

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

General Fund Revenue Book

**FY 2010 Executive Budget
January 2009**

- Economic Forecast
- Revenue Projections
- Tax Structure

Prepared by the Division of Financial Management

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

This page left blank intentionally.

TABLE OF CONTENTS

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

This page left blank intentionally.

INTRODUCTION

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

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

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

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

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

This page left blank intentionally.

Idaho Economic Forecast

The following tables and text are taken from the

January 2009 *Idaho Economic Forecast*,

a publication produced by the

Division of Financial Management.

This page left blank intentionally.

EXECUTIVE SUMMARY

A review of Idaho's economic performance last year shows why we are glad it is behind us. The preponderance of evidence shows it was one of the worst years in memory. Idaho nonfarm employment, which is one of the most closely watched indicators of the state's economic health, shrank an estimated 0.9% in 2008, its weakest showing since 2002 and its first decline since 1986. Idaho real personal income receded 0.1% in 2008. The bad news is this year is expected to be worse than last year. Idaho nonfarm employment is forecast to drop 2.1% in 2009. Construction employment is anticipated to shrink another 5,800 jobs due to continued problems in the housing sector. The worldwide glut of computer memory products and collapse in business investment contribute to the expected 2,000-job loss forecast for the state's computer and electronics sector. Logging and wood products employment is expected to lose nearly 1,400 jobs. Professional and business employment is expected to post a second consecutive year of job losses. Interestingly, Idaho real personal income advances by 2.7% in 2009 despite the employment decline. This gain does not reflect strong income growth, but weak prices. Idaho nominal personal income is expected to grow just 2.0% this year, which is slower than in 2008. However, instead of inflation, the weak economy leads to a rare bout of deflation. Adjusting the nominal income for falling prices boosts the real personal income growth to 2.7%. The economy is expected to begin moving forward in 2010, but the recovery will be modest. Idaho nonfarm employment grows a meager 0.5%. Idaho real personal income is expected to rise 0.5%. Local economic conditions improve notably during the last two years of the forecast. For the first time since 2007, nonfarm employment growth rises above 2%. Like jobs, Idaho real personal income rebounds, growing 2.7% in 2011 and 4.0% in 2012.

The current U.S. recession is already a year old, and could turn out to be the longest recession in the past six decades. Global Insight predicts U.S. output will shrink through the first half of 2009. If this forecast holds, the recession would be about 18 months long—almost twice as long as the average for post-war recessions. The anticipated decline will also test another six-decade old record. The back-to-back declines in real GDP predicted for the fourth quarter of 2008 (5.0%) and first quarter of 2009 (3.8%) are the worst since the 1982 recession. The U.S. is not alone. Japan and some European countries (Ireland, Italy, and Germany) are also in recession, and other continental economies are expected to join them soon. With U.S. interest rates already headed to zero, the Federal Reserve is running out of policy tools. As a result, it is likely the onus from restarting the economy will move from monetary policy to fiscal policy. In its most recent forecast, Global Insight assumes a \$550 billion package which consists of tax cuts, infrastructure spending, and other provisions. The economy will take its first, tentative steps toward recovery in the second half of this year, but not hit its stride until 2010. Hence, real GDP is forecast to decline by 1.8% in 2009 and increase 2.1% in 2010. It will pick up more steam and average about 3.0% growth in the final two years of the forecast. Employment does not fare as well. Not only did nonfarm employment begin declining before the recession began, it is not expected to recover until a half year after the downturn ends. While the economy is forecast to begin adding jobs again in 2010, most of the quarterly gains will be meager. Hiring will pick up in 2011 and 2012, however. Real personal income does not retreat over the forecast period, but it comes close in 2010.

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
U.S. GDP (BILLIONS)												
Current \$	10,128	10,470	10,961	11,686	12,422	13,178	13,808	14,287	14,241	14,728	15,438	16,165
% Ch	3.2%	3.4%	4.7%	6.6%	6.3%	6.1%	4.8%	3.5%	-0.3%	3.4%	4.8%	4.7%
2000 Chain-Weighted	9,891	10,049	10,301	10,676	10,990	11,295	11,524	11,662	11,456	11,692	12,063	12,422
% Ch	0.8%	1.6%	2.5%	3.6%	2.9%	2.8%	2.0%	1.2%	-1.8%	2.1%	3.2%	3.0%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	33,054	33,849	34,816	38,079	40,853	44,389	47,536	49,045	50,024	51,217	53,871	57,148
% Ch	5.6%	2.4%	2.9%	9.4%	7.3%	8.7%	7.1%	3.2%	2.0%	2.4%	5.2%	6.1%
Idaho Nonfarm (Millions)	32,039	32,921	34,099	37,100	39,993	43,748	46,497	48,156	48,908	50,074	52,687	56,021
% Ch	5.2%	2.8%	3.6%	8.8%	7.8%	9.4%	6.3%	3.6%	1.6%	2.4%	5.2%	6.3%
U.S. (Billions)	8,724	8,882	9,164	9,727	10,270	10,994	11,663	12,122	12,315	12,632	13,226	13,904
% Ch	3.5%	1.8%	3.2%	6.2%	5.6%	7.1%	6.1%	3.9%	1.6%	2.6%	4.7%	5.1%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	32,376	32,690	32,970	35,127	36,608	38,705	40,400	40,341	41,423	41,646	42,768	44,487
% Ch	3.5%	1.0%	0.9%	6.5%	4.2%	5.7%	4.4%	-0.1%	2.7%	0.5%	2.7%	4.0%
Idaho Nonfarm (Millions)	31,382	31,795	32,290	34,223	35,838	38,147	39,517	39,610	40,499	40,716	41,827	43,610
% Ch	3.1%	1.3%	1.6%	6.0%	4.7%	6.4%	3.6%	0.2%	2.2%	0.5%	2.7%	4.3%
U.S. (Billions)	8,545	8,578	8,678	8,973	9,203	9,587	9,912	9,971	10,198	10,271	10,500	10,824
% Ch	1.4%	0.4%	1.2%	3.4%	2.6%	4.2%	3.4%	0.6%	2.3%	0.7%	2.2%	3.1%
HOUSING STARTS												
Idaho	12,207	13,229	16,393	18,671	23,383	19,452	14,262	8,358	7,556	9,346	11,154	14,958
% Ch	6.1%	8.4%	23.9%	13.9%	25.2%	-16.8%	-26.7%	-41.4%	-9.6%	23.7%	19.3%	34.1%
U.S. (Millions)	1,601	1,710	1,854	1,950	2,073	1,812	1,341	0,921	0,662	0,969	1,347	1,571
% Ch	1.8%	6.8%	8.4%	5.2%	6.3%	-12.6%	-26.0%	-31.3%	-28.1%	46.4%	39.0%	16.7%
TOTAL NONFARM EMPLOYMENT												
Idaho	568,035	568,047	572,552	588,072	611,729	638,916	656,300	650,652	637,195	640,591	656,206	678,280
% Ch	1.7%	0.0%	0.8%	2.7%	4.0%	4.4%	2.7%	-0.9%	-2.1%	0.5%	2.4%	3.4%
U.S. (Thousands)	131,830	130,340	129,996	131,419	133,695	136,092	137,618	137,377	134,794	134,910	136,917	139,193
% Ch	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.2%	-1.9%	0.1%	1.5%	1.7%
SELECTED INTEREST RATES												
Federal Funds	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	5.0%	2.0%	0.1%	1.2%	3.7%	4.8%
Bank Prime	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	8.1%	5.1%	3.1%	4.2%	6.7%	7.8%
Existing Home Mortgage	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.5%	6.1%	5.5%	5.7%	6.8%	7.2%
INFLATION												
GDP Price Deflator	2.4%	1.7%	2.1%	2.9%	3.3%	3.2%	2.7%	2.3%	1.4%	1.3%	1.6%	1.7%
Personal Cons Deflator	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	2.6%	3.3%	-0.7%	1.8%	2.4%	2.0%
Consumer Price Index	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-1.5%	2.4%	3.1%	2.3%

National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2008

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JANUARY 2009

	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	14,151	14,295	14,421	14,283	14,201	14,171	14,252	14,338	14,457	14,628	14,823	15,003
% Ch	3.5%	4.1%	3.6%	-3.8%	-2.3%	-0.8%	2.3%	2.4%	3.4%	4.8%	5.4%	5.0%
2000 Chain-Weighted	11,646	11,727	11,712	11,563	11,450	11,431	11,451	11,490	11,544	11,638	11,744	11,843
% Ch	0.9%	2.8%	-0.5%	-5.0%	-3.8%	-0.7%	0.7%	1.4%	1.9%	3.3%	3.7%	3.4%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	48,280	49,055	49,394	49,450	49,772	49,956	50,104	50,266	50,569	50,918	51,432	51,948
% Ch	-2.0%	6.6%	2.8%	0.5%	2.6%	1.5%	1.2%	1.3%	2.4%	2.8%	4.1%	4.1%
Idaho Nonfarm (Millions)	47,415	48,358	48,309	48,540	48,768	48,817	48,940	49,106	49,404	49,780	50,303	50,809
% Ch	-0.4%	8.2%	-0.4%	1.9%	1.9%	0.4%	1.0%	1.4%	2.5%	3.1%	4.3%	4.1%
U.S. (Billions)	11,961	12,152	12,157	12,217	12,263	12,291	12,327	12,381	12,457	12,562	12,688	12,821
% Ch	3.0%	6.6%	0.2%	2.0%	1.5%	0.9%	1.2%	1.7%	2.5%	3.4%	4.1%	4.3%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	40,139	40,360	40,128	40,738	41,267	41,523	41,477	41,427	41,468	41,538	41,705	41,871
% Ch	-5.4%	2.2%	-2.3%	6.2%	5.3%	2.5%	-0.4%	-0.5%	0.4%	0.7%	1.6%	1.6%
Idaho Nonfarm (Millions)	39,420	39,786	39,247	39,988	40,434	40,576	40,513	40,471	40,514	40,609	40,789	40,953
% Ch	-3.9%	3.8%	-5.3%	7.8%	4.5%	1.4%	-0.6%	-0.4%	0.4%	0.9%	1.8%	1.6%
U.S. (Billions)	9,944	9,998	9,876	10,064	10,168	10,216	10,205	10,204	10,216	10,248	10,288	10,334
% Ch	-0.6%	2.2%	-4.8%	7.8%	4.2%	1.9%	-0.4%	0.0%	0.5%	1.3%	1.6%	1.8%
HOUSING STARTS												
Idaho	9,153	9,290	7,798	7,192	7,336	7,398	7,682	7,809	8,130	9,035	9,873	10,347
% Ch	-57.3%	6.1%	-50.3%	-27.7%	8.3%	3.4%	16.3%	6.8%	17.5%	52.5%	42.6%	20.6%
U.S. (Millions)	1.053	1.025	0.877	0.728	0.643	0.614	0.652	0.738	0.766	0.902	1.035	1.173
% Ch	-30.0%	-10.2%	-46.4%	-52.4%	-39.4%	-16.6%	27.2%	64.2%	15.9%	91.8%	73.4%	65.5%
TOTAL NONFARM EMPLOYMENT												
Idaho	655,618	652,185	650,127	644,678	640,894	637,496	635,353	635,036	637,119	639,037	641,598	644,610
% Ch	-1.9%	-2.1%	-1.3%	-3.3%	-2.3%	-2.1%	-1.3%	-0.2%	1.3%	1.2%	1.6%	1.9%
U.S. (Thousands)	137,917	137,699	137,371	136,519	135,567	134,838	134,434	134,335	134,386	134,668	135,057	135,530
% Ch	-0.3%	-0.6%	-1.0%	-2.5%	-2.8%	-2.1%	-1.2%	-0.3%	0.2%	0.8%	1.2%	1.4%
SELECTED INTEREST RATES												
Federal Funds	3.2%	2.1%	1.9%	0.7%	0.2%	0.0%	0.0%	0.2%	0.5%	0.9%	1.4%	2.0%
Bank Prime	6.2%	5.1%	5.0%	4.1%	3.2%	3.0%	3.0%	3.2%	3.5%	3.9%	4.4%	5.0%
Existing Home Mortgage	6.0%	6.1%	6.4%	5.9%	5.3%	5.4%	5.6%	5.7%	5.7%	5.6%	5.6%	5.9%
INFLATION												
GDP Price Deflator	2.6%	1.1%	4.2%	1.0%	1.6%	-0.2%	1.6%	1.0%	1.4%	1.5%	1.6%	1.5%
Personal Cons Deflator	3.6%	4.3%	5.2%	-5.4%	-2.5%	-1.0%	1.6%	1.8%	2.0%	2.1%	2.4%	2.4%
Consumer Price Index	4.3%	5.0%	6.7%	-9.0%	-4.0%	-1.7%	2.2%	2.6%	2.6%	2.7%	3.1%	3.2%

National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the **THIRD** Quarter of 2008

This page left blank intentionally.

