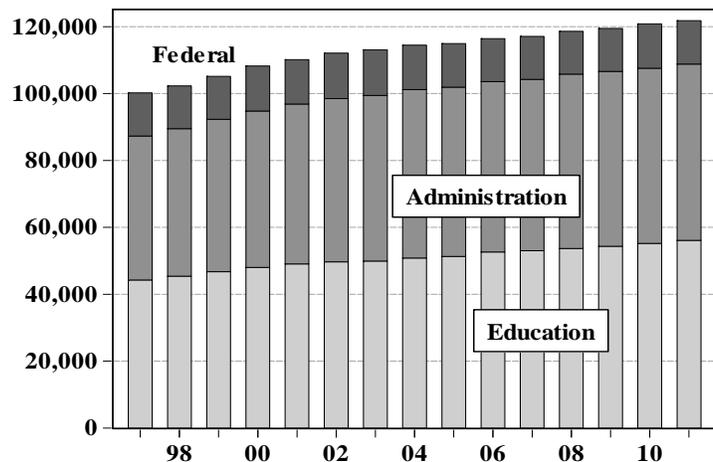
services; and other services. Trade is divided into retail and wholesale categories. Services employment has traditionally been the faster growing of the categories, advancing an average of 3.2% annually over the last five years versus 1.8% for trade employment. One of the services category's strongest performers is professional and business services. This category's employment should expand an average of 3.7% per year over the forecast period. Other hot 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, so it is relatively immune to business cycle swings. This category should add jobs at a 3.9% average annual pace over the forecast period. Leisure and hospitality services should grow at a 3.6% clip. Financial services employment will feel the impact of the cooling local housing market. After expanding by an average of around 6.5% in both 2005 and 2006, its payroll growth will slow to 2.7% annually over the forecast period. After posting a 2.8% showing in 2007, transportation, warehousing, and utilities sector employment will also fall victim to the housing sector's woes and stall. Other services will expand. Information service employment should rise at a 2.3% annual pace. The other services category includes call centers such as Dial 411's new operation that has begun hiring in the Meridian area. Its payroll could reach 300 jobs within its first year of operation. Miscellaneous services employment growth is projected to accelerate over the forecast period. The trade sector's employment should grow an average of 3.8% per year. Employment will benefit from the opening or expansion of several large retailers. North Idaho retailers also hope more favorable exchange rates will draw more Canadian shoppers into their stores.

**Government:** The outlook for Idaho state and local government employment growth has improved slightly compared to the October 2007 *Idaho Economic Forecast*. It is important to note, however, that this increase stems primarily from a revision to historical data, not a significant improvement to economic fundamentals. Last October it was reported that there were 103,754 state and local government jobs in the third quarter of 2007. The revised data show this estimate was too low. The quarter's job count was actually 104,775, a 1,021 increase over the previous estimate. This increase is the net impact of about a 1,100 upward revision to noneducation-related employment and less than 100 jobs reduction to education-related employment. These revisions raised the current starting point for Idaho state and local government employment by about 1,000 jobs. While the starting point of the forecast has been raised, state and local government employment's growth rate is not expected to be much different than in the previous forecast because it is still expected to cool as the state's population

growth slows. The correlation between population and government employment is well established. From 1991 to 2000, Idaho's population increased about 2.5% per year. Over this same period, Idaho state and local government expanded 3.0% annually. This relationship exists because the demands of the growing population puts pressure on existing government resources. Government employment expands apace to meet this demand. An example from the recent past illustrates this point. From 1999 to 2004 population growth slowed to a 1.7% annual pace. State and local government employment growth followed suit, slowing to an average 1.9% annual pace.

Idaho's population growth jumped above 2.5% in both 2005 and 2006 thanks to an influx of over 24,000 new residents in each of both of these years. These new residents accounted for around two-thirds of the total population growth in those years. As Idaho's economy cools, net migration will fall to its lowest point in 2009, accounting for just under half of that year's population growth. Idaho's population is forecast to increase 2.5% in 2007, 2.2% in 2008, 1.9% in 2009, and 2.0% in both 2010 and 2011. Idaho state and local government employment is projected to rise about 1.0% annually over this same period. However, growth rates will differ between the education- and noneducation-related pieces. Idaho education employment is expected to advance about 1.3% per year from 2007 to 2010. During this same period, noneducation-related government employment should expand just under 0.7% annually. Federal government employment in Idaho has hovered near 13,000 jobs over the last few years, and it is projected to continue doing so over most of the forecast horizon. The exception being 2010, when hiring for the U.S. census pushes employment above 13,300.

## Idaho Government Employment



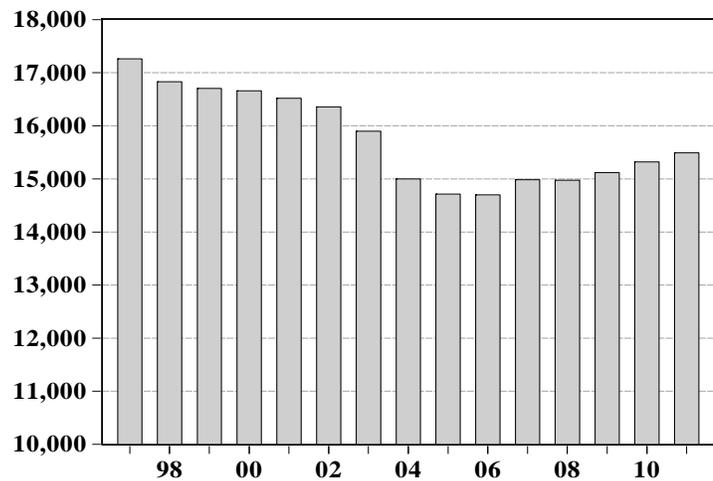
**Mining:** High metal prices have had a couple of noticeable impacts on the Idaho mining sector. First, it has turned around this sector's employment situation. Previous to 2003, Idaho mining employment decreased for five years, dropping from nearly 3,000 jobs in 1997 to about 1,750 jobs in 2002. This downward streak ended in 2003 when mining employment grew by 1.5%. This small increase proved to be the first step in an expansion that would see employment eventually top 2,700 jobs in 2007. Second, higher metal prices have increased expansion and exploration. Using the record profits it earned the last couple of years, Hecla Mining is expanding production at and exploration around its Lucky Friday Mine, where it employs 200 people. U.S. Silver Corp. is mining new finds at the Galena Mine, where another 200 people work, and it now is exploring the feasibility of reopening the Dayrock, a lead and zinc mine three miles northeast of Galena that closed in 1977. Sterling Mining Co. plans to re-open the Sunshine Mine, which closed in 2001, this winter. SNS Silver plans to spend \$3.5 million exploring the Crescent Mine. New Jersey Mining Co. is exploring at the Golden Chest, and its potential looks enormous. Timberline Resource Corp., headquartered in Coeur d'Alene, is exploring the Snowstorm, a historic silver-copper mine, and adjoining properties. Not all of the new activity is taking place north of the Salmon River, however. Standard Silver Corporation of Texas acquired the King Gold Mine that is 50 miles north of Boise. The J.R. Simplot Company is exploring for phosphate in the Dairy Sink Line area near the southeastern corner of the state. All of these projects could increase employment down the road. However, the cooling U.S. economy will make it difficult for mining employment to maintain its

stride in the near term. Specifically, Idaho mining employment is expected to increase 2.2% in 2008, then gradually decline over the remaining years of the forecast.

**Food Processing:** It appears that one of Idaho’s manufacturing giants is stirring after a long slumber. Food processing employment grew in 2007 for the first time in a decade. Nearly 360 jobs were lost when the J.R. Simplot Company decided to close its Nampa meat packing plant in the fall of 2003 and shuttered its Heyburn potato processing plant that had run continuously since 1960. More recently, about 400 jobs were lost when the Swift and Company beef processing plant closed. Fortunately, conditions seem to have improved. For example, the Swift and Company beef processing plant has been reopened by XL Foods, Inc. It is anticipated that it will replace all

the jobs lost from Swift’s closure once the plant is running at full capacity. Gossner Foods, Inc. opened a new cheese manufacturing plant in Heyburn on land formerly occupied by the J.R. Simplot plant. Brewster Dairy, Inc. has taken over the former Kraft plant in Rupert. 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. Another new plant is High Desert Milk in Burley. When completed, this plant will employ 30 workers to manufacture powdered milk. Idaho Milk Products broke ground on a 180,000-square-foot facility in Jerome in late October. Once operational, the plant will process about 3 million gallons of milk per day into protein powders, lactose permeate, and cream. This recovery is important because food processing is an essential part of the Gem State’s economy. This sector had 14,700 jobs in 2006, making it the state’s second largest manufacturing employer. Other measures also point to its importance. The value of food manufacturing output accounted for more than half (55.7%) of the total Idaho nondurable manufacturing output from 1997 to 2004 and about 2.6% of the state’s total gross domestic product. While 2.6% of output may appear to be a small part of the economy, it masks the state’s dependence on this sector. Its relative importance can be seen when it is compared to its national counterpart. Food processing accounted for just 1.6% of U.S. economic output. Food processing employment accounted for 2.3% of the state’s nonfarm jobs in 2006, while it accounted for just 1.1% of national nonfarm employment. Clearly, Idaho’s economy is more dependent on food processing than the nation. After declining for several years, Idaho food processing employment is expected to expand over the forecast period.