NATIONAL FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2008 through the Fourth Quarter of 2012

While all years bring challenges, this year promises to have more than its fair share of them. The current U.S. recession is already a year old, and could turn out to be the longest recession in the past six decades. Global Insight predicts U.S. output will shrink through the first half of 2009. If this forecast holds, the recession would be about 18 months long—almost twice as long as the average for post-war recessions. The anticipated decline will also test another six-decade old record. The back-to-back declines in real GDP predicted for the fourth quarter of 2008 (5.0%) and first quarter of 2009 (3.8%) are the worst since the 1982 recession. The U.S. is not alone. Japan and some European countries (Ireland, Italy, and Germany) are also in recession, and other continental economies are expected to join them soon. This downturn will be the biggest European economic contraction since the early 1990s and the first for the Eurozone. Japan will suffer its nastiest setback since the Asian crises in 1998. Few large economies will escape the global slowdown. Even global economic wunderkind China will see its growth slow from nearly 12% in 2007 to “just” 7% in 2009.

Central banks have already begun to respond in an effort to minimize economic woes. The Federal Reserve’s Federal Open Market Committee (FOMC) lowered its federal funds rate target to the range of 0.25% to 0.0% on December 16, 2008—a move that was bolder than most Fed watchers expected. On December 4, the European Central Bank cut its overnight rate by 75 basis points to 2.5%. On the same day, the Bank of England dropped its rate by 100 basis points to 2.0%. It is assumed these central banks will drop their respective rates further to 1.0% and 0.5%. However, cutting them to zero is also possible. On December 19, 2008 the Bank of Japan lowered its uncollateralized overnight call rate by 20 basis points to 0.1%. The People’s Bank of China lowered rates 108 basis points on November 26—its largest cut in 11 years.

With U.S. interest rates already headed to zero, the Federal Reserve is running out of policy tools. As a result, it is likely the onus from restarting the economy will move from monetary policy to fiscal policy. It remains to be seen what will be the final size and shape of the fiscal policy. The incoming Obama administration has been looking at a stimulus package of between \$500 billion and \$750 billion (about 3% to 5% of GDP). In its most recent forecast, Global Insight assumes a \$550 billion package which consists of tax cuts, infrastructure spending, and other provisions. The only other country considering a major stimulus program is China. It has announced a \$586-billion plan (16% of GDP) that should add substantially to growth. The fiscal stimulus plans discussed by other countries are more modest. For example, plans being considered by the United Kingdom and Eurozone are only between one and one-half percent of GDP.

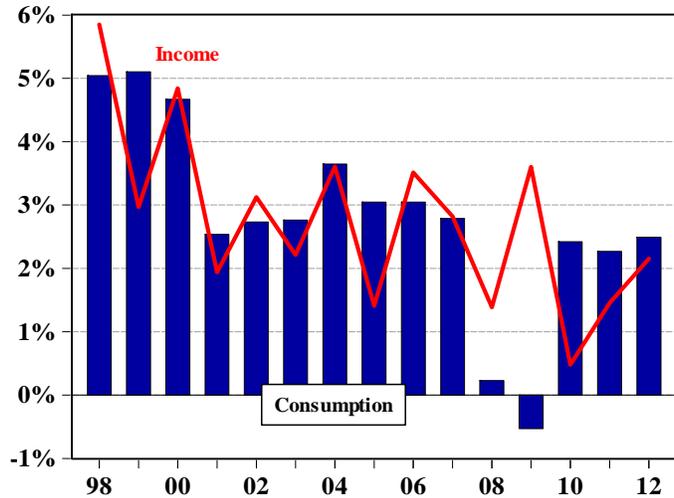
The economy will take its first, tentative steps toward recovery in the second half of this year, but not hit its stride until 2010. Hence, real GDP is forecast to decline by 1.8% in 2009 and increase 2.1% in 2010. It will pick up more steam and average about 3.0% growth in the final two years of the forecast. Employment does not fare as well. Not only did nonfarm employment begin declining before the recession began, it is not expected to recover until a half year after the downturn ends. While the economy is forecast to begin adding jobs again in 2010, most of the quarterly gains will be meager. Hiring will pick up in 2011 and 2012, however. Real personal income does not retreat over the forecast period, but it comes close in 2010.

SELECTED NATIONAL ECONOMIC INDICATORS

Consumer Spending: The consumer spending retreat is expected to continue into early 2009. The predicted 2.3% peak-to-trough drop in real spending will be the biggest setback since the 1980 recession. This decline would have been more drastic were it not for the anticipated new round of fiscal stimulus and lower energy prices. This forecast assumes a \$550-billion fiscal package that includes \$250 billion in tax cuts and \$55 billion in other personal transfer payments over three years. The expected decline in gasoline prices from their 2008 third quarter peak is equivalent to a \$230-billion tax cut for consumers. The lower gasoline prices help the share of consumers' disposable income spent for energy to drop from 6.6% in the third quarter of 2008 to 4.1% this spring. Thus, despite falling employment, real disposable income is projected to rise 3.6% in 2009.

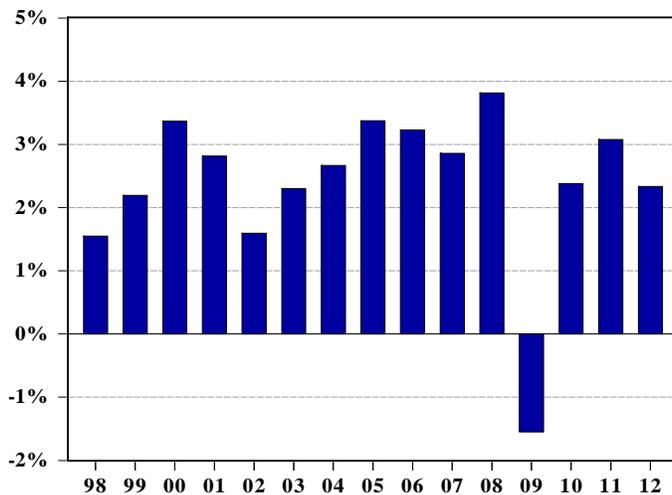
Households are expected to spend cautiously, resulting in the personal savings rate rising from 1.8% in 2008 to 5.8% in 2009—its highest level since 1992. However, the protracted decline in home prices, the expected upturn in oil prices, and rising unemployment should dampen spending growth in late 2009 and early 2010. On an annual basis, after declining 0.5% in this year, real consumer spending growth averages about 2.4% annually through 2012. One of the reasons for jittery consumers can be traced to their balance sheets. It is estimated real net worth plunged 13.0% in 2008 due in large part to the decline in housing prices and the stock market collapse. Household real net worth is expected to recover slowly, and not reach its 2007 level until after 2011.

U.S. Real Consumption and Disposable Income Growth



Source: Global Insight

Consumer Price Inflation



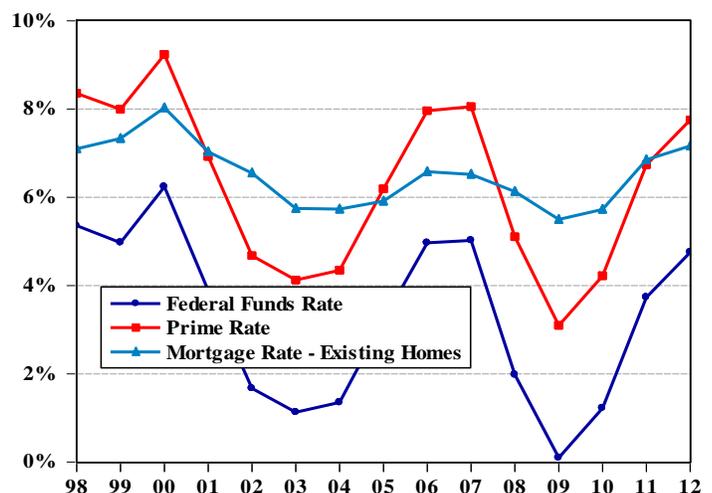
Source: Global Insight

Inflation: The energy price freefall is putting immense downward pressure on every inflation index. The U.S. Department of Labor reported the closely watched Consumer Price Index for all urban consumers dropped 1.7% in November 2008. Driving this decline was the 17.0% drop in the energy component of the index. (Excluding energy, the index was virtually flat.) According to the Department of Labor, the gasoline index fell 29.5% in November alone and is down a whopping 47.0% from its July 2008 peak. Consumers have experienced this decline in the form of gasoline prices which have fallen from a peak of \$3.91 per gallon in the third quarter of 2008 to \$2.28 per gallon in early November 2008. Oil prices should continue retreating due to weak global demand.

OPEC has not managed the downturn in global demand very well. From an average of \$100 per barrel in 2008, the price of West Texas Intermediate crude is forecast to average just \$43 per barrel this year. Unfortunately, oil prices are expected to rise as when the economy recovers. Specifically, its average price goes from \$57 per barrel in 2010, to \$79 in 2011, and to \$87 in 2012. Gasoline prices display a similar pattern. After averaging \$3.33 per gallon last year, the pump price for gasoline is expected to average \$1.99 this year, \$2.44 in 2010, \$2.95 in 2011, and \$3.14 in 2012. The energy index should decline 27.2% this year, rise 12.9% next year, increase 13.2% in 2011, and grow another 4.6% in 2012. Overall consumer inflation is less volatile. Prices should rise 3.8% in 2008, drop 1.5% in 2009—the first decline in 54 years, increase 2.4% in 2010, grow 3.1% in 2011, and increase 2.3% in 2012. The more modest swings in the overall index compared to the energy index largely reflects the calming influence of slower, consistent employment costs which are expected to rise about 2% annually. The low employment cost growth reflects the downward pressure of relatively high unemployment.

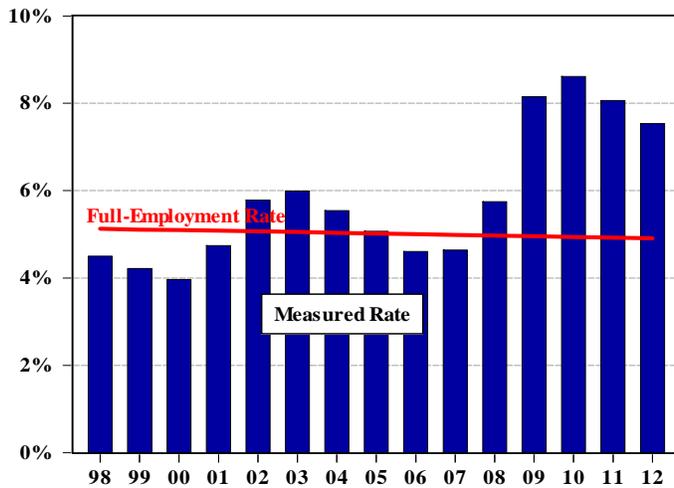
Financial Markets: The Federal Reserve’s Federal Open Market Committee (FOMC) lowered its federal funds rate target to the range of 0.25% to 0.0% on December 16, 2008. While the FOMC was expected to lower this rate, the change was more aggressive than the consensus expectation of economists that the target rate would be 0.50%. Global Insight is in this camp. It assumed the FOMC would lower the federal funds rate to 0.50% in December followed by another move in late January 2009 that would reduce this rate to zero. In the press release announcing its move, the FOMC stated, “Since the committee’s last meeting, labor market conditions have deteriorated, and the available data indicate consumer spending, business investment, and industrial production have declined. Financial markets remain quite strained and credit conditions tight. Overall, the outlook for economic activity has weakened further.” Clearly, the nation’s central bank has made propping the economy and supporting financial markets its top priorities. One of the reasons the FOMC can act so aggressively is inflation pressures have eased dramatically this fall. The U.S. central bank was not alone in loosening its monetary policy. The Bank of England slashed its key interest rate by 100 basis points to 2.00% in early December. Consequently, interest rates match their lowest levels since the bank’s founding in 1694. The European Central Bank cut its key interest rate by 75 basis points to 2.50% about the same time the Bank of England dropped its rate. This was the European Central Bank’s largest-single move since it assumed responsibility for the Eurozone’s monetary policy in January 1999. The Bank of Canada lowered its key interest rate by 75 basis points to 1.5% in an attempt to improve its ailing economy. Sweden’s central bank, the Riksbank, also cut its policy interest rate recently. It appears these cuts are not the final shots in the salvo against each country’s recession. With the federal funds rate at zero, the FOMC may have to engage in direct purchases of long-term Treasuries. It is already engaging in nontraditional measures to stimulate the economy such as buying commercial paper, mortgage-backed securities, credit card debt, and loans to small businesses, students, and car buyers. The FOMC is expected to hold the federal funds rate at zero through the third quarter of next year, then it will gradually raise rates as the economy begins to recover.

Selected U.S. Interest Rates



Source: Global Insight

U.S. Civilian Unemployment Rate



Source: Global Insight

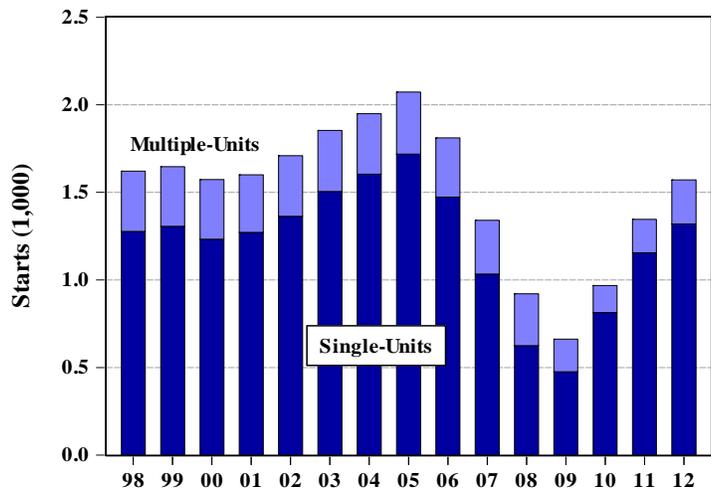
Employment: The nation's employment situation is expected to worsen through 2009 before starting a modest recovery in 2010. The U.S. economy has posted net job losses in every month of 2008. The latest jobs' report was particularly troubling. The consensus among economists was that nonfarm payrolls would shrink about 350,000 jobs in November 2008. The U.S. Department of Labor reported November's job base shrank by 533,000 jobs—its worst percentage drop since May 1980. The November report contained more bad news in the form of revisions that lowered the September and October estimates by a combined 199,000 jobs. Since December 2007, 1.9 million jobs have been lost. Over the same time period, the U.S. civilian unemployment rate has climbed from 5.0%

to 6.7%. The unemployment rate increase means the country's work force has gone from being nearly full employed to clearly underemployed. One statistic that is often overlooked when assessing the labor market's health is discouraged workers. These are people who would like to have a job but have stopped looking for work, so they are not included in the labor force. The Labor Department estimates the number of discouraged workers swelled by 400,000 in November 2008. Had these persons kept looking for jobs, the November 2008 civilian unemployment rate would have been even higher than had been reported. Unfortunately, payrolls are expected to keep retreating another year, resulting in a peak-to-trough drop of 3.7 million jobs from the fourth quarter of 2007 through late 2009. Job growth is forecast to resume in 2010, although average annual payrolls in that year are little different from the 2009 levels. However, more robust gains should push annual tallies between 2.0 million and 2.3 million jobs thereafter. National nonfarm employment is forecast to shrink 0.2% in 2008 and another 1.9% in 2009. It is expected to advance a meager 0.1% in 2010, 1.5% in 2011, and 1.7% in 2012. Not surprisingly, the unemployment rate also gets worse before improving. It is projected to climb another two percentage points from November's 6.7% to 8.7% in early 2010. The job recovery is anticipated to be tepid, so the U.S. unemployment rate will remain above the full-employment level.

Housing: The nation's housing sector is not near its bottom, and it is expected to continue sliding through most of next year. This prognosis is disappointing because a recovering housing industry is critical to the nation's economic recovery. The housing market weakness is expected to erase one percentage point of growth in both the last quarter of 2008 and first quarter of 2009. While some recent statistics may provide hope the worst is behind this sector, the preponderance of evidence point to more challenges ahead. The small decline in the Pending Home Sales Index seems to point to modest declines in existing homes sales over the rest of 2009. However, seasonally adjusted housing starts fell to a record low of 791,000 units in October 2008. In addition, housing permits dropped 12.0% in October, which increased the possibility of double-digit housing starts declines in the remaining two months of that year. On an annual basis, housing starts were forecast to drop below one million units in 2008, for the first time since 1945. They are expected to fall further to 662,000 in 2009. This year's drop reflects declines in the first half of the year followed by a rebound fueled by renewed economic growth and lean inventories. Housing starts rise to 969,000 units in 2010, 1.347 million units in 2011, and 1.571 million units in 2012. Existing home sales will also display weakness during the early years of the forecast.

Weighed down by job losses, tight credit, and low consumer confidence, existing home sales are expected to dip below five million units in the last quarter of 2008 and keep falling through 2010's first quarter. New home sales are projected to fall proportionately more than existing homes because builders, who must cover their costs, will have trouble competing in markets with high foreclosure rates. The average price for existing homes is expected to decline in all but the last two years of the forecast. Two observations regarding prices are worth noting. First, the biggest projected year-over-year decline is in 2009, which means there are harder times ahead. Second, the anticipated housing price appreciation during the last two years of the forecast will come nowhere near to offsetting the price depreciation suffered since existing home prices peaked at nearly \$270,000 in 2006.

U.S. Housing Starts

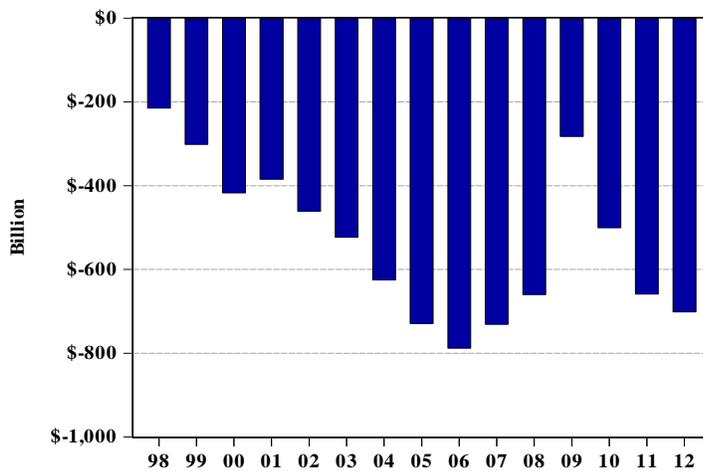


Source: Global Insight

International: The U.S. and world economies are expected to experience some of the worst recessions in the postwar period. The United States is now officially in a recession that started in December 2007. Japan and some European countries (Ireland, Italy, and Germany) are also in recession. Other European economies are expected to turn down soon. For Europe, this will be the most severe business contraction since the early 1990s. For Japan, it will be the nastiest recession since the depths of the Asian crises in 1998. In 2009, output is expected to decline 1.0% in Europe, 1.3% in Japan, and 1.8% in the United Kingdom. Unfortunately, the developing countries will not be immune from the economic contagion from the developed world. There are at least three transmission vectors to the emerging world. One, the collapse in commodity prices, which is already hurting countries such as Russia, Iran, Venezuela, and South Africa. Two, capital flows have dried up, which is harming economies with large current-account

balances. Three, the precipitous decline in world trade, will damage growth for the major exporting countries (almost all of which are in Asia). As a result, GDP in most emerging markets during 2009 will be roughly half the rate of 2007 and early 2008. For example, the Chinese economy, which surged 11.9% in 2007, is expected to grow just 6.9% in 2009. One positive consequence of the emerging trade picture is global trade imbalances should improve markedly. For example, the U.S. current-account deficit, which was \$731 billion in 2007, should drop to \$282 billion in 2009. It is important to remember the large deficits in the past two years have masked the significant improvement in the non-oil

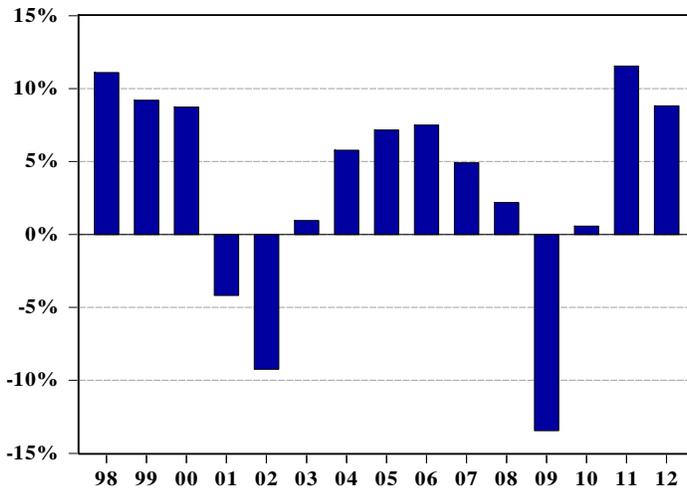
U.S. Current Trade Deficit



Source: Global Insight

deficit, which resulted from the sharp rise in the oil import bill. With the collapses in oil prices, the U.S. current account deficit will plummet about 50%. The huge drop in commodity prices also points to a major shift in the terms of trade, in favor of the developed countries, and represents a rebalancing of growth and current account deficits, with commodity-importing countries being the major beneficiaries. After 2009, the current account deficit is forecast to rise to \$500 billion in 2010, \$659 billion in 2011, and \$702 billion in 2012.

Real Business Investment



Source: Global Insight

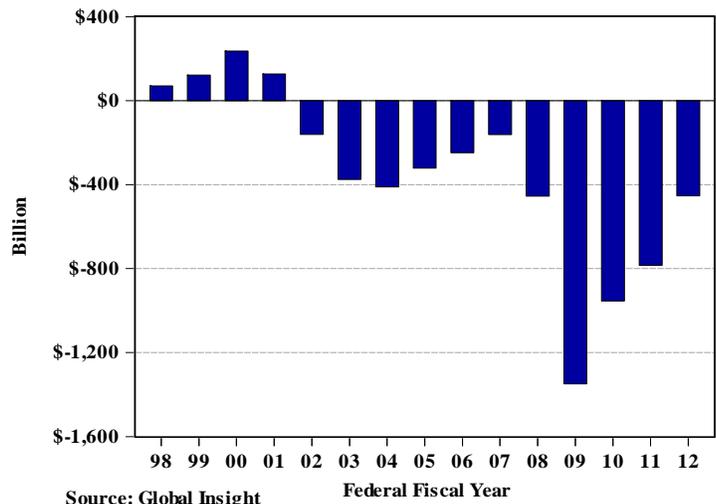
Business Investment: Current conditions do not bode well for business investment. Businesses have few reasons to start new buildings or renovate existing ones. The economy is in recession, job losses are mounting, too many hotels and malls were put up during the most recent expansion, the securitization market for commercial real estate loans is frozen, credit is tight, and oil prices have collapsed. As a result, nonresidential construction spending is expected to drop over the first seven quarters of the forecast horizon. The decline is widespread and deep. All major building categories fall at double-digit rates this year. In summary, real nonresidential investment is projected to shrink 13.4% this year, eke out 0.6% growth next year, advance by 11.5% in

2011, and increase another 8.8% in 2012. The credit crunch is also hitting businesses in other ways. They are finding it hard to finance solid projects and are opting to preserve cash rather than fund projects they would normally undertake. One example is spending on equipment and software. In the forecast, real spending on equipment and supplies drops at about a 20% annualized rate in the last quarter of 2008, despite the boost provided by the accelerated depreciation allowances that were part of last year’s stimulus package. Overall, real spending on equipment and software is anticipated to drop 2.1% in 2008, plunge 12.2% in 2009, rise 7.7% in 2010, increase 13.9% in 2011, and advance 8.6% in 2012.