**Idaho Food Processing Employment**



## ALTERNATIVE FORECASTS

Global Insight has assigned a 50% probability of occurrence to its December 2007 baseline forecast of the U.S. economy. The major features of this forecast include:

- Real GDP increases 2.2% in 2007, 1.9% in 2008, and 2.9% annually thereafter;
- U.S. nonfarm employment grows 1.3% in 2007, 0.8% in 2008, 1.2% in 2009, and 1.3% in both 2010 and 2011;
- the annual U.S. civilian unemployment rate peaks at 5.1% then gradually declines to 4.7% in 2011;
- consumer inflation is 2.9% in 2007, 2.1% in 2008, 1.6% in 2009, 1.9% in 2010, and 1.8% in 2011;
- the current account deficit is \$755 billion in 2007, \$659 billion in 2008, \$649 billion in 2009, \$673 billion in 2010; and \$699 billion in 2011;
- the federal unified budget deficit is \$163 billion in 2007, \$305 billion in 2008, \$343 billion in 2009, \$348 billion in 2010, and \$307 billion in 2011.

### OPTIMISTIC SCENARIO

Global Insight's *Optimistic Scenario* has been assigned a 10% probability of occurrence. In this scenario, the fortunate alignment of several positive factors results in a prosperous path for the economy. In this scenario, enhanced productivity results in higher economic and employment gains and lower inflation and budget deficits. Business fixed investment is stronger than in the baseline case and the residential investment contraction is less severe. Housing starts begin to recover early in 2008 and average 1.15 million units, compared to 1.04 million units in the *Baseline Scenario*. Foreign economic growth is also stronger, boosting U.S. exports and strengthening domestic manufacturing. As a result, real net exports grow faster over the forecast period, despite a stronger dollar. This scenario also assumes oil prices are around \$10 per barrel lower than in the baseline case, while wellhead natural gas prices are also lower.

Under these assumptions, the economic outlook is much brighter than in the baseline case. Real output rises 2.7% this year, 3.7% next year, and 3.4% in 2010. In comparison, it increases just 1.9% in 2008 and by 2.9% in both 2009 and 2010 in the *Baseline Scenario*. Despite the stronger growth, inflation is actually lower in the *Optimistic Scenario* thanks to the higher productivity. Year-on-year consumer price inflation falls into the middle range of the Federal Reserve's 1%-2% tolerance band and remains there throughout most of the forecast period, rather than hovering near the upper boundary, as in the baseline case. As a result, inflation shifts to the back burner as an item for the central bank to worry about.

The stronger national economy lifts Idaho's outlook. This improvement is clearly evident in the employment and income data. First, Idaho nonfarm employment rises faster than in the baseline case in all years except 2011. As a result, Idaho nonfarm employment tops the 722,000-job level in 2011, which is about 4,000 higher than its baseline counterpart. As the table shows, Idaho goods-producing employment does not decline as deeply in 2008 and 2009 and it grows stronger in 2010, and by 2011 there are about 1,500 more of these jobs than in the baseline case. Nongoods-employment has about 2,500 more jobs than in the baseline case in 2011. Idaho real personal income is also stronger in 2011, topping its baseline counterpart by nearly \$100 million.

**IDAHO ECONOMIC FORECAST**  
**BASELINE AND ALTERNATIVE FORECASTS**  
**JANUARY 2008**

	BASELINE				OPTIMISTIC				PESSIMISTIC			
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
<b>U.S. GDP (BILLIONS)</b>												
Current \$	14,315	14,966	15,691	16,468	14,409	15,119	15,875	16,680	14,091	14,644	15,408	16,289
% Ch	3.5%	4.5%	4.8%	5.0%	4.1%	4.9%	5.0%	5.1%	2.0%	3.9%	5.2%	5.7%
2000 Chain-Weighted	11,779	12,118	12,469	12,832	11,876	12,316	12,736	13,150	11,596	11,793	12,103	12,449
% Ch	1.9%	2.9%	2.9%	2.9%	2.7%	3.7%	3.4%	3.2%	0.3%	1.7%	2.6%	2.9%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	49,986	52,894	56,164	59,874	49,724	52,464	55,499	58,994	50,634	54,092	57,872	62,484
% Ch	5.7%	5.8%	6.2%	6.6%	5.2%	5.5%	5.8%	6.3%	7.0%	6.8%	7.0%	8.0%
U.S. (Billions)	12,204	12,797	13,458	14,163	12,273	12,929	13,593	14,300	12,109	12,632	13,315	14,130
% Ch	4.6%	4.9%	5.2%	5.2%	5.2%	5.3%	5.1%	5.2%	3.8%	4.3%	5.4%	6.1%
<b>PERSONAL INCOME - 2000 \$</b>												
Idaho (Millions)	41,717	43,423	45,286	47,424	41,756	43,548	45,405	47,521	41,984	43,905	45,824	48,214
% Ch	3.7%	4.1%	4.3%	4.7%	3.8%	4.3%	4.3%	4.7%	4.2%	4.6%	4.4%	5.2%
U.S. (Billions)	10,185	10,506	10,852	11,219	10,306	10,732	11,121	11,520	10,041	10,253	10,543	10,903
% Ch	2.7%	3.2%	3.3%	3.4%	3.8%	4.1%	3.6%	3.6%	1.2%	2.1%	2.8%	3.4%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho	668,407	682,257	698,550	718,073	668,894	684,814	702,532	722,041	668,044	681,667	698,012	718,289
% Ch	1.6%	2.1%	2.4%	2.8%	1.7%	2.4%	2.6%	2.8%	1.6%	2.0%	2.4%	2.9%
U.S. (Thousands)	139,152	140,872	142,675	144,536	139,985	142,577	144,741	146,692	137,873	138,475	140,145	142,426
% Ch	0.8%	1.2%	1.3%	1.3%	1.4%	1.9%	1.5%	1.3%	-0.1%	0.4%	1.2%	1.6%
<b>GOODS-PRODUCING SECTOR</b>												
Idaho	119,447	118,168	118,865	121,142	119,744	119,642	120,861	122,658	117,707	115,031	116,118	118,607
% Ch	-3.5%	-1.1%	0.6%	1.9%	-3.3%	-0.1%	1.0%	1.5%	-4.9%	-2.3%	0.9%	2.1%
U.S. (Thousands)	21,873	21,603	21,757	22,108	21,996	22,022	22,356	22,792	21,657	20,808	20,756	21,197
% Ch	-2.3%	-1.2%	0.7%	1.6%	-1.8%	0.1%	1.5%	1.9%	-3.3%	-3.9%	-0.2%	2.1%
<b>NONGOODS-PRODUCING SECTOR</b>												
Idaho	548,960	564,090	579,685	596,931	549,150	565,172	581,671	599,384	550,337	566,637	581,894	599,681
% Ch	2.8%	2.8%	2.8%	3.0%	2.9%	2.9%	2.9%	3.0%	3.1%	3.0%	2.7%	3.1%
U.S. (Thousands)	117,279	119,269	120,918	122,428	117,989	120,555	122,385	123,900	116,217	117,667	119,389	121,229
% Ch	1.5%	1.7%	1.4%	1.2%	2.1%	2.2%	1.5%	1.2%	0.6%	1.2%	1.5%	1.5%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	3.6%	4.0%	4.8%	4.8%	4.3%	4.4%	4.5%	4.5%	3.4%	5.2%	6.0%	6.0%
Bank Prime	6.6%	7.0%	7.8%	7.8%	7.3%	7.4%	7.5%	7.5%	6.4%	8.2%	9.0%	9.0%
Existing Home Mortgage	6.0%	6.4%	7.0%	7.0%	6.2%	6.4%	6.7%	6.7%	6.8%	7.4%	7.9%	7.9%
<b>INFLATION</b>												
GDP Price Deflator	1.6%	1.6%	1.9%	2.0%	1.4%	1.2%	1.5%	1.8%	1.7%	2.2%	2.5%	2.8%
Personal Cons Deflator	1.9%	1.7%	1.8%	1.8%	1.3%	1.2%	1.5%	1.6%	2.6%	2.2%	2.5%	2.6%
Consumer Price Index	2.1%	1.6%	1.9%	1.8%	1.4%	1.2%	1.5%	1.5%	3.0%	1.9%	2.5%	2.5%

**Forecast Begins the THIRD Quarter of 2007**

## PESSIMISTIC SCENARIO

The *Pessimistic Scenario* has been assigned a 40% probability of occurrence. This scenario assumes the housing recession deepens even more than in the baseline case and near-term oil prices spike above \$100 per barrel. This combination sends the economy into a recession. Housing starts drop to 857,000 units in 2008, compared with 1,035,000 units in the baseline. The median existing home price falls more than 10% below the baseline forecast in 2009. Homes sales are also much lower. The housing weakness leads to a consumer confidence retreat. This contraction, along with the drop in wealth associated with falling home prices, causes consumer spending to slow to a crawl in 2008. The bleaker outlook causes businesses to scuttle long-term projects. These weaknesses cause the economy to slip into a three-quarter recession that begins in this year's last quarter. But output is not the only thing to suffer declines in the near future. Employment drops for four straight quarters, losing 186,000 jobs from peak to trough. Industrial production falls for five quarters.

The Federal Reserve lowers the federal funds rate to 3.0% in early 2008 in an attempt to revive the flagging economy. In 2008, the productivity slowdown, high energy prices, and a weakening dollar, rekindle inflation. The Federal Reserve hikes rates to head off inflation, but its efforts prove to be too little, too late. Core inflation creeps upwards, then settles just above 3.0%, which is a full point above the baseline level. Inflation is higher in this scenario because of the lower productivity gains and the weaker dollar, and because the central bank decides to live with inflation at 3.0% rather than risk another recession.

Idaho nonfarm employment is virtually unchanged from the *Baseline Scenario*. In 2011, there are about 200 more jobs than in the baseline case. This difference is the net effect of the lopsided performances of the goods- and nongoods-producing sectors. Goods-producing employment finishes the forecast period with about 118,600 jobs, which is about 2,500 fewer jobs than in the baseline. On the other hand, there are nearly 600,000 nongoods-producing jobs in 2011, or 2,750 more jobs than in the baseline case. This improvement is fed by higher Idaho real personal income which occurs because the lower productivity raises producers' costs, e.g., wages per job. Idaho real personal income is \$790 million higher in 2011 than in the *Baseline Scenario*.

# *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 95% of General Fund revenue as of fiscal year 2007. 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 2008 *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
<b>INDIVIDUAL INCOME TAX</b>	<b>\$459.44</b>	<b>\$508.02</b>	<b>\$559.17</b>	<b>\$596.46</b>	<b>\$650.85</b>	<b>\$704.82</b>	<b>\$776.19</b>	<b>\$841.87</b>	<b>\$960.16</b>
% CHANGE	6.3%	10.6%	10.1%	6.7%	9.1%	8.3%	10.1%	8.5%	14.1%
<b>CORPORATE INCOME TAX</b>	<b>\$57.97</b>	<b>\$70.00</b>	<b>\$87.63</b>	<b>\$131.64</b>	<b>\$151.98</b>	<b>\$122.36</b>	<b>\$117.29</b>	<b>\$95.44</b>	<b>\$124.87</b>
% CHANGE	-3.4%	20.8%	25.2%	50.2%	15.5%	-19.5%	-4.1%	-18.6%	30.8%
<b>SALES TAX</b>	<b>\$364.32</b>	<b>\$402.82</b>	<b>\$452.68</b>	<b>\$481.57</b>	<b>\$463.00</b>	<b>\$476.73</b>	<b>\$496.81</b>	<b>\$588.80</b>	<b>\$627.50</b>
% 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	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95
<b>PRODUCT TAXES</b>	<b>\$14.43</b>	<b>\$14.39</b>	<b>\$15.07</b>	<b>\$14.99</b>	<b>\$15.57</b>	<b>\$15.73</b>	<b>\$15.84</b>	<b>\$15.76</b>	<b>\$15.96</b>
% 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	\$4.42
ESTATE TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OTHER DEPTS & TRANSFERS	\$1.86	\$0.68	\$1.26	\$3.39	\$3.18	\$3.14	\$3.40	\$4.91	\$8.31
<b>MISC. REVENUE</b>	<b>\$55.68</b>	<b>\$48.23</b>	<b>\$58.52</b>	<b>\$63.46</b>	<b>\$69.55</b>	<b>\$72.23</b>	<b>\$76.01</b>	<b>\$82.57</b>	<b>\$92.46</b>
% CHANGE	-6.2%	-13.4%	21.3%	8.4%	9.6%	3.9%	5.2%	8.6%	12.0%
<b>TOTAL GENERAL FUND*</b>	<b>\$951.84</b>	<b>\$1,043.47</b>	<b>\$1,173.07</b>	<b>\$1,288.10</b>	<b>\$1,350.94</b>	<b>\$1,391.86</b>	<b>\$1,482.14</b>	<b>\$1,624.43</b>	<b>\$1,820.96</b>
% 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	FY 2009
<b>INDIVIDUAL INCOME TAX</b>	<b>\$1,023.97</b>	<b>\$835.85</b>	<b>\$837.80</b>	<b>\$902.13</b>	<b>\$1,035.54</b>	<b>\$1,216.49</b>	<b>\$1,400.16</b>	<b>\$1,404.25</b>	<b>\$1,423.37</b>
% CHANGE	6.6%	-18.4%	0.2%	7.7%	14.8%	17.5%	15.1%	0.3%	1.4%
<b>CORPORATE INCOME TAX</b>	<b>\$141.53</b>	<b>\$76.30</b>	<b>\$93.13</b>	<b>\$103.02</b>	<b>\$139.56</b>	<b>\$194.13</b>	<b>\$190.22</b>	<b>\$184.46</b>	<b>\$187.83</b>
% CHANGE	13.3%	-46.1%	22.1%	10.6%	35.5%	39.1%	-2.0%	-3.0%	1.8%
<b>SALES TAX</b>	<b>\$647.29</b>	<b>\$657.12</b>	<b>\$700.24</b>	<b>\$886.08</b>	<b>\$950.83</b>	<b>\$880.77</b>	<b>\$1,077.46</b>	<b>\$1,170.77</b>	<b>\$1,249.32</b>
% CHANGE	3.2%	1.5%	6.6%	26.5%	7.3%	-7.4%	22.3%	8.7%	6.7%
CIGARETTE TAX	\$7.98	\$8.00	\$8.26	\$30.04	\$7.81	\$7.98	\$1.00	\$6.54	\$13.90
TOBACCO PRODUCTS	\$4.06	\$4.31	\$4.67	\$5.49	\$5.75	\$6.16	\$6.55	\$7.10	\$7.20
BEER TAX	\$1.82	\$1.88	\$1.91	\$1.96	\$1.95	\$1.99	\$2.13	\$2.15	\$2.22
WINE TAX	\$1.90	\$1.88	\$1.97	\$2.14	\$2.33	\$2.43	\$2.48	\$2.64	\$2.77
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$7.39</u>	<u>\$10.24</u>	<u>\$8.38</u>	<u>\$11.57</u>
<b>PRODUCT TAXES</b>	<b>\$20.70</b>	<b>\$21.02</b>	<b>\$21.75</b>	<b>\$44.57</b>	<b>\$22.79</b>	<b>\$25.94</b>	<b>\$22.41</b>	<b>\$26.80</b>	<b>\$37.66</b>
% CHANGE	29.7%	1.5%	3.5%	104.9%	-48.9%	13.8%	-13.6%	19.6%	40.5%
KILOWATT-HOUR TAX	\$1.80	\$1.79	\$1.80	\$1.83	\$1.53	\$2.29	\$2.26	\$1.85	\$2.00
MINE LICENSE TAX	\$0.12	\$0.82	\$0.04	\$0.07	\$0.03	\$0.27	\$2.35	\$2.00	\$0.50
INTEREST EARNINGS	\$22.30	\$11.33	\$2.98	\$4.97	\$8.92	\$18.12	\$17.17	\$18.97	\$10.10
COURT FEES AND FINES	\$5.49	\$5.19	\$5.29	\$4.98	\$4.66	\$4.79	\$5.04	\$5.14	\$5.24
INSURANCE PREMIUM TAX	\$55.88	\$55.37	\$59.49	\$62.77	\$60.85	\$60.38	\$59.78	\$58.98	\$59.55
ALCOHOLIC BEVERAGE LICENSES	\$1.22	\$1.36	\$1.39	\$1.61	\$1.64	\$1.72	\$1.81	\$1.85	\$1.88
UCC FILINGS	\$2.01	\$2.03	\$2.14	\$2.39	\$2.69	\$3.02	\$3.00	\$3.10	\$3.15
UNCLAIMED PROPERTY	\$5.81	\$0.88	\$3.76	\$3.69	\$9.83	\$1.99	\$3.31	\$2.50	\$2.50
LANDS	\$0.34	\$0.35	\$0.36	\$0.33	\$0.53	\$0.33	\$0.47	\$0.40	\$0.43
ONE-TIME TRANSFERS	\$11.19	\$7.11	\$5.46	\$51.40	\$0.86	\$0.54	\$1.54	\$2.24	\$0.00
ESTATE TAX	\$35.81	\$7.59	\$13.65	\$4.43	\$3.30	\$1.11	\$0.12	\$0.01	\$0.00
OTHER DEPTS & TRANSFERS	<u>\$9.18</u>	<u>\$16.31</u>	<u>\$14.67</u>	<u>\$22.84</u>	<u>\$24.14</u>	<u>\$21.89</u>	<u>\$25.40</u>	<u>\$28.86</u>	<u>\$28.38</u>
<b>MISC. REVENUE</b>	<b>\$151.15</b>	<b>\$110.14</b>	<b>\$111.02</b>	<b>\$161.31</b>	<b>\$118.98</b>	<b>\$116.43</b>	<b>\$122.25</b>	<b>\$125.91</b>	<b>\$113.72</b>
% CHANGE	63.5%	-27.1%	0.8%	45.3%	-26.2%	-2.1%	5.0%	3.0%	-9.7%
<b>TOTAL GENERAL FUND*</b>	<b>\$1,984.64</b>	<b>\$1,700.43</b>	<b>\$1,763.95</b>	<b>\$2,097.10</b>	<b>\$2,267.69</b>	<b>\$2,433.75</b>	<b>\$2,812.49</b>	<b>\$2,912.19</b>	<b>\$3,011.90</b>
% CHANGE	9.0%	-14.3%	3.7%	18.9%	8.1%	7.3%	15.6%	3.5%	3.4%