Government: The Obama administration is expected to flex its fiscal policy muscle early in an attempt to end the recession. The President-elect has already started assembling his economic team and putting together a large-scale stimulus plan. The incoming administration has been talking about a fiscal plan package of about \$500 billion to \$700 billion. This forecast assumes a \$550 billion package over three years that includes a mixture of infrastructure spending, support for state and local governments, transfer payments to individuals, and a permanent middle-class tax cut. (However, given how quickly the economy is deteriorating, the final fiscal package could be much larger.) Specifically, the assumed plan includes \$135 billion in infrastructure spending channeled through the states, \$110 billion in other transfers to the states to support Medicaid and other current spending, \$55 billion in targeted transfer payments to the personal sector (e.g., food stamps, extended unemployment insurance), and \$250 billion in tax cuts for the personal sector. The infrastructure spending is expected to directly create jobs, but its impact will not be immediate because it will take time to ramp up these projects. The stimulus plan should be easily recognizable to anyone who has read an introductory college economics text. This fiscal

policy strategy is a standard Keynesian response when the monetary policy is facing a liquidity trap (i.e., the financial sector mops up liquidity without increasing lending) and private-sector spending is contracting. In addition, the U.S. Treasury has the authority to purchase up to \$700 billion in assets through the Troubled Asset Relief Program (TARP). It is assumed in the current forecast that \$350 billion of this amount will be used as capital infusions into financial institutions. The remaining \$350 billion is expected to be used to purchase troubled assets and to fund a foreclosure prevention program. The estimated net loss of these activities is around \$102 billion, which is included in the fiscal 2009 federal budget deficit. In total, the federal budget deficit should swell above \$1.3 trillion in 2009 and be close to \$1 trillion in 2010.

U.S. Federal Government Surplus Unified Basis



IDAHO FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2008 through the Fourth Quarter of 2012

A review of Idaho's economic performance last year shows why we are glad it is behind us. The preponderance of evidence shows it was one of the worst years in memory. Idaho nonfarm employment, which is one of the most closely watched indicators of the state's economic health, shrank an estimated 0.9% in 2008, its weakest showing since 2002 and its first decline since 1986. Contributing to this decline were ailing sectors that took a turn for the worse last year. Weighed down by the housing industry troubles, Idaho construction employment shed an estimated 6,800 jobs last year, a nearly 13% drop. This reversal of fortune came quickly; in 2006 construction employment increased over 15%. Idaho's computer and electronic sector's payroll declined about 12% last year, reflecting a major reduction at Micron Technology and cuts at other local high-tech manufacturers. The national housing collapse took its toll on the state's logging and wood products sector. After shrinking about 5% in 2007, its employment base plunged nearly 16% in 2008. Two nongoods-producing sectors also stumbled last year. Professional and business employment fell an estimated 2% and trade employment slipped about 1% beneath its 2007 level. Idaho real personal income dropped slightly last year.

The bad news is this year is expected to be worse than last year. Idaho nonfarm employment is forecast to drop 2.1% in 2009, with a chunk of the decline coming from the same industries as in 2008. Construction employment is anticipated to shrink another 5,800 jobs due to continued problems in the housing sector. The worldwide glut of computer memory products and collapse in business investment contribute to the expected 2,000-job loss forecast for the state's computer and electronics sector. Logging and wood products employment is expected to lose nearly 1,400 jobs. Professional and business employment is expected to post a second consecutive year of job losses, but not as severe as in 2008. However, it needs to be pointed out that other large nongoods-producing sectors' employment growth will slow considerably this year. Trade employment, which fell about 1% last year, will fall another 1% this year. Interestingly, Idaho real personal income advances by 2.7% in 2009 despite the employment decline. This gain does not reflect strong income growth, but weak prices. Idaho nominal personal income is expected to grow just 2.0% this year, which is slower than in 2008. However, instead of inflation, the weak economy leads to a rare incidence of deflation. Adjusting the nominal income for falling prices boosts the real personal income growth to 2.7%.

The economy is expected to begin moving forward in 2010, but the recovery will be modest. Idaho nonfarm employment grows a meager 0.5%. This increase results from slowing job losses (-2.5%) in the goods-manufacturing sector plus a small gain (1.1%) in the nongoods-producing sector. Logging and wood products loses another 200 jobs, computer and electronics sheds 700 jobs, and construction falls by nearly 1,400 jobs. In that year, all components of the nongoods-producing sectors, except state and local government, are expected to add jobs. Idaho real personal income is expected to rise 0.5%.

Local economic conditions improve notably during the last two years of the forecast. For the first time since 2007, nonfarm employment growth rises above 2%. This first is made possible by another first for this forecast; the goods-producing sector begins adding jobs in 2011. Accelerating nongoods-producing employment growth adds to this recovery. Like jobs, Idaho real personal income rebounds, growing 2.7% in 2011 and 4.0% in 2012.

SELECTED IDAHO ECONOMIC INDICATORS

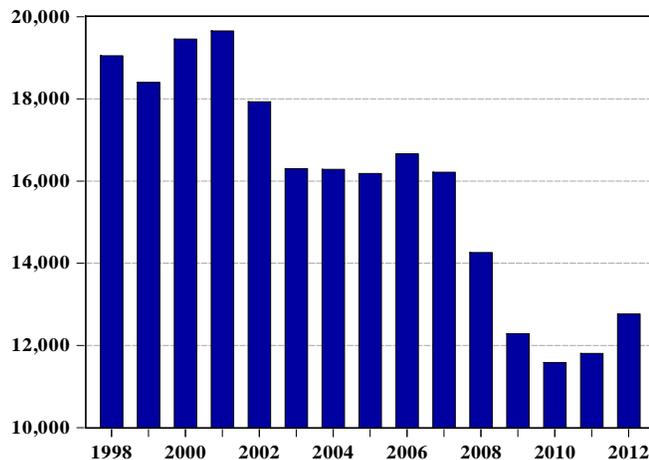
Computer and Electronics: The protracted downturn in the computer memory industry continues to wreak havoc with the state's largest private employer. Micron Technology announced in early October that it was reducing its global work force by 15% in response to depressed prices for its products.

According to company officials, about 1,500 jobs at the Boise plant will be lost by the beginning of this year as a result of the company shutting down its NAND memory operations. The company made this move because the worldwide glut of these products has driven prices below their manufacturing costs. This is not the first time depressed prices have forced the company to reduce its payroll. In 2007, the

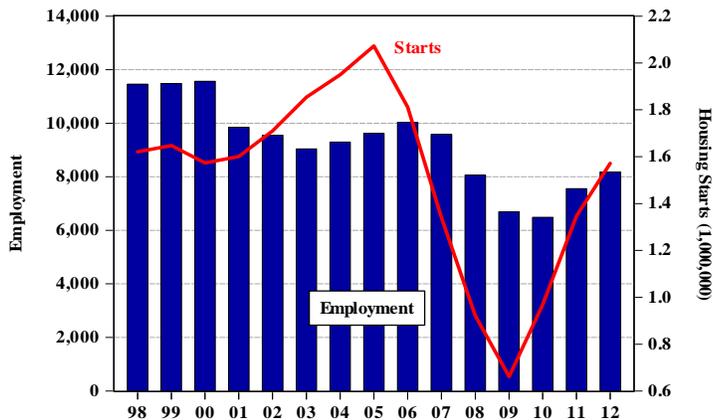
company reduced its Idaho work force by 1,100. The news of the latest round of job cuts came a week after the company released its 2008 fourth quarter earnings report that showed the company had a net loss of \$344 million on net sales of \$1.45 billion. The company lost \$1.6 billion on sales of \$5.8 billion over the entire fiscal year, compared to a loss of \$320 million the previous fiscal year. Unfortunately, the company started its current fiscal year with a \$706 million loss on net sales of \$1.4 billion—its eighth consecutive quarterly loss. Falling global DRAM and NAND prices continue to bedevil this industry, causing hardships for other memory producers. For example, Hynix announced in July 2008 it would close its Eugene, Oregon facility. The plant produced 200mm silicon wafers and employed about 1,100 persons. The company is also seeking financial help from the South Korean government. Infineon has been trying to unload its huge stake in chip maker Qimonda. This unit has been suffering huge losses but was recently granted a reprieve in the form of a line of credit. However, it remains to be seen whether the company will remain viable long enough to introduce its next generation of products. All these companies will continue to be challenged over the next few years. The worldwide imbalance of supply and demand that has depressed prices is not expected to right itself quickly. In addition, this sector's recovery will be hamstrung by the expected declines in U.S. real investment on software and equipment. Specifically, investment is estimated to have fallen 2.1% in 2008 and is forecast to drop 12.2% in 2009 then increase 7.7% in 2010, 13.9% in 2011, and 8.6% in 2012. Idaho computer and electronics employment shrinks over the next two years to a near-term low of about 11,600 jobs, which is down significantly from its 2001 peak of nearly 19,700 jobs. Employment recovers modestly in 2011 and 2012, so that it is at 12,763 jobs in 2012. While the news of Micron Technology's most recent round of layoffs dominate this sector, it should be noted there are a few bright spots. Hoku Scientific, Inc. is building a \$390 million plant to produce polycrystalline silicon in Pocatello. The plant is expected to start shipping product in 2009. Pocatello is also the new home for wind turbine manufacturer Nordic Windpower, Ltd.

Logging and Wood Products: Having ridden the national housing boom to a peak of just over 10,000 jobs in 2006, Idaho's logging and wood products sector now finds itself floundering in the after wash of its collapse. To provide some perspective of this change a short history is in order. National housing starts grew strongly most of this decade, topping the 2-million unit level in 2005. This expansion fueled the demand for lumber and wood products, which is evident in the 6.5% cumulative increase in the

Idaho Computer and Electronic Products Employment



Idaho Wood Product Employment and U.S. Housing Starts



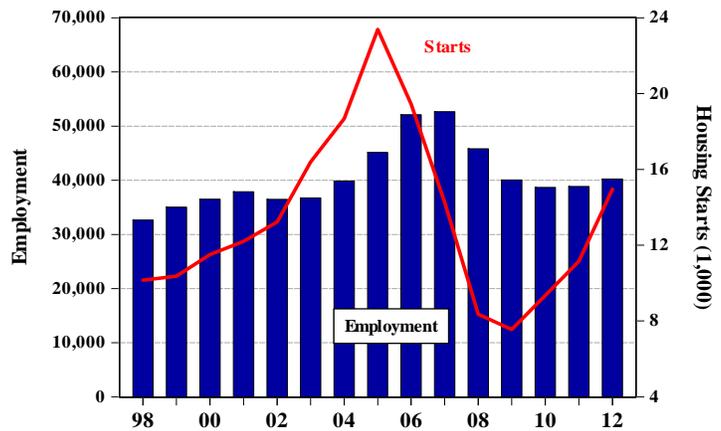
wood production index over the first half of this decade. Idaho logging and wood product employment was slow to respond to the increased demand, but finally produced job gains beginning in 2004. National housing starts slipped to 1.8 million units in 2006 from its previous year's peak, but remained at high historical levels. Despite this drop, U.S. wood products output was virtually unchanged in 2006 as it was in 2005. Idaho payroll increased to just over 10,000 jobs that year. The next year would be much different. In 2007, the U.S. housing starts decline was twice as steep as the previous year, causing output to retreat nearly 10%. Unlike the

previous year, Idaho's logging and wood products sector was not able to avoid losses and its employment shrank to about 9,600 jobs. Unfortunately, the national housing retreat is expected to continue through 2009, which is anticipated to reduce Idaho payrolls further. For example, Potlatch Corporation laid off 160 employees at its St. Maries plywood plant for two weeks in November 2008. The company also laid off 220 workers at its Lewiston wood products mill during the last three weeks of the same month. Housing woes were also to blame for the Idaho Forest Group shut down of its Moyie Springs mill during Thanksgiving week. The housing sector's ebb means the logging and wood products sector's future will once again be dominated by unfavorable supply factors. They include dwindling timber supplies from Idaho national forests. According to U.S. Forest Service estimates, the harvest from national forests fell by 69% from 1997 to 2006. As a result, the national forests' share of Idaho's timber harvest shrank from 20% in 1997 to 8% in 2006. Idaho is not the only area suffering; the combined harvest from Washington and Oregon national forests has dropped nearly 60% over the same period, and their employment has fallen by over 25%. The June 2008 edition of *Random Lengths Yardstick* reported there are about half as many mills in the inland region as there were twenty years ago and the inland region's share of North American (U.S. and Canada) production has dwindled from 18% to 8%. 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. The industry's increased productivity means mills need fewer workers. National housing starts are forecast to begin recovering modestly in 2010. Idaho logging and wood sector employment is expected to decline through 2010, and then it posts a modest recovery to around 8,200 jobs in 2012.