\* 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 <sup>1</sup>								
	\$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 <sup>2</sup>	1.61%	3.23%	4.30%	5.38%	6.45%	8.60%	8.60%	8.60%	8.60%
1957 <sup>3</sup>	2.0%	4.0%	5.5%	6.6%	7.7%	8.8%	8.8%	8.8%	8.8%
1959	3.5%	5.0%	6.5%	7.5%	8.5%	9.5%	9.5%	9.5%	9.5%
1963	3.4%	5.5%	7.2%	8.25%	9.35%	10.5%	10.5%	10.5%	10.5%
1965	2.5%	5.0%	6.0%	7.0%	8.0%	9.0%	9.0%	9.0%	9.0%
1972	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.5%	7.5%
1987	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.8%	8.2%
2000	<b>\$0-1022</b>	<b>\$1023-2044</b>	<b>\$2045-3066</b>	<b>\$3067-4088</b>	<b>\$4089-5110</b>	<b>\$5111-7666</b>	<b>\$7667-20,442</b>	<b>\$20443+</b>	
	1.9%	3.9%	4.4%	5.4%	6.4%	7.4%	7.7%	8.1%	
2001	<b>\$0-1056</b>	<b>\$1057-2113</b>	<b>\$2114-3169</b>	<b>\$3170-4226</b>	<b>\$4227-5282</b>	<b>\$5283-7923</b>	<b>\$7924-21129</b>	<b>\$21130+</b>	
	1.6%	3.6%	4.1%	5.1%	6.1%	7.1%	7.4%	7.8%	
2002	<b>\$0-1087</b>	<b>\$1088-2173</b>	<b>\$2174-3260</b>	<b>\$3261-4346</b>	<b>\$4347-5433</b>	<b>\$5434-8149</b>	<b>\$8150-21730</b>	<b>\$21731+</b>	
2003	<b>\$0-1104</b>	<b>\$1105-2207</b>	<b>\$2208-3311</b>	<b>\$3312-4415</b>	<b>\$4416-5518</b>	<b>\$5519-8278</b>	<b>\$8279-22074</b>	<b>\$22075+</b>	
2004	<b>\$0-1129</b>	<b>\$1130-2258</b>	<b>\$2259-3387</b>	<b>\$3388-4515</b>	<b>\$4516-5644</b>	<b>\$5645-8466</b>	<b>\$8467-22577</b>	<b>\$22577+</b>	
2005	<b>\$0-1158</b>	<b>\$1159-2317</b>	<b>\$2318-3476</b>	<b>\$3477-4635</b>	<b>\$4636-5793</b>	<b>\$5794-8691</b>	<b>\$8692-23177</b>	<b>\$23178+</b>	
2006	<b>\$0-1198</b>	<b>\$1199-2396</b>	<b>\$2397-3594</b>	<b>\$3595-4793</b>	<b>\$4794-5991</b>	<b>\$5992-8986</b>	<b>\$8987-23963</b>	<b>\$23964+</b>	
2007	<b>\$0-1237</b>	<b>\$1238-2474</b>	<b>\$2475-3710</b>	<b>\$3711-4947</b>	<b>\$4948-6184</b>	<b>\$6185-9276</b>	<b>\$9277-24736</b>	<b>\$24737+</b>	

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 15<sup>th</sup> following the end of the tax year). A number of Idaho taxpayers make voluntary estimated payments at the end of the tax year (typically December 31<sup>st</sup>) 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 fiscal 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 2008 and FY 2009 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 <sup>1</sup>	776,192.0	4,817.3	190.1
FY99	Actual	989,401.5	142,174.4	841,865.0	5,107.5	254.6
FY00	Actual	1,113,448.3	147,853.6	960,163.7	5,041.1	389.9
FY01	Actual	1,200,254.7	169,727.3	1,023,970.2	6,073.1	484.1
FY02	Actual	1,033,900.3	191,524.7	835,854.8	5,636.6	884.2
FY03	Actual	1,033,471.1	189,691.0	837,798.6	5,358.3	623.2
FY04	Actual	1,097,096.6	189,116.2	902,125.5	5,346.8	508.0
FY05	Actual	1,241,292.8	190,269.1	1,035,542.5	5,160.5	10,320.8 <sup>2</sup>
FY06	Actual	1,425,769.1	203,019.6	1,216,486.7	5,408.6	854.2
FY07	Actual	1,630,854.6	224,139.7	1,400,159.0	5,716.2	839.6
FY08	Projection	1,662,729.1	251,825.3	1,404,247.5	5,856.3	800.0
FY09	Projection	1,694,024.9	263,877.0	1,423,366.3	5,981.6	800.0

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

<b>Tax Rates on the Portion of Income:</b>								
<b>Greater Than</b>		\$0	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000
<b>But Not More Than</b>		\$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	Actual	211,189.8	22,960.7	190,222.2	497.1	-2,490.1
FY08	Projection	221,807.5	35,350.9	184,456.6	400.0	1,600.0
FY09	Projection	225,827.8	35,997.5	187,830.4	400.0	1,600.0

# 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. Beginning in fiscal year 2008, payments into the Demonstration Pilot Project Fund are made from sales tax refunds. 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 <sup>7</sup>	Pollution 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%				<u>2,3,4</u>
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			<u>3,4,5</u>
Jul-1995	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800			<u>3,4,5,6</u>
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 one 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 2008 and FY 2009 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.

**Historical Data:**

**SALES TAX**  
(\$ THOUSANDS)

Year		Gross Collections	Distributions									
			Refunds	Gen. Fund	Perm. Building Fund	Rev. Sharing	Alloc. To Counties	Pollution Control	Circuit Breaker	Property Tax Relief	Agricultural Equipment Prop. Tax Exemption	Misc. Dist.
FY70	Actual	\$41,678.2	\$61.6	\$33,055.0	\$500.0		\$4,161.7					\$3,899.9 <sup>1,2</sup>
FY71	Actual	45,368.6	101.9	34,076.7	500.0		6,790.0					3,900.0 <sup>1,2</sup>
FY72	Actual	51,704.1	81.1	36,967.1	500.0		10,324.6					3,831.3 <sup>1,2</sup>
FY73	Actual	60,999.6	70.3	43,281.3	500.0		12,186.1					4,961.9 <sup>1,2</sup>
FY74	Actual	69,833.3	340.7	49,250.0	500.0		13,898.5					5,844.1 <sup>1,2</sup>
FY75	Actual	79,108.7	100.4	57,022.8	500.0		15,801.7					5,683.8 <sup>1</sup>
FY76	Actual	88,874.0	137.5	63,650.6	500.0		17,747.3					6,838.6 <sup>1</sup>
FY77	Actual	103,859.6	219.2	73,594.5	500.0		20,728.1					8,817.8 <sup>1</sup>
FY78	Actual	118,866.2	157.0	84,107.4	500.0		23,741.8					10,360.0 <sup>1</sup>
FY79	Actual	129,906.4	205.9	91,463.6	500.0		25,940.1					11,796.8 <sup>1</sup>
FY80	Actual	137,113.9	264.5	95,984.6	500.0		27,369.9					12,994.9 <sup>1</sup>
FY81	Actual	145,008.0	220.5	97,679.3	500.0		14,476.0					32,132.2 <sup>1,2</sup>
FY82	Actual	146,206.9	311.8	98,720.2	500.0		14,607.4					32,067.5 <sup>1,2</sup>
FY83	Actual	165,441.1	181.2	115,407.0	500.0		15,266.3					34,086.6 <sup>1,2</sup>
FY84	Actual	241,838.4	596.2	188,422.1	500.0		16,192.2					36,127.9 <sup>1,2</sup>
FY85	Actual	238,544.3	449.7	200,026.6	500.0	\$14,876.1	17,851.5	\$4,800.0				40.4 <sup>3</sup>
FY86	Actual	250,490.1	516.8	211,564.2	500.0	15,036.7	18,044.1	4,800.0				28.3 <sup>3</sup>
FY87	Actual	297,892.0	538.4	259,358.6	500.0	14,853.3	17,827.1	4,800.0				14.6 <sup>3</sup>
FY88	Actual	311,391.2	672.5	258,770.8	500.0	24,084.4	18,637.1	4,800.0	\$3,890.1			36.2 <sup>3</sup>
FY89	Actual	346,682.3	882.4	288,780.3	500.0	26,785.4	20,737.1	4,800.0	4,171.7			25.4 <sup>3</sup>
FY90	Actual	383,096.0	1,664.0	319,290.7	500.0	29,540.7	22,870.2	4,800.0	4,335.5			94.9 <sup>3</sup>
FY91	Actual	404,146.4	3,403.1	335,739.5	500.0	31,036.1	24,028.3	4,800.0	4,491.1			148.3 <sup>3</sup>
FY92	Actual	435,715.5	1,799.1	364,323.0	500.0	33,612.2	26,022.6	4,800.0	4,606.1			52.5 <sup>3</sup>
FY93	Actual	481,357.9	1,163.9	402,819.5	500.0	37,195.6	28,796.9	4,800.0	6,031.2			50.8 <sup>3</sup>
FY94	Actual	541,503.6	1,739.0	452,684.8	500.0	41,789.3	32,353.2	4,800.0	7,504.3			132.9 <sup>3</sup>
FY95	Actual	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 <sup>3</sup>
FY96	Actual	602,573.0	2,114.2	462,999.7	500.0	46,554.3	36,023.2	4,800.0	8,807.0	\$40,757.1		17.6 <sup>3</sup>
FY97	Actual	624,631.8	2,109.4	476,726.1	500.0	48,240.6	37,347.6	4,800.0	9,609.0	45,238.4		60.7 <sup>3</sup>
FY98	Actual	655,182.6	2,023.6	496,807.8	500.0	50,572.4	39,152.8	4,800.0	10,331.1	50,400.4		594.5 <sup>3</sup>
FY99	Actual	704,734.8	2,784.7	588,796.7	500.0	54,237.7	41,979.4	4,800.0	10,891.7	0.0		744.6 <sup>3</sup>
FY00	Actual	750,125.9	2,741.7	627,503.0	500.0	57,852.8	44,754.6	4,800.0	11,481.2	0.0		492.7 <sup>3</sup>
FY01	Actual	778,886.9	3,464.1	647,293.8	5,000.0	106,024.7	0.0	4,800.0	11,711.3	0.0		593.0 <sup>3</sup>
FY02	Actual	791,623.6	4,103.4	657,119.2	5,000.0	108,500.4	0.0	4,800.0	11,983.5	0.0		117.0
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 <sup>4</sup>	922.5
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	Actual	1,272,854.7	5,029.1	1,077,455.9	5,000.0	154,818.1	0.0	4,800.0	15,402.7	0.0	9,727.4	621.5
FY08	Projection	1,367,130.4	6,235.7	1,170,773.8	5,000.0	156,433.9	0.0	4,800.0	14,800.0	0.0	8,487.1	600.0
FY09	Projection	1,458,813.1	9,281.1	1,249,317.7	5,000.0	166,627.2	0.0	4,800.0	14,700.0	0.0	8,487.1	600.0

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 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 <sup>2,3</sup>	Perm Build. Fund <sup>4</sup>	Water Poll. Control	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> <sup>1</sup>			Balance <sup>1</sup>	1.099% to \$100,000	10.989%	10.989%	3.645%	
Jul-1987	0.009000			Balance	<u>1.000%</u> to \$100,000	<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%	
Jul-2007	0.028500	0.002587	0.002587	<u>Bond Levy Equalization Appropriation up to \$6.535 million.</u>	0.400%	<u>+ Balance</u> 17.300%	0.000%	1.000%	
Jul-2008	0.028500	0.002587	0.002587	<u>Bond Levy Equalization Appropriation</u>	0.400%	<u>+ Balance</u> 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 2008 and FY 2009 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	Actual	47,731.8	1,000.0	6,703.4	30,501.9	8.8	0.0	387.5	155.0	4,487.6	4,487.6			0.0	
FY08	Projection	46,578.8	6,535.0	6,528.4	24,144.6	96.8	0.0	377.4	150.9	4,372.8	4,372.8			0.0	
FY09	Projection	45,831.9	13,900.0	6,423.4	16,286.4	96.8	0.0	371.3	148.5	4,302.7	4,302.7			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 Pollution 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% <sup>1</sup>	2.5%
Jul-2000	0.0%	35.0%	2.5% <sup>1</sup>	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 2008 and FY 2009 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	Actual	7,531.4	6,548.2	47.8	0.0	467.7	467.7
FY08	Projection	8,145.0	7,100.0	30.7	0.0	507.1	507.1
FY09	Projection	8,259.2	7,200.0	30.7	0.0	514.3	514.3

# 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 Substance Abuse 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.
Jul-2007	\$4.65	47% to GF; 33% to PBF; 20% to Substance Abuse Treatment Fund (SATF).

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2008 and FY 2009 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				
			Gen. Fund	Perm. Building Fund	Refunds	Alcoholism Treatment Fund	Substance Abuse Treatment Fund
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	Actual	4,542.1	2,133.5	1,498.0	2.6	907.9	
FY08	Projection	4,576.5	2,150.0	1,509.6	2.0	0.0	\$914.9
FY09	Projection	4,725.4	2,220.0	1,558.7	2.0	0.0	944.7

## 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 Substance Abuse 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.
Jul-2007	\$1.45	All	83% to GF; 12% to Substance Abuse Treatment Fund (SATF); 5% to Idaho Grape Growers & Wine Producers Commission Fund.

**Basis of Projection:**

The projections of General Fund revenue from this source for FY 2008 and FY 2009 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	Substance Abuse 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	Actual	3,020.7	2,483.2	14.3	359.0		149.6
FY08	Projection	3,186.2	2,640.0	5.5	0.0	\$381.7	159.0
FY09	Projection	3,342.9	2,770.0	5.5	0.0	400.5	166.9

## 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 2008 and FY 2009 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	Actual	2,259.2	0.0	2,259.2
FY08	Projection	1,850.0	0.0	1,850.0
FY09	Projection	2,000.0	0.0	2,000.0

## 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 2008 and FY 2009 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	33.1	
FY06	Actual	404.8	2.1	0.0	136.9	265.8
FY07	Actual	3,569.8	16.4	0.0	1,208.1	2,345.2
FY08	Projection	3,053.4	23.1	0.0	1,030.3	2,000.0
FY09	Projection	780.7	23.1	0.0	257.6	500.0

## 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 2005. 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% <sup>1</sup>	85%	0%	0%
Jul-1979	10%	5% <sup>1</sup>	85%	\$435,000 <sup>2</sup>	0%
Apr-1980	10%	5% <sup>1</sup>	85%	\$105,000 <sup>3</sup>	0%
Jul-1986	10%	Actual	80%	10%	0%
Jul-1987	10% <sup>4</sup>	Actual	Balance	10%	0%
Jul-2000	10% <sup>4</sup>	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 2008 and FY 2009 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	Actual	158.6	122.9	19.8	15.9	0.0	0.0
FY08	Projection	11.1	10.0	0.0	1.1	0.0	0.0
FY09	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, Mental Health Court, and Family Court Services Fund. From FY 2008 to FY 2009, 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; \$2.08 million to the Substance Abuse 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, \$0.68 million to the Drug Court, Mental Health Court and Family Court Services Fund; \$0.44 million to the Drug and Mental Health Court Supervision Fund; and the remainder of this portion to the General Fund.