Construction: Expected declines in Idaho construction employment over most of the forecast period means the state will lose one of its most important growth engines. Fueled by the Idaho housing boom, construction employment advanced an amazing 5% annually from 1997 to 2007—about twice as fast as overall employment. As a result of this strong showing, construction's share of total employment climbed from 6.4% in 1997 to 8.0% in 2007. This growth spurt was made possible by the healthy housing market that expanded from just 8,888 housing starts in 1997 to a peak of nearly 23,400 units in 2005. Although housing starts began declining the next year, Idaho construction employment continued growing thanks to the strong commercial sector. However, this boost ran out of fuel in 2007, causing construction employment to stall. Unfortunately, this sector's fortunes have not yet bottomed out. Future housing activity will be hampered by the combined impacts of the cooling economy, tight credit conditions, and slower population growth. The next two years will be particularly devastating. Housing

starts are expected to have dropped to 7,192 units by the end of 2008, about 2,000 units lower than at the year's start. Housing starts should then begin recovering modestly in 2009. Housing starts are projected to post their first year-over-year gain in 2010 and continue growing thereafter to about 5,000 units in 2012, which is much lower than its 2005 peak. Idaho construction employment is forecast to slide during the first three years of the forecast to 38,660 jobs in 2010 and remain near that level in 2011. Idaho construction employment enjoys its first significant increase to 40,205 jobs in the last year of the forecast. During the forecast period, construction's share of total nonfarm employment slips from 8.0% in 2007 to just under 6.0% in 2012.

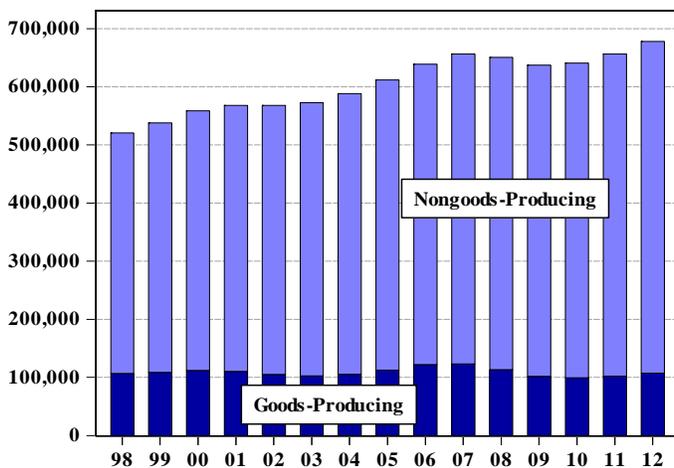
Idaho Construction Employment and Housing Starts



Nongoods-Producing Industries: As the state's manufacturing, construction, and mining sectors struggle over the next few years, modest job growth is expected to come from Idaho's services and trade sectors. The services category had an average of 304,484 jobs in 2007 and there were 111,657 trade jobs. Together they accounted for about 80% of the state's nonfarm 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 two categories, advancing an average of 3.7% annually over the last five years versus 2.8% for trade employment. Education and health services are consistent performers because they are driven more by demographics than economics. This category should add jobs at a 3.3% average annual pace from 2008 to 2012. Professional and business services employment should expand an average of 1.6% per year over the same period. Leisure and hospitality services should grow 1.5% annually over the next few years. This industry suffered a setback when the owners of Tamarack Resort

filed for bankruptcy protection last year. In addition, Andre Agassi and Steffi Graf dropped their plans for a resort hotel at Tamarack. Not surprising, staffing levels at the resort this winter are lower than last winter. Financial services employment will feel the pinch of the cooling housing market and tighter credit. After expanding by an average of around 6.5% in both 2005 and 2006, financial service's payroll should average 0.6% annual growth over the forecast period. Transportation, warehousing, and utilities sector employment is expected to average 1.0% growth. Information service employment should rise at a 2.4% annual pace. Employment in the other services category

Idaho Nonfarm Employment

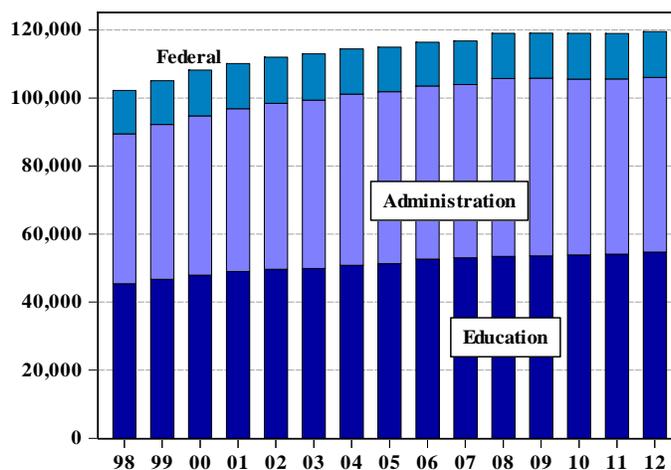


increases over the forecast period from 19,463 jobs to 22,171 jobs. Readers are reminded that other services employment sprinted at a nearly 25% annual pace during last year's first quarter because a new employment survey that revealed there were more noncovered jobs in this sector than had been previously reported. This new data creates a series break that results in a one-time boost to the first quarter's growth rate. After a slow start, total services employment growth is expected to accelerate beginning in 2010. Prognostications for one of the weakest holiday shopping seasons in years have led to fears that Idaho trade employment will repeat last year's disappointing showing. Indeed, final and preliminary data show both wholesale and retail trade employment shrank through the first three quarters of 2008. Trade employment is expected to shrink again this year before expanding in the last three years of the forecast. Walmart plans to close its Lewiston, Idaho store when it opens its new store across the river in Clarkston, Washington. Interestingly, this will have little impact on Idaho retail employment because Clarkston employment is included in the Idaho statistics. The Idaho store's closure will have another impact on Lewiston, however. It will cut Nez Perce County revenue from its half-cent local option sales tax by an estimated 10%, or about \$330,000 per year.

Government: On December 22, 2008 the U.S. Census Department reported Idaho's population on July 1, 2008 was 1,523,816. This change equates to a 1.8% growth rate, which is down from the previous year's 2.4% clip. The state's population growth is projected to slow further, as its economy cools. The main reason for this slowing is the anticipated drop in net immigration. Idaho's population grows fastest when net migration is strong and slowest when net migration is weak. For example, the state's population grew by 1.9% in 2004 when immigration was about 13,000 persons. The next year, a net influx of over 24,000 new residents helped population jump by 2.7%.

Over the next few years net immigration is expected to swing from a low of about 3,100 in 2009 to a high of about 16,400 in 2012. Under these conditions, total population growth should average 1.7% per year over the forecast period, which is well below the pace of the last few years. The anticipated slower population growth should translate to slower demand for government services and reduced government employment growth. In addition, Idaho state and local government employment will be held in check by tight budgets, especially during the next two years. Over the forecast period, Idaho state and local governments will add less than 400 jobs. All of the job gains (1,270) will be in education-related jobs, while the noneducation-related jobs will shrink (-901). There are about 13,300 federal government jobs in Idaho. It should remain near this level throughout the forecast period except for 2010 when hiring associated with the U.S. census takes place early in that year.

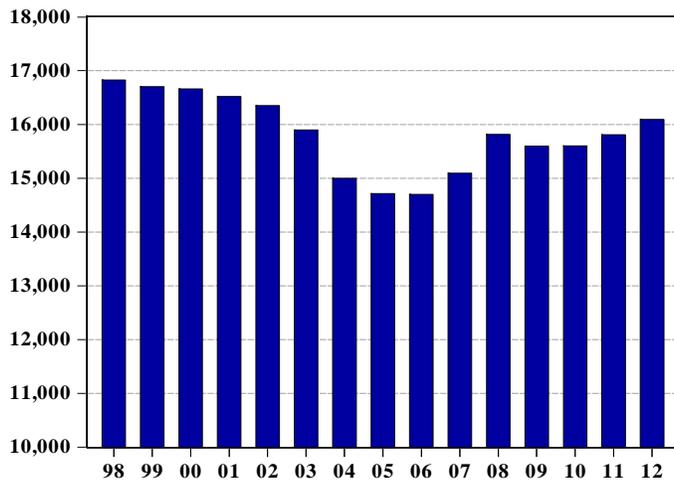
Idaho Government Employment



Mining: Idaho's mining sector employment is forecast to suffer declines over the next two years as the national and global economies cool. These declines will mark the end of six consecutive years of growth. After suffering several years of decline, Idaho mining employment increased from a low of 1,759 jobs in 2002 to nearly 2,800 jobs in 2008—its highest level in over a decade. This expansion was largely fueled by a run up of metal prices. Kathryn Tacke, the Idaho Department of Labor's Regional Economist for North Idaho, reported that at one time the prices of lead and zinc were so high that the

Lucky Friday Mine could make a profit on sales of these two byproducts alone. These high prices led to increased exploration activity in the state. SNS Silver is looking at the possibility of bringing the Crescent Mine near Kellogg back into production. The Crescent, which closed in the 1980s, lies between two of the world's greatest silver producers—the Sunshine and Bunker Hill mines. It appears there are ample mineral supplies for further expansion. However, metal prices have been falling recently, so this sector's short-term fortunes will be driven more by economics than by geology. After exploding 7.1% in 2008, U.S. metal ore mining production is forecast to decrease this year and next. As a result, mining employment is forecast to drop just below 2,000 jobs in 2010. Mining production is forecast to pick up again once the economy starts expanding. This recovery will help Idaho mining employment to start growing in 2011, after suffering two years of losses.

Idaho Food Processing Employment



Food Processing: One of Idaho's cornerstone industries, food processing, is poised to retake the title of the state's largest manufacturing employer. This sector's last employment peak was 17,300 jobs in 1997. Ironically, it was the same year the computer and electronics sector passed it to become Idaho's largest manufacturing employer. After that year, food processing employment shrank for several years as several of this sector's long-time employers began to curtail their local operations. For example, nearly 360 jobs were lost when the J.R. Simplot Company closed 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. However, the passing of time suggests these painful contractions were not symptoms of this sector's demise, but part of its ongoing evolution. Already, new factories have replaced older ones. For example, the former Swift and Company beef processing plant has been reopened by XL Foods, Inc. 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 opened its Mountain Home plant. Idaho Milk Products is building a new 185,000-square-foot facility in Jerome County. Once operational, the plant will process about 3 million gallons of milk per day into protein powders, lactose permeate, and cream. The new plant is expected to employ 75 workers. Sorrento Lactalis is planning to add 40 to 50 manufacturing jobs when it completes its \$50-million whey processing plant. This sector is expected to experience two notable achievements. Its employment will top 16,000 jobs in 2012—for the first time since 2002—and it will once again become the state's largest manufacturing employer in 2008. Employment is but one measure of the food processing industry's importance to the state. The average value of food manufacturing output accounted for more than half (55.8%) of the total Idaho nondurable manufacturing output from 1997 to 2006 and about 2.4% of the state's total gross domestic product. Its relative importance can be seen when it is compared to its national counterpart, which accounts for just 1.5% of the country's economic output.

ALTERNATIVE FORECASTS

Global Insight has assigned a 55% probability of occurrence to its December 2008 baseline forecast of the U.S. economy. The major features of this forecast include:

- Real GDP increases 1.2% in 2008, drops 1.8% in 2009, expands 2.1% in 2010, and grows 3.2% in 2011;
- U.S. nonfarm employment falls 0.2% in 2008, drops another 1.9% in 2009, grows 0.1% in 2010, and increases 1.5% in 2011;
- the annual U.S. civilian unemployment rate peaks at 8.6% in 2010 then gradually declines to 8.1% in 2011;
- consumer inflation is 3.8% in 2008, negative 1.5% in 2009, 2.4% in 2010, and 3.1% in 2011;
- the current account deficit is \$660 billion in 2008, \$282 billion in 2009, \$500 billion in 2010, and \$659 billion in 2011;
- the federal unified budget deficit is \$455 billion in 2008, \$1,349 billion in 2009, \$954 billion in 2010, and \$785 billion in 2011.