The distribution formula changes beginning with FY 2010. Over the five-year period covering FY 2010 to FY 2014, 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 rises annually in two-percentage points increments to 50% over this same period. This portion of the total net profits will be distributed as follows: \$2.08 million to the Substance Abuse 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, \$0.68 million to the Drug Court, Mental Health Court and Family Court Services Fund; \$0.44 million to the Drug and Mental Health Court Supervision Fund; and the remainder of this portion to the General Fund.

**Historical Data:**

**LIQUOR SURCHARGE**  
(\$ THOUSANDS)

Year		Gross Distrib.	Distributions													
			General Fund	Alcohol Treat. Fund	Community College Fund	Coop. Welfare Fund	Public School Fund	Budget Reserve Fund	Permanent Building Fund	Drug Cr., Mental Health Cr. & Family Cr. Srvs Fund	Water Res. Rev. Dev. Fund	Warehouse Remodel Fund	Substance Abuse Treat. Fund	Drug & Mental Health Cr. Super. 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	35,459.5	7,388.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0	2,114.5	0.0	\$2,000.0				20,607.0
FY07	Actual	42,512.7	10,242.2	1,200.0	300.0	650.0	1,200.0	0.0	0.0	2,313.9	0.0	2,000.0				24,606.6
FY08	Projection	43,796.3	8,378.5	0.0	300.0	650.0	1,200.0	0.0	0.0	3,210.9	0.0	3,245.4	\$2,080.0		\$440.0	24,291.5
FY09	Projection	49,752.0	11,574.0	0.0	300.0	650.0	1,200.0	0.0	0.0	3,623.0	0.0	0.0	2,080.0		440.0	29,885.0

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For more information, please contact the Division of Financial Management.

## 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 2008 and FY 2009 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2008 projection includes approximately \$7.44 million of earnings by the Treasurer from the issuance of a tax anticipation note. The FY 2009 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 2008 and FY 2009 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.

In 2007 legislation was passed that allows all dental coverage carriers to be taxed four cents per subscriber contract per month. Prior to this change, some dental carriers were subject to premium taxes calculated by applying the premium tax rate to the value of premiums.

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 2008 and FY 2009 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 2008 and FY 2009 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 and discussions with the Idaho Tax Commission.

## 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 2008 and FY 2009 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	4,417.9	8,306.6
FY01	Actual	35,806.8	22,303.6	5,493.5	55,880.8	1,224.4	5,809.6	2,007.0	338.3	11,191.6	9,178.2
FY02	Actual	7,589.0	11,334.6	5,188.3	55,370.9	1,363.8	880.7	2,031.8	347.9	7,107.1	16,314.3
FY03	Actual	13,649.2	2,982.2	5,287.8	59,488.8	1,394.2	3,760.3	2,143.5	355.8	5,464.7	14,665.1
FY04	Actual	4,430.6	4,971.3	4,978.5	62,766.6	1,611.5	3,686.5	2,394.9	331.0	51,402.1	22,840.8
FY05	Actual	3,296.6	8,921.1	4,656.3	60,852.6	1,635.4	9,827.6	2,689.0	532.7	857.9	24,140.2
FY06	Actual	1,110.4	18,122.1	4,786.9	60,375.0	1,719.2	1,988.9	3,015.8	330.2	537.3	21,892.0
FY07	Actual	122.9	17,174.5	5,037.1	59,781.3	1,807.2	3,308.4	2,998.3	466.2	1,543.7	25,404.5
FY08	Projection	10.0	18,973.0	5,140.0	58,982.0	1,850.0	2,500.0	3,100.0	400.0	2,239.4	28,860.8
FY09	Projection	0.0	10,101.0	5,242.0	59,547.0	1,881.0	2,500.0	3,150.0	425.0	0.0	28,377.3

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.
18. Includes \$0.77 million one-time water loan interest payment.

# *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  
Biofuel Investment Tax Credit (2007-2011)

**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  
State Tax Anticipation Revenue

**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

	CY2004	CY2005	CY2006	CY2007	CY2008	CY2009
<b>1 Income Tax Expenditures (Calendar Year Basis)</b>						
<b>1.1 Uses of Income Not Taxed</b>						
1.1.01 Investment Tax Credit	\$35,205	\$29,721	\$31,469	\$32,065	\$33,403	\$35,529
1.1.02 Other States Tax Credit	\$41,915	\$54,497	\$59,221	\$64,274	\$67,933	\$71,885
1.1.03 Elderly Dependent Credit	\$503	\$523	\$539	\$557	\$577	\$595
1.1.04 Youth and Rehabilitation Credit	\$7,996	\$8,469	\$9,407	\$10,203	\$10,991	\$11,644
1.1.05 Schools, Libraries, and Museums Credit	\$3,954	\$4,096	\$4,451	\$4,793	\$5,066	\$5,360
1.1.06 Grocery Credit	\$25,457	\$26,231	\$26,925	\$27,587	\$28,206	\$28,730
1.1.07 Recycling Equipment Credit	\$28	\$6	\$24	\$24	\$24	\$24
1.1.08 Technological Equipment Deduction	\$50	\$48	\$52	\$56	\$59	\$62
1.1.09 Long-Term Care Insurance Deduction	\$772	\$894	\$919	\$948	\$971	\$998
1.1.10 Alternative Energy Device Deduction	\$231	\$267	\$289	\$311	\$327	\$346
1.1.11 Insulation Deduction	\$469	\$590	\$639	\$686	\$723	\$765
1.1.12 Workers' Compensation Premium Deduction	\$400	\$400	\$400	\$400	\$400	\$400
1.1.13 Child Care Deduction	\$3,577	\$3,800	\$3,852	\$3,901	\$3,954	\$4,009
1.1.14 College Savings Deduction	\$1,249	\$1,340	\$1,361	\$1,108	\$1,131	\$1,154
1.1.15 Health Insurance Deduction	\$8,495	\$9,576	\$10,159	\$10,753	\$11,285	\$11,948
1.1.16 Elderly and Developmental Disability Deduction	\$9	\$9	\$9	\$9	\$9	\$9
1.1.17 Adoption Expense Deduction	\$55	\$46	\$48	\$48	\$48	\$48
1.1.18 Medical Savings Account Deduction	\$1,052	\$1,050	\$1,139	\$1,224	\$1,290	\$1,365
1.1.19 New Employees Credit	\$196	\$220	\$1,510	\$1,510	\$1,510	\$1,510
1.1.20 Riparian Land Improvements Credit	\$4	\$0	\$0	\$0	\$0	\$0
1.1.21 Broadband Investment Credit	\$2,642	\$484	\$512	\$522	\$543	\$578
1.1.22 County Incentive Investment Tax Credit	\$677	\$251	\$0	\$0	\$0	\$0
1.1.23 Research Activity Credit	\$1,139	\$1,199	\$1,270	\$1,294	\$1,348	\$1,434
1.1.24 Promoter Sponsored Events Credit	\$4	\$9	\$6	\$6	\$6	\$6
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	\$3	\$32	\$61	\$89	\$118
1.1.29 Small Employer Real Property Improvement Credit	\$0	\$1	\$29	\$58	\$87	\$116
1.1.30 Small Employer New Jobs Credit	\$0	\$0	\$29	\$57	\$86	\$115
1.1.31 Live Organ Donation Expenses Credit	\$0	\$0	\$0	\$15	\$15	\$15
1.1.32 Biofuel Investment Tax Credit	\$0	\$0	\$0	\$30	\$68	\$68
<b>1.2 Sources of Income Not Taxed</b>						
1.2.01 Capital Gains Exclusion	\$28,228	\$53,232	\$58,313	\$62,213	\$66,208	\$69,528
1.2.02 Government Interest Exclusion	\$2,840	\$3,910	\$4,296	\$4,654	\$4,998	\$5,294
1.2.03 Social Security Exclusion	\$27,768	\$32,961	\$35,847	\$38,560	\$40,508	\$42,955
1.2.04 Railroad Retirement Exclusion						
1.2.05 Retirement Benefit Exclusion	\$4,040	\$4,660	\$5,058	\$5,430	\$5,674	\$6,017
1.2.06 Idaho Lottery Winnings Exclusion	\$4,322	\$4,394	\$4,467	\$4,542	\$4,618	\$4,696
1.2.07 Indian Earnings on Reservation Exclusion	\$439	\$465	\$506	\$545	\$576	\$609
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