OPTIMISTIC SCENARIO

Global Insight's *Optimistic Scenario* has been assigned a 5% probability of occurrence. In this scenario, the rapid response of the Federal Reserve to the crisis in financial markets, coupled with the U.S. Treasury's rescue plan and help from foreign central banks, help avert a severe U.S. economic downturn. In addition, stronger total factor productivity growth is stronger than in the baseline forecast, which helps rein in inflation despite the stronger expected growth. Credit flows more freely in this scenario, helping housing starts average 748,000 units this year, compared to the 662,000 units projected in the baseline case. Likewise, nonresidential fixed investment is stronger in the *Optimistic Scenario*. It suffers a 10.3% contraction in 2009 followed by a 6.5% expansion in 2010. In the baseline, it retreats 13.4% this year followed by an anemic 0.6% rise next year. Both foreign economic growth and the dollar are stronger in this scenario. Finally, thanks to stronger demand, energy prices are higher in this scenario than in the baseline. However, they are lower in the long run, reflecting more-optimistic assumptions about supply.

On net, these assumptions paint a much brighter future for the economy compared to the *Baseline* and *Pessimistic* scenarios. Real GDP declines 0.5% in the third quarter of 2008, 4.3% in the fourth quarter, and by 3.1% in the first quarter of this year. However, it is expected to recover to a 3-percent pace in the second half of this year. On an annual basis, real GDP shrinks 0.6% in 2009 versus 1.8% in the baseline. It expands 3.5% in 2010, compared to the baseline's 2.1%. Under these conditions the unemployment rate never exceeds 8% and falls under 7% by 2011. In short, this scenario is similar to the baseline, with more muted cycle dynamics, but a quick bounce-back.

Under these conditions Idaho's economy does not avoid a downturn, but it is less severe than the one projected in the baseline case. Idaho nonfarm employment declines 0.8% in 2008 and 1.6% in 2009, compared to drops of 0.9% and 2.1%, respectively, in the *Baseline Scenario*. As a result of these more modest declines, there are roughly 3,100 more jobs in 2009 compared to in the baseline. This gap widens to over 11,600 jobs in 2011, however, because of the stronger U.S. economic recovery assumed in the *Optimistic Scenario*. Interestingly, Idaho real personal income growth is virtually the same in the first two years of the forecast, but grows significantly faster in 2010 and 2011. This late rally pushes Idaho real personal income to \$43.2 billion in 2011—about \$450 million higher than in the *Baseline Scenario*.

IDAHO ECONOMIC FORECAST
BASELINE AND ALTERNATIVE FORECASTS
JANUARY 2009

	BASELINE				OPTIMISTIC				PESSIMISTIC			
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
U.S. GDP (BILLIONS)												
Current \$	14,287	14,241	14,728	15,438	14,293	14,452	15,256	16,066	14,279	13,995	14,216	14,911
% Ch	3.5%	-0.3%	3.4%	4.8%	3.5%	1.1%	5.6%	5.3%	3.4%	-2.0%	1.6%	4.9%
2000 Chain-Weighted	11,662	11,456	11,692	12,063	11,667	11,593	11,996	12,391	11,656	11,283	11,366	11,708
% Ch	1.2%	-1.8%	2.1%	3.2%	1.2%	-0.6%	3.5%	3.3%	1.1%	-3.2%	0.7%	3.0%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	49,045	50,024	51,217	53,871	49,047	50,272	52,004	54,892	49,048	49,740	50,301	52,711
% Ch	3.2%	2.0%	2.4%	5.2%	3.2%	2.5%	3.4%	5.6%	3.2%	1.4%	1.1%	4.8%
U.S. (Billions)	12,122	12,315	12,632	13,226	12,123	12,435	13,018	13,713	12,119	12,198	12,281	12,846
% Ch	3.9%	1.6%	2.6%	4.7%	3.9%	2.6%	4.7%	5.3%	3.9%	0.6%	0.7%	4.6%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	40,341	41,423	41,646	42,768	40,336	41,363	41,824	43,219	40,358	41,522	41,352	41,909
% Ch	-0.1%	2.7%	0.5%	2.7%	-0.2%	2.5%	1.1%	3.3%	-0.1%	2.9%	-0.4%	1.3%
U.S. (Billions)	9,971	10,198	10,271	10,500	9,970	10,231	10,469	10,797	9,973	10,183	10,096	10,213
% Ch	0.6%	2.3%	0.7%	2.2%	0.6%	2.6%	2.3%	3.1%	0.6%	2.1%	-0.9%	1.2%
TOTAL NONFARM EMPLOYMENT												
Idaho	650,652	637,195	640,591	656,206	650,738	640,261	650,144	667,854	650,626	634,382	631,989	645,018
% Ch	-0.9%	-2.1%	0.5%	2.4%	-0.8%	-1.6%	1.5%	2.7%	-0.9%	-2.5%	-0.4%	2.1%
U.S. (Thousands)	137,377	134,794	134,910	136,917	137,393	136,074	138,311	140,670	137,348	133,938	132,645	134,285
% Ch	-0.2%	-1.9%	0.1%	1.5%	-0.2%	-1.0%	1.6%	1.7%	-0.2%	-2.5%	-1.0%	1.2%
GOODS-PRODUCING SECTOR												
Idaho	113,379	101,819	99,323	102,220	113,388	102,849	102,410	105,789	113,344	100,557	96,270	98,586
% Ch	-8.1%	-10.2%	-2.5%	2.9%	-8.1%	-9.3%	-0.4%	3.3%	-8.1%	-11.3%	-4.3%	2.4%
U.S. (Thousands)	21,451	19,887	18,996	19,338	21,452	20,210	19,929	20,487	21,440	19,617	18,167	18,465
% Ch	-3.5%	-7.3%	-4.5%	1.8%	-3.5%	-5.8%	-1.4%	2.8%	-3.5%	-8.5%	-7.4%	1.6%
NONGOODS-PRODUCING SECTOR												
Idaho	537,273	535,375	541,268	553,986	537,350	537,412	547,734	562,065	537,282	533,825	535,719	546,432
% Ch	0.8%	-0.4%	1.1%	2.3%	0.8%	0.0%	1.9%	2.6%	0.8%	-0.6%	0.4%	2.0%
U.S. (Thousands)	115,926	114,907	115,914	117,579	115,942	115,864	118,381	120,183	115,909	114,320	114,478	115,819
% Ch	0.5%	-0.9%	0.9%	1.4%	0.5%	-0.1%	2.2%	1.5%	0.4%	-1.4%	0.1%	1.2%
SELECTED INTEREST RATES												
Federal Funds	2.0%	0.1%	1.2%	3.7%	2.0%	0.4%	1.4%	3.3%	2.0%	0.0%	1.1%	4.9%
Bank Prime	5.1%	3.1%	4.2%	6.7%	5.1%	3.4%	4.4%	6.3%	5.1%	3.0%	4.1%	7.9%
Existing Home Mortgage	6.1%	5.5%	5.7%	6.8%	6.1%	5.6%	5.8%	6.7%	6.2%	5.3%	5.7%	7.6%
INFLATION												
GDP Price Deflator	2.3%	1.4%	1.3%	1.6%	2.3%	1.7%	2.0%	1.9%	2.3%	1.2%	0.8%	1.8%
Personal Cons Deflator	3.3%	-0.7%	1.8%	2.4%	3.3%	0.0%	2.3%	2.1%	3.3%	-1.4%	1.5%	3.4%
Consumer Price Index	3.8%	-1.5%	2.4%	3.1%	3.8%	-0.7%	2.9%	2.6%	3.8%	-2.5%	2.0%	4.3%

Forecast Begins the THIRD Quarter of 2008

PESSIMISTIC SCENARIO

The *Pessimistic Scenario* has been assigned a 40% probability of occurrence. It should be pointed out this probability is much higher than the 25% used in the October 2008 forecast, which is consistent with the deteriorating conditions since then. This scenario assumes the financial crisis worsens, sending the economy into its worst downturn since the Great Depression. Credit markets remain clogged, both domestically and across the world. Without access to credit, domestic spending contracts and the housing market falls into an even deeper hole. The spread between 30-year fixed mortgage rates and the 10-year Treasury note yield remains wider than normal into 2010. Housing starts slip below one million units in 2008 (909,000), 2009 (586,000), and 2010 (807,000). The median price of existing homes and home sales are much weaker than in the baseline case. This weakness undermines consumer confidence which, along with the drop in household wealth and job market fears, cause consumers to retrench. Businesses scuttle long-term projects, causing business fixed investment to slide over seven-straight quarters. The economic malaise is not limited to the U.S., however. Real GDP among the United States' major-currency trading partners (excluding China) falls for seven quarters, starting with the second quarter of 2008. As a result, exports deduct 0.8 and 0.3 percentage point from GDP growth in 2009 and 2010. One positive aspect of the weaker outlook is inflation is lower than anticipated in the *Baseline Scenario*.

In this scenario, real GDP contracts 3.2% in 2009 and rebounds only 0.7% in 2010. Employment drops for ten straight quarters, manufacturing output falls for ten straight quarters, and real GDP shrinks for six quarters. This recession takes a much higher toll than the previous two recessions. Peak to trough, real GDP contracts 4.3%, which is worse than the losses during the 1973-75 and 1981-82 recessions. Unlike those recessions, however, the economy emerges from this downturn weaker, and facing more trouble ahead.

Not surprisingly, the outlook for the state's economy is the weakest here of all the scenarios. Nonfarm employment, which is expected to reach 656,200 jobs in 2011 in the baseline case and 667,900 jobs in the *Optimistic Scenario*, barely tops 645,000 in this scenario. Compared to their baseline counterparts, there are about 3,600 fewer goods-producing jobs in 2011 and 7,600 fewer nongoods-producing jobs. The lower job count is partly to blame for both nominal and real personal income being weaker 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 (FY) 2008. 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 2009 *Idaho Economic Forecast*. Both are products of the Division of Financial Management. The judgmental factors considered include the effects of rate changes, other law changes, judicial decisions, and knowledge not reflected in the econometric analysis.

Product taxes and miscellaneous revenue sources are forecast using collections history, trend analysis, law changes, receipts to date, and a broad array of contacts with individuals responsible for or otherwise involved with the collection of each revenue category. The largest miscellaneous revenue category, Insurance Premium Tax, is forecast in cooperation with the staff of the Department of Insurance, using simulation models to account for relevant variables and parameters that affect the cash flow into the General Fund.

GENERAL FUND REVENUE
(\$ MILLION)

SOURCE	ACTUAL								
	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
INDIVIDUAL INCOME TAX	\$459.44	\$508.02	\$559.17	\$596.46	\$650.85	\$704.82	\$776.19	\$841.87	\$960.16
% CHANGE	6.3%	10.6%	10.1%	6.7%	9.1%	8.3%	10.1%	8.5%	14.1%
CORPORATE INCOME TAX	\$57.97	\$70.00	\$87.63	\$131.64	\$151.98	\$122.36	\$117.29	\$95.44	\$124.87
% CHANGE	-3.4%	20.8%	25.2%	50.2%	15.5%	-19.5%	-4.1%	-18.6%	30.8%
SALES TAX	\$364.32	\$402.82	\$452.68	\$481.57	\$463.00	\$476.73	\$496.81	\$588.80	\$627.50
% CHANGE	8.5%	10.6%	12.4%	6.4%	-3.9%	3.0%	4.2%	18.5%	6.6%
CIGARETTE TAX	\$7.07	\$7.00	\$7.61	\$7.25	\$7.48	\$7.49	\$7.48	\$7.23	\$7.30
TOBACCO PRODUCTS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
BEER TAX	\$1.66	\$1.70	\$1.71	\$1.65	\$1.62	\$1.63	\$1.62	\$1.68	\$1.75
WINE TAX	\$0.75	\$0.75	\$0.81	\$1.14	\$1.52	\$1.66	\$1.80	\$1.90	\$1.96
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>
PRODUCT TAXES	\$14.43	\$14.39	\$15.07	\$14.99	\$15.57	\$15.73	\$15.84	\$15.76	\$15.96
% CHANGE	1.9%	-0.2%	4.7%	-0.6%	3.9%	1.0%	0.7%	-0.5%	1.2%
KILOWATT-HOUR TAX	\$1.61	\$1.45	\$2.09	\$1.69	\$2.89	\$2.97	\$3.24	\$2.89	\$2.77
MINE LICENSE TAX	\$0.59	\$0.11	\$0.47	\$0.29	\$0.80	\$0.66	\$0.96	\$1.98	(\$0.66)
INTEREST EARNINGS	\$11.81	\$10.54	\$10.61	\$15.00	\$18.54	\$18.24	\$17.93	\$18.69	\$21.56
COURT FEES AND FINES	\$3.39	\$3.21	\$3.72	\$3.89	\$4.24	\$4.71	\$5.02	\$5.13	\$5.31
INSURANCE PREMIUM TAX	\$31.94	\$28.81	\$33.19	\$34.93	\$36.13	\$40.26	\$42.85	\$45.47	\$46.43
ALCOHOLIC BEVERAGE LICENSES	\$1.01	\$0.96	\$1.04	\$1.07	\$1.05	\$1.14	\$1.15	\$1.16	\$1.30
UCC FILINGS	\$1.40	\$0.91	\$0.78	\$0.85	\$0.94	\$0.03	\$0.03	\$0.01	\$0.02
UNCLAIMED PROPERTY	\$1.35	\$1.34	\$1.71	\$2.09	\$1.39	\$0.83	\$1.17	\$1.59	\$2.31
LANDS	\$0.21	\$0.23	\$0.22	\$0.24	\$0.24	\$0.24	\$0.27	\$0.32	\$0.70
ONE-TIME TRANSFERS	\$0.51	\$0.00	\$3.42	\$0.00	\$0.15	\$0.00	\$0.00	\$0.43	\$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	<u>\$1.86</u>	<u>\$0.68</u>	<u>\$1.26</u>	<u>\$3.39</u>	<u>\$3.18</u>	<u>\$3.14</u>	<u>\$3.40</u>	<u>\$4.91</u>	<u>\$8.31</u>
MISC. REVENUE	\$55.68	\$48.23	\$58.52	\$63.46	\$69.55	\$72.23	\$76.01	\$82.57	\$92.46
% CHANGE	-6.2%	-13.4%	21.3%	8.4%	9.6%	3.9%	5.2%	8.6%	12.0%
TOTAL GENERAL FUND*	\$951.84	\$1,043.47	\$1,173.07	\$1,288.10	\$1,350.94	\$1,391.86	\$1,482.14	\$1,624.43	\$1,820.96
% CHANGE	5.6%	9.6%	12.4%	9.8%	4.9%	3.0%	6.5%	9.6%	12.1%

* Totals may not add due to rounding.

GENERAL FUND REVENUE
(\$ MILLION)

SOURCE	ACTUAL								FORECAST	
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
INDIVIDUAL INCOME TAX	\$1,023.97	\$835.85	\$837.80	\$902.13	\$1,035.54	\$1,216.49	\$1,400.16	\$1,430.16	\$1,267.968	\$1,282.086
% CHANGE	6.6%	-18.4%	0.2%	7.7%	14.8%	17.5%	15.1%	2.1%	-11.3%	1.1%
CORPORATE INCOME TAX	\$141.53	\$76.30	\$93.13	\$103.02	\$139.56	\$194.13	\$190.22	\$189.28	\$157.129	\$163.505
% CHANGE	13.3%	-46.1%	22.1%	10.6%	35.5%	39.1%	-2.0%	-0.5%	-17.0%	4.1%
SALES TAX	\$647.29	\$657.12	\$700.24	\$886.08	\$950.83	\$880.77	\$1,077.46	\$1,142.47	\$1,068.939	\$1,063.427
% CHANGE	3.2%	1.5%	6.6%	26.5%	7.3%	-7.4%	22.3%	6.0%	-6.4%	-0.5%
CIGARETTE TAX	\$7.98	\$8.00	\$8.26	\$30.04	\$7.81	\$7.98	\$1.00	\$6.54	\$7.77	\$15.30
TOBACCO PRODUCTS	\$4.06	\$4.31	\$4.67	\$5.49	\$5.75	\$6.16	\$6.55	\$7.20	\$7.55	\$7.57
BEER TAX	\$1.82	\$1.88	\$1.91	\$1.96	\$1.95	\$1.99	\$2.13	\$2.15	\$2.19	\$2.19
WINE TAX	\$1.90	\$1.88	\$1.97	\$2.14	\$2.33	\$2.43	\$2.48	\$2.58	\$2.86	\$2.89
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>\$9.29</u>	<u>\$13.59</u>
PRODUCT TAXES	\$20.70	\$21.02	\$21.75	\$44.57	\$22.79	\$25.94	\$22.41	\$26.84	\$29.66	\$41.54
% CHANGE	29.7%	1.5%	3.5%	104.9%	-48.9%	13.8%	-13.6%	19.8%	10.5%	40.1%
KILOWATT-HOUR TAX	\$1.80	\$1.79	\$1.80	\$1.83	\$1.53	\$2.29	\$2.26	\$1.60	\$2.20	\$2.20
MINE LICENSE TAX	\$0.12	\$0.82	\$0.04	\$0.07	\$0.03	\$0.27	\$2.35	\$2.52	\$1.00	\$0.50
INTEREST EARNINGS	\$22.30	\$11.33	\$2.98	\$4.97	\$8.92	\$18.12	\$17.17	\$11.37	\$6.08	\$2.30
COURT FEES AND FINES	\$5.49	\$5.19	\$5.29	\$4.98	\$4.66	\$4.79	\$5.04	\$5.14	\$5.42	\$5.49
INSURANCE PREMIUM TAX	\$55.88	\$55.37	\$59.49	\$62.77	\$60.85	\$60.38	\$59.78	\$56.34	\$56.43	\$56.91
ALCOHOLIC BEVERAGE LICENSES	\$1.22	\$1.36	\$1.39	\$1.61	\$1.64	\$1.72	\$1.81	\$1.92	\$1.95	\$1.98
UCC FILINGS	\$2.01	\$2.03	\$2.14	\$2.39	\$2.69	\$3.02	\$3.00	\$2.82	\$2.70	\$2.80
UNCLAIMED PROPERTY	\$5.81	\$0.88	\$3.76	\$3.69	\$9.83	\$1.99	\$3.31	\$5.63	\$2.50	\$2.50
LANDS	\$0.34	\$0.35	\$0.36	\$0.33	\$0.53	\$0.33	\$0.47	\$0.69	\$0.55	\$0.55
ONE-TIME TRANSFERS	\$11.19	\$7.11	\$5.46	\$51.40	\$0.86	\$0.54	\$1.54	\$2.24	\$1.19	\$0.00
ESTATE TAX	\$35.81	\$7.59	\$13.65	\$4.43	\$3.30	\$1.11	\$0.12	\$0.03	\$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>\$30.18</u>	<u>\$30.07</u>	<u>\$33.48</u>
MISC. REVENUE	\$151.15	\$110.14	\$111.02	\$161.31	\$118.98	\$116.43	\$122.25	\$120.48	\$110.105	\$108.698
% CHANGE	63.5%	-27.1%	0.8%	45.3%	-26.2%	-2.1%	5.0%	-1.4%	-8.6%	-1.3%
TOTAL GENERAL FUND*	\$1,984.64	\$1,700.43	\$1,763.95	\$2,097.10	\$2,267.69	\$2,433.75	\$2,812.49	\$2,909.24	\$2,633.801	\$2,659.261
% CHANGE	9.0%	-14.3%	3.7%	18.9%	8.1%	7.3%	15.6%	3.4%	-9.5%	1.0%

* Totals may not add due to rounding.

This page left blank intentionally.

INDIVIDUAL INCOME TAX

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

Collections from the individual income tax are based on a graduated scale of tax rates that are applied to brackets of Idaho taxable income. Current and past individual income tax rates and brackets are detailed in the following table.

INDIVIDUAL INCOME TAX RATE HISTORY

TAX YEARS	Tax Rates on the Portion of Taxable Income ¹								
	\$0-1000	\$1001-\$2000	\$2001-\$3000	\$3001-4000	\$4001-5000	\$5001-6000	\$6001-7500	\$7501-	\$20000+
1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%	4.0%
1933	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%	6.0%	6.0%
1935	1.5%	3.0%	4.0%	5.0%	6.0%	8.0%	8.0%	8.0%	8.0%
1955 ²	1.61%	3.23%	4.30%	5.38%	6.45%	8.60%	8.60%	8.60%	8.60%
1957 ³	2.0%	4.0%	5.5%	6.6%	7.7%	8.8%	8.8%	8.8%	8.8%
1959	3.5%	5.0%	6.5%	7.5%	8.5%	9.5%	9.5%	9.5%	9.5%
1963	3.4%	5.5%	7.2%	8.25%	9.35%	10.5%	10.5%	10.5%	10.5%
1965	2.5%	5.0%	6.0%	7.0%	8.0%	9.0%	9.0%	9.0%	9.0%
1972	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.5%	7.5%
1987	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.8%	8.2%
	\$0-1022	\$1023-2044	\$2045-3066	\$3067-4088	\$4089-5110	\$5111-7666	\$7667-20,442		\$20443+
2000	1.9%	3.9%	4.4%	5.4%	6.4%	7.4%	7.7%		8.1%
	\$0-1056	\$1057-2113	\$2114-3169	\$3170-4226	\$4227-5282	\$5283-7923	\$7924-21129		\$21130+
2001	1.6%	3.6%	4.1%	5.1%	6.1%	7.1%	7.4%		7.8%
2002	\$0-1087	\$1088-2173	\$2174-3260	\$3261-4346	\$4347-5433	\$5434-8149	\$8150-21730		\$21731+
2003	\$0-1104	\$1105-2207	\$2208-3311	\$3312-4415	\$4416-5518	\$5519-8278	\$8279-22074		\$22075+
2004	\$0-1129	\$1130-2258	\$2259-3387	\$3388-4515	\$4516-5644	\$5645-8466	\$8467-22577		\$22577+
2005	\$0-1158	\$1159-2317	\$2318-3476	\$3477-4635	\$4636-5793	\$5794-8691	\$8692-23177		\$23178+
2006	\$0-1198	\$1199-2396	\$2397-3594	\$3595-4793	\$4794-5991	\$5992-8986	\$8987-23963		\$23964+
2007	\$0-1237	\$1238-2474	\$2475-3710	\$3711-4947	\$4948-6184	\$6185-9276	\$9277-24736		\$24737+
2008	\$0-1271	\$1272-2543	\$2544-3815	\$3816-5087	\$5088-6359	\$6360-9539	\$9540-25440		\$25441+

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

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

2. Rates shown include 7.5% surcharge on all brackets. Effective in 1955 and 1956.

3. Rates shown include 10% surcharge on brackets greater than \$2000. Effective in 1957 and 1958.

Idaho taxable income is derived from federal adjusted gross income (AGI). For Idaho residents, income from all states is taxable in Idaho, with credit provided for taxes paid to other states. For non-residents, only income earned in Idaho is subjected to Idaho income tax. For part-year residents, income from all states is taxable during the period of Idaho residency, while only income earned in Idaho is subjected to Idaho income tax during the period of non-residency.

Although Idaho conforms to most of the federal income tax provisions for determining taxable income, a number of differences exist. Idaho's definition of taxable income excludes 100% of social security income, 60% of certain capital gains, and 100% of interest earned on U.S. government securities. For a complete delineation of Idaho's income tax structure, refer to the tax structure section of this publication.

Idaho also provides a number of credits that are not included in the federal tax code. These include an investment tax credit, credit for contributions to educational entities, and several credits linked to investments in broadband equipment, research activities, and job creation. Again, for a complete delineation of Idaho's income tax structure, refer to the tax structure section of this publication.

Idaho income derived from wages and salaries is subject to payroll withholding. Idaho does not require estimated payments for individual income tax, so tax payments derived from business income and most investment income are paid when the tax return is due (typically April 15th following the end of the tax year). A number of Idaho taxpayers make voluntary estimated payments at the end of the tax year (typically December 31st) in order to claim the payment on the same year's federal income tax return.

Since the enactment of Idaho's income tax in 1931, all net tax liability, interest, and penalties have been distributed to the General Fund. Beginning in FY 2001, withholding collections on Idaho lottery winnings are distributed to public schools and counties. An amount equal to 20% of the individual income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$1,500,000 in the State Income Tax Refund Fund at the end of the fiscal year is transferred to the General Fund on June 30th.

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 2009 and FY 2010 are based on a combination of econometric analysis and judgment.

The analysis begins with the Idaho Economic Model (IEM), an econometric base model of Idaho's economy that is used to derive employment by industry and income by 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 a national equity market index and Idaho personal income as the explanatory variables.