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
<b>2 Sales Tax Expenditures (Fiscal Year Basis)</b>						
<b>2.1 Specific Uses Not Taxed</b>						
2.1.01 Production Exemption - Equipment	\$87,301	\$94,396	\$96,718	\$100,296	\$105,365	\$111,220
2.1.02 Production Exemption - Supplies	\$66,087	\$71,458	\$73,216	\$75,924	\$79,762	\$84,194
2.1.03 Irrigation Equipment and Supplies	\$3,298	\$3,380	\$3,465	\$3,551	\$3,640	\$3,731
2.1.04 Pollution Control Equipment	\$4,165	\$5,099	\$9,108	\$11,079	\$10,412	\$10,371
2.1.05 Broadcast Equipment and Supplies	\$2,023	\$2,187	\$2,237	\$2,320	\$2,437	\$2,573
2.1.06 Publishing Equipment and Supplies	\$130	\$140	\$143	\$149	\$156	\$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	\$7,045	\$6,877	\$6,940	\$6,815	\$6,969	\$7,297
2.1.10 Out-of-State Contracts	\$3,372	\$3,646	\$3,729	\$3,866	\$4,062	\$4,288
2.1.11 Trade-in Value	\$30,077	\$29,359	\$29,627	\$29,094	\$29,753	\$31,150
2.1.12 Sale or Lease of Businesses or Business Assets	\$1,600	\$1,730	\$1,769	\$1,835	\$1,928	\$2,035
2.1.13 Food Stamps/WIC	\$7,012	\$6,808	\$7,225	\$7,604	\$7,930	\$8,263
2.1.14 Motor Vehicles Used Outside of Idaho	\$16,800	\$16,399	\$16,548	\$16,251	\$16,619	\$17,399
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	\$64	\$69	\$73	\$76	\$78	\$81
2.1.19 School Lunches and Senior Citizen Meals	\$2,888	\$3,027	\$3,180	\$3,395	\$3,529	\$3,645
2.1.20 Drivers Education Automobiles	\$38	\$38	\$39	\$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	\$1,276	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550
2.1.24 Research and Development Equipment	\$1,200	\$7,200	\$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	\$90	\$90	\$90	\$90	\$90
2.1.27 Glider Kit Vehicles	\$0	\$0	\$288	\$283	\$289	\$303
2.1.28 Media Production Projects	\$0	\$0	\$0	\$60	\$63	\$66
2.1.29 State Tax Anticipation Revenue	\$0	\$0	\$0	\$0	\$2,600	\$3,300
<b>2.2 Goods Not Taxed</b>						
2.2.01 Motor Fuels	\$117,594	\$148,797	\$152,215	\$164,693	\$158,936	\$161,905
2.2.02 Heating Materials	\$4,142	\$4,513	\$4,896	\$5,275	\$5,017	\$4,987
2.2.03 Utility Sales	\$75,908	\$78,185	\$80,530	\$82,946	\$85,435	\$87,998
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	\$45,502	\$49,832	\$54,822	\$57,483	\$63,628	\$72,863
2.2.07 Funeral Caskets	\$1,138	\$1,173	\$1,208	\$1,244	\$1,281	\$1,320
2.2.08 Containers	\$30	\$32	\$34	\$35	\$36	\$38
2.2.09 Nonprofit Literature	\$118	\$122	\$125	\$128	\$130	\$133
2.2.10 Official Documents	\$59	\$60	\$62	\$63	\$65	\$66
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	\$1,922	\$2,008	\$2,108	\$2,194	\$2,284	\$2,373
2.2.14 Telecommunications Equipment	\$875	\$962	\$1,058	\$1,164	\$1,280	\$1,409

# Idaho's Tax Structure

## Fiscal Summary

\$ Thousands

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
<b>2.3 Services Not Taxed</b>						
2.3.01 Construction	\$137,933	\$160,817	\$159,687	\$161,510	\$159,512	\$155,756
2.3.02 Agricultural and Industrial Services	\$2,719	\$2,772	\$2,830	\$2,884	\$2,939	\$2,994
2.3.03 Transportation Services	\$29,017	\$30,594	\$32,049	\$33,761	\$35,127	\$36,798
2.3.04 Information Services	\$67,755	\$69,725	\$71,416	\$73,188	\$74,601	\$76,039
2.3.05 Repairs	\$38,269	\$40,726	\$43,176	\$45,507	\$47,724	\$50,116
2.3.06 Professional Services	\$137,652	\$146,488	\$155,304	\$163,685	\$171,661	\$180,267
2.3.07 Business Services	\$102,388	\$108,960	\$115,517	\$121,751	\$127,684	\$134,085
2.3.08 Personal Services	\$8,393	\$8,932	\$9,469	\$9,980	\$10,467	\$10,991
2.3.09 Health and Medical Services	\$277,589	\$296,951	\$314,731	\$332,742	\$351,810	\$372,717
2.3.10 Social Services	\$46,419	\$49,657	\$52,630	\$55,642	\$58,830	\$62,327
2.3.11 Educational Services	\$27,514	\$29,280	\$31,042	\$32,717	\$34,311	\$36,032
2.3.12 Lottery Tickets and Pari-Mutuel Betting	\$7,604	\$9,066	\$9,564	\$9,891	\$10,232	\$10,586
2.3.13 Media Measurement Services	\$57	\$59	\$61	\$63	\$65	\$66
2.3.14 Miscellaneous Services	\$2,178	\$2,330	\$2,487	\$2,621	\$2,749	\$2,887
2.3.15 Nonprofit Shooting Range Fees	\$0	\$13	\$30	\$32	\$33	\$35
<b>2.4 Specific Entities Not Taxed</b>						
2.4.01 Educational Institution Purchases	\$7,070	\$8,389	\$8,833	\$9,593	\$9,847	\$10,131
2.4.02 Hospital Purchases	\$18,255	\$19,528	\$20,697	\$21,882	\$23,135	\$24,510
2.4.03 Health Entity Purchases	\$316	\$336	\$354	\$371	\$385	\$403
2.4.04 Canal Company Purchases	\$882	\$910	\$931	\$954	\$969	\$987
2.4.05 Forest Protective Association Purchases	\$39	\$40	\$41	\$42	\$43	\$43
2.4.06 Food Bank Purchases	\$226	\$240	\$253	\$265	\$275	\$288
2.4.07 Nonsale Clothier Purchases	\$1	\$1	\$1	\$1	\$1	\$1
2.4.08 Centers for Independent Living	\$4	\$5	\$5	\$5	\$5	\$5
2.4.09 State of Idaho and Local Government Purchases	\$23,699	\$27,679	\$29,451	\$32,222	\$32,598	\$32,708
2.4.10 Ronald McDonald House Rooms	\$1	\$1	\$1	\$1	\$1	\$1
2.4.11 INL Research and Development Purchases	\$4,071	\$4,407	\$4,641	\$4,888	\$5,043	\$5,282
2.4.12 Motor Vehicle Purchases by Family Members	\$1,971	\$1,924	\$1,942	\$1,907	\$1,950	\$2,042
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)	\$2,581	\$2,747	\$2,897	\$3,030	\$3,147	\$3,292
2.4.15 Sales by Indian Tribes on Reservations	\$4,100	\$4,432	\$4,668	\$4,880	\$5,021	\$5,225
2.4.16 Sales of Meals by Churches to Members	\$11	\$11	\$12	\$13	\$13	\$14
2.4.17 Sales by Outfitters and Guides	\$16	\$16	\$16	\$16	\$16	\$16
2.4.18 Sales Through Vending Machines	\$2,034	\$2,169	\$2,302	\$2,422	\$2,526	\$2,632
2.4.19 Auto Manufacturer Rebates	\$650	\$635	\$641	\$629	\$643	\$674
2.4.20 Incidental Sales by Churches	\$646	\$688	\$726	\$759	\$788	\$824
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	\$147	\$157	\$165	\$173	\$179	\$188
2.4.25 Senior Citizens Centers	\$35	\$37	\$39	\$41	\$43	\$45
2.4.26 Blind Services Foundation, Inc.	\$8	\$6	\$7	\$7	\$7	\$8
2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault	\$0	\$0	\$8	\$9	\$9	\$10
2.4.28 Free Dental Clinics	\$0	\$8	\$9	\$10	\$10	\$11
2.4.29 Museums	\$0	\$0	\$180	\$188	\$195	\$205

## 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. 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. Amended in 2007 to include a limitation that requires a recalculation of the adjusted income earned by the Idaho resident in the other state using Idaho's rules for the calculation of that income.

#### **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, sunset on 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, sunset on 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 ten years. General qualification criteria are specified in 63-2902, and can be summed up as making an investment of at least \$50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over \$50,000 per year, or b) that average \$65,000 per year.

History: Enacted in 2005.

#### **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 ten 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.

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

Description: A 6% investment tax credit for any Idaho retail fuel dealer or distributor for infrastructure investments to provide biofuels to their customers. This ITC is in lieu of the regular 3% ITC (IC 63-3029B). The amount of credit is limited to 50% of the taxpayers income tax liability. Any unused credit can be carried forward up to an additional five years. The recapture period is five years from the date the investment was made. During this period, biofuel must be sold on a continuing basis.

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

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

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

History: Enacted in 1987. Amended in 1995 to add various restrictions, including a requirement that qualifying timber must be grown in Idaho, and livestock gain claimants must derive at least half of their gross income from farming or ranching operations in Idaho. Amended in 1998 to reduce the holding period for real estate from five years to 18 months. Amended in 2005 to reduce the holding period for real estate from 18 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 2.1.29 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. Amended in 2007 to include personal property that is primarily used for meeting air or water quality standards that becomes a component, fixture, or improvement to real property.

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

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

History: It was originally enacted in 1975 as 63-3622(w) 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 the 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)), are exempted from the Idaho sales tax.

History: Enacted in 2006.

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

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

History: Enacted in 2006.

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

Description: Rebates sales tax paid to developer for costs of building or improving qualified freeway exchanges. In order to qualify, the developer must spend at least \$4 million on a retail commercial complex and at least \$8 million on a freeway interchange or interchange improvements. The maximum any developer could be reimbursed for a given freeway project is \$35 million.

History: Enacted in 2007.

### **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 several times to expand the list eligible entities.

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

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

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

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

Description: Exempts all purchases by forest protective associations. Forest protective associations are associations that detect, prevent, and suppress forest or range fires. They include only those associations that contract with the State of Idaho 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 a 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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63-3029	1.1.02	Other States Tax Credit
63-3029A	1.1.05	Schools, Libraries, and Museums Credit
63-3029B	1.1.01	Investment Tax Credit
63-3029C	1.1.04	Youth and Rehabilitation Credit
63-3029D	1.1.07	Recycling Equipment Credit
63-3029F	1.1.19	New Employees Credit
63-3029G	1.1.23	Research Activity Credit
63-3029I	1.1.21	Broadband Investment Credit
63-3029J	1.1.22	County Incentive Investment Tax Credit
63-3029K	1.1.31	Live Organ Donation Expenses Credit
63-3029M	1.1.32	Biofuel Investment Tax Credit
63-3609	2.1.17	Incidental Sales of Tangible Personal Property
	2.3.01	Construction
63-3612	2.1.18	Lodging, Eating, and Drinking Places
63-3613(b)2	2.1.11	Trade-in Value
63-3613(b)4	2.3.05	Repairs
63-3613(b)5	2.4.21	Federal Excise Tax Imposed at Retail Level

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63-3613(b)7	2.3.03	Transportation Services
63-3613(b)8	2.4.19	Auto Manufacturer Rebates
63-3613(b)9	2.4.17	Sales by Outfitters and Guides
63-3613(b)10	2.2.14	Telecommunications Equipment
63-3613(c)	2.2.13	New Manufactured Homes or Modular Buildings
63-3613(e)	2.4.18	Sales Through Vending Machines
63-3620C(3)(b)	1.1.24	Promoter Sponsored Events Credit
63-3621(a)	2.2.14	Telecommunications Equipment
63-3621(m)	2.1.16	Donations of Real Property to Idaho Government
63-3622A	2.4.22	Federal Constitutional Prohibitions
63-3622AA	2.2.10	Official Documents
63-3622B	2.1.10	Out-of-State Contracts
63-3622BB	2.4.11	INL Research and Development Purchases
63-3622C	2.2.01	Motor Fuels
63-3622CC	2.1.08	Railroad Rolling Stock and Remanufacturing
63-3622D	2.1.01 2.1.02	Production Exemption - Equipment Production Exemption - Supplies
63-3622DD	2.1.08	Railroad Rolling Stock and Remanufacturing
63-3622E	2.2.08	Containers
63-3622EE	2.1.13	Food Stamps/WIC
63-3622F	2.2.03	Utility Sales
63-3622FF	2.1.13	Food Stamps/WIC
63-3622G	2.2.02	Heating Materials
63-3622GG	2.1.07	Commercial Aircraft
63-3622H	2.4.14	Sales by Non-Retailers (Yard and Occasional Sales)
63-3622I	2.2.09	Nonprofit Literature
63-3622II	2.2.05	Vending Machines and Amusement Devices
63-3622J	2.1.19 2.4.16	School Lunches and Senior Citizen Meals Sales of Meals by Churches to Members
63-3622JJ	2.1.01 2.1.02	Production Exemption - Equipment Production Exemption - Supplies
63-3622K(b)(1,6)	2.4.14	Sales by Non-Retailers (Yard and Occasional Sales)
63-3622K(b)(2-5)	2.1.12	Sale or Lease of Businesses or Business Assets
63-3622K(b)7	2.4.13	Sales by 4-H and FFA Clubs at Fairs
63-3622K(c)	2.4.12	Motor Vehicle Purchases by Family Members
63-3622KK	2.4.20	Incidental Sales by Churches
63-3622LL	2.3.13	Media Measurement Services
63-3622N	2.2.06	Prescriptions and Durable Medical Equipment
63-3622NN	2.1.22	Clean Rooms
63-3622O(1)(a)	2.4.01 2.4.02 2.4.03 2.4.04 2.4.05	Educational Institution Purchases Hospital Purchases Health Entity Purchases Canal Company Purchases Forest Protective Association Purchases
63-3622O(1)(b,c)	2.4.06	Food Bank Purchases
63-3622O(1)(d)	2.4.07	Nonsale Clothier Purchases
63-3622O(1)(e)	2.4.08	Centers for Independent Living
63-3622O(1)(f)	2.4.09	State of Idaho and Local Government Purchases

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63-3622O(1)(g)	2.4.24	Volunteer Fire Departments and Emergency Medical Service Agencies
63-3622O(1)(h)	2.4.25	Senior Citizens Centers
63-3622O(1)(i)	2.4.26	Blind Services Foundation, Inc.
63-3622O(1)(j)	2.4.27	Advocates for Survivors of Domestic Violence and Sexual Assault
63-3622O(1)(k)	2.4.28	Free Dental Clinics
63-3622O(1)(l)	2.4.29	Museums
63-3622O(5)	2.4.10	Ronald McDonald House Rooms
63-3622P	2.1.15	Common Carrier Purchases and Out-of-State Sales
63-3622PP	2.2.12	Idaho Commemorative Silver Medallions
63-3622Q	2.1.15	Common Carrier Purchases and Out-of-State Sales
63-3622QQ	2.1.23	Alternative Electricity-Producing Equipment
63-3622R(a)	2.1.14	Motor Vehicles Used Outside of Idaho
63-3622R(b)	2.2.04	Used Mobile Homes
63-3622R(c)	2.1.09	Interstate Trucks
63-3622R(d)	2.1.27	Glider Kit Vehicles
63-3622R(e)	2.1.20	Drivers Education Automobiles
63-3622RR	2.1.24	Research and Development Equipment
63-3622S	2.1.05	Broadcast Equipment and Supplies
63-3622SS	2.3.15	Nonprofit Shooting Range Fees
63-3622T	2.1.06	Publishing Equipment and Supplies
63-3622TT	2.1.28	Media Production Projects
63-3622U	2.2.07	Funeral Caskets
63-3622V	2.2.11	Precious Metal Bullion
63-3622W	2.1.03	Irrigation Equipment and Supplies
63-3622X	2.1.04	Pollution Control Equipment
63-3622Y	2.1.21	Ski Lifts and Snowgrooming Equipment
63-3622Z	2.4.15	Sales by Indian Tribes on Reservations
63-3641	2.1.29	State Tax Anticipation Revenue
63-4403	1.1.28	Small Employer Capital Investment Credit
63-4404	1.1.29	Small Employer Real Property Improvement Credit
63-4405	1.1.30	Small Employer New Jobs Credit
63-4408	2.1.26	Small Employer Headquarters Construction
67-7439	1.2.06 2.3.12	Idaho Lottery Winnings Exclusion Lottery Tickets and Pari-Mutuel Betting