The econometric-based forecast of net withholding collections and filing collections are then adjusted to reflect: a) new features of the tax law that are expected to impact future collections and accruals, and b) effects of other factors that are expected to have impacts not reflected in the econometric analysis.

The forecast that follows assumes no further change in current Idaho income tax law, a standard practice of the Division's revenue forecasts.

Historical Data:

INDIVIDUAL INCOME TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Refunds	Gen. Fund	Perm. Building Fund	Misc. & "Check-Off" Donations
FY70	Actual	\$45,142.5	\$6,603.4	\$35,858.7	\$1,120.0	\$1,560.3
FY71	Actual	51,186.3	7,512.8	40,738.9	1,104.3	1,830.3
FY72	Actual	64,107.9	9,460.1	51,235.1	1,040.2	2,372.5
FY73	Actual	76,510.6	13,658.2	59,164.7	977.7	2,710.0
FY74	Actual	95,373.9	16,058.6	75,103.7	973.4	3,238.3
FY75	Actual	117,911.0	23,372.8	89,566.6	1,046.8	3,924.8
FY76	Actual	131,064.3	26,024.7	99,386.0	940.7	4,711.9
FY77	Actual	150,650.7	29,844.0	116,587.3	920.6	3,298.8
FY78	Actual	169,195.1	24,210.7	143,660.6	39.6	1,284.1
FY79	Actual	198,231.0	31,245.2	163,203.8	907.8	2,874.0
FY80	Actual	212,761.8	35,322.8	172,620.9	1,081.4	3,736.7
FY81	Actual	242,743.6	41,262.4	196,892.1	1,093.2	3,495.8
FY82	Actual	264,162.3	44,012.5	215,835.5	1,082.1	3,232.1
FY83	Actual	272,845.0	55,669.9	212,356.6	1,064.1	3,755.4
FY84	Actual	287,957.0	54,731.7	230,002.0	3,008.0	215.3
FY85	Actual	314,955.9	62,164.8	249,277.9	3,322.7	190.5
FY86	Actual	324,704.5	63,132.6	258,065.2	3,275.8	230.9
FY87	Actual	331,393.7	63,191.4	264,128.9	3,842.1	231.3
FY88	Actual	340,376.7	50,486.1	287,156.0	2,581.4	153.2
FY89	Actual	394,403.4	47,582.5	343,077.5	3,551.4	192.0
FY90	Actual	459,019.4	56,873.5	398,284.0	3,668.1	193.8
FY91	Actual	508,711.2	72,282.6	432,218.3	3,984.1	226.2
FY92	Actual	543,233.5	80,435.4	459,438.2	3,157.0	202.9
FY93	Actual	609,443.1	96,209.4	508,023.1	4,998.9	211.7
FY94	Actual	671,419.7	107,859.3	559,166.6	4,215.4	178.4
FY95	Actual	724,809.1	123,717.5	596,457.5	4,459.0	175.2
FY96	Actual	770,804.9	115,072.5	650,850.0	4,708.5	173.9
FY97	Actual	830,855.9	121,650.3	704,819.9	4,236.1	149.7
FY98	Actual	914,961.2	133,761.8 ¹	776,192.0	4,817.3	190.1
FY99	Actual	989,401.5	142,174.4	841,865.0	5,107.5	254.6
FY00	Actual	1,113,448.3	147,853.6	960,163.7	5,041.1	389.9
FY01	Actual	1,200,254.7	169,727.3	1,023,970.2	6,073.1	484.1
FY02	Actual	1,033,900.3	191,524.7	835,854.8	5,636.6	884.2
FY03	Actual	1,033,471.1	189,691.0	837,798.6	5,358.3	623.2
FY04	Actual	1,097,096.6	189,116.2	902,125.5	5,346.8	508.0
FY05	Actual	1,241,292.8	190,269.1	1,035,542.5	5,160.5	10,320.8 ²
FY06	Actual	1,425,769.1	203,019.6	1,216,486.7	5,408.6	854.2
FY07	Actual	1,630,854.6	224,139.7	1,400,159.0	5,716.2	839.6
FY08	Actual	1,705,036.2	267,118.5	1,430,162.5	6,389.6	1,365.7
FY09	Projection	1,549,111.2	273,511.2	1,267,967.7	6,632.2	1,000.0
FY10	Projection	1,565,676.5	275,860.8	1,282,086.2	6,729.6	1,000.0

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

2. Includes impact from a single large lottery winner.

CORPORATE INCOME TAX

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

Collections from the corporate income tax are currently based on a flat rate of 7.6% applied to taxable income. For a listing of earlier rates refer to the following table. Beginning with tax year 1987, Idaho conformed to the changes made by the Tax Reform Act of 1986, except for the federal investment tax credit repeal. Idaho continues to allow a 3% credit that is tied to the federal definition of eligible property. For tax year 2001, an additional “incentive” investment tax credit was allowed in low income/high unemployment counties. Extra credits are also allowed for investments in broadband equipment, research activities, and job creation. See the tax structure section of this publication for details. Also, since September 1987, Idaho has required that corporations file quarterly payments of estimated taxes. This provision is based upon federal rules and was phased in over a two-year period.

CORPORATE INCOME TAX RATE HISTORY

Tax Rates on the Portion of Income:								
Greater Than		\$0	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000
But Not More Than		\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	
Tax	1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%
Years	1933	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%
	1935	1.5%	3.0%	4.0%	5.0%	6.0%	6.0%	8.0%
	1954	1.28%	2.55%	3.40%	4.25%	5.10%	5.10%	6.80%
	1955	7.5%	Beginning of Single "Flat" Tax Rate on all Positive Net Taxable Income					
	1957	8.0% + 10% Surcharge in 1957 and 1958.						
	1959	9.5%						
	1963	10.5%						
	1965	6.0%						
	1972	6.5%						
	1981	6.5% + 0.2% franchise tax up to \$250,000.						
	1983	7.7%						
	1987	8.0%						
	2001	7.6%						

Since its enactment in 1931, all net tax liability, interest, and penalties associated with the corporate income tax have been distributed to the General Fund. An amount equal to 20% of the corporate income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$1,500,000 in the State Income Tax Refund Fund at the end of the year is transferred to the General Fund on June 30th. 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 and judgment. Historical corporate income tax collections are correlated with income concepts found in the IEM and Global Insight's *U.S. Economic Outlook*.

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	Actual	212,879.8	22,705.5	189,283.6	471.1	419.6
FY09	Projection	186,259.8	28,692.0	157,128.7	439.0	0.0
FY10	Projection	193,818.7	29,856.4	163,505.4	456.8	0.0

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 FY 2004 and FY 2005. The sales tax rate returned to 5% on July 1, 2005. The rate was increased to 6% on October 1, 2006. Beginning in FY 2005, the Agricultural Equipment Property Tax Exemption is funded by the sales tax. Beginning in FY 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 ⁷	Pollution Control	Public School Inc. Fund	Agricultural Equipment Prop. Tax Exemption	Misc. Distributions
Jul-1965	<u>3.0%</u>	<u>Bal.</u>	<u>\$500</u>						<u>1,2</u>
Jul-1968	3.0%	Bal.	\$500		<u>5.0%</u>				2
Jul-1969	3.0%	Bal.	\$500		<u>10.0%</u>				2
Jul-1970	3.0%	Bal.	\$500		<u>15.0%</u>				2
Jul-1971	3.0%	Bal.	\$500		<u>20.0%</u>				2
Jul-1975	3.0%	Bal.	\$500		20.0%				<u>2,4</u>
Jul-1976	3.0%	Bal.	\$500		20.0%				2,4
Jul-1977	3.0%	Bal.	\$500		20.0%				2,3,4
Jul-1980	3.0%	Bal.	\$500		<u>10.0%</u>		<u>10.0%</u>		2,3,4
Mar-1983	<u>4.0%</u>	Bal.	\$500		10.0%		10.0%		2,3,4
Jun-1983	<u>4.5%</u>	Bal.	\$500		10.0%		10.0%		2,3,4
Jul-1984	<u>4.0%</u>	Bal.	\$500	<u>6.25%</u>	<u>7.5%</u>	<u>\$4,800</u>			3,4
Apr-1986	<u>5.0%</u>	Bal.	\$500	6.25%	7.5%	\$4,800			3,4
Jul-1987	5.0%	Bal.	\$500	<u>7.75%</u>	<u>6.0%</u>	\$4,800			3,4
Jul-1988	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800			<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		<u>\$13,448</u>	3,4,5
Aug-2005	5.0%	Bal.	\$5,000	<u>13.75%</u>	0.0%	\$4,800		<u>\$13,448</u>	3,4,5
Oct-2006	<u>6.0%</u>	Bal.	\$5,000	13.75%	0.0%	\$4,800		<u>\$13,448</u>	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 2009 and FY 2010 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. 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.

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 ^{1,2}
FY71	Actual	45,368.6	101.9	34,076.7	500.0		6,790.0					3,900.0 ^{1,2}
FY72	Actual	51,704.1	81.1	36,967.1	500.0		10,324.6					3,831.3 ^{1,2}
FY73	Actual	60,999.6	70.3	43,281.3	500.0		12,186.1					4,961.9 ^{1,2}
FY74	Actual	69,833.3	340.7	49,250.0	500.0		13,898.5					5,844.1 ^{1,2}
FY75	Actual	79,108.7	100.4	57,022.8	500.0		15,801.7					5,683.8 ¹
FY76	Actual	88,874.0	137.5	63,650.6	500.0		17,747.3					6,838.6 ¹
FY77	Actual	103,859.6	219.2	73,594.5	500.0		20,728.1					8,817.8 ¹
FY78	Actual	118,866.2	157.0	84,107.4	500.0		23,741.8					10,360.0 ¹
FY79	Actual	129,906.4	205.9	91,463.6	500.0		25,940.1					11,796.8 ¹
FY80	Actual	137,113.9	264.5	95,984.6	500.0		27,369.9					12,994.9 ¹
FY81	Actual	145,008.0	220.5	97,679.3	500.0		14,476.0					32,132.2 ^{1,2}
FY82	Actual	146,206.9	311.8	98,720.2	500.0		14,607.4					32,067.5 ^{1,2}
FY83	Actual	165,441.1	181.2	115,407.0	500.0		15,266.3					34,086.6 ^{1,2}
FY84	Actual	241,838.4	596.2	188,422.1	500.0		16,192.2					36,127.9 ^{1,2}
FY85	Actual	238,544.3	449.7	200,026.6	500.0	\$14,876.1	17,851.5	\$4,800.0				40.4 ³
FY86	Actual	250,490.1	516.8	211,564.2	500.0	15,036.7	18,044.1	4,800.0				28.3 ³
FY87	Actual	297,892.0	538.4	259,358.6	500.0	14,853.3	17,827.1	4,800.0				14.6 ³
FY88	Actual	311,391.2	672.5	258,770.8	500.0	24,084.4	18,637.1	4,800.0	\$3,890.1			36.2 ³
FY89	Actual	346,682.3	882.4	288,780.3	500.0	26,785.4	20,737.1	4,800.0	4,171.7			25.4 ³
FY90	Actual	383,096.0	1,664.0	319,290.7	500.0	29,540.7	22,870.2	4,800.0	4,335.5			94.9 ³
FY91	Actual	404,146.4	3,403.1	335,739.5	500.0	31,036.1	24,028.3	4,800.0	4,491.1			148.3 ³
FY92	Actual	435,715.5	1,799.1	364,323.0	500.0	33,612.2	26,022.6	4,800.0	4,606.1			52.5 ³
FY93	Actual	481,357.9	1,163.9	402,819.5	500.0	37,195.6	28,796.9	4,800.0	6,031.2			50.8 ³
FY94	Actual	541,503.6	1,739.0	452,684.8	500.0	41,789.3	32,353.2	4,800.0	7,504.3			132.9 ³
FY95	Actual	575,751.5	1,767.4	481,568.8	500.0	44,455.1	34,435.8	4,800.0	8,241.1			-16.6 ³
FY96	Actual	602,573.0	2,114.2	462,999.7	500.0	46,554.3	36,023.2	4,800.0	8,807.0	\$40,757.1		17.6 ³
FY97	Actual	624,631.8	2,109.4	476,726.1	500.0	48,240.6	37,347.6	4,800.0	9,609.0	45,238.4		60.7 ³
FY98	Actual	655,182.6	2,023.6	496,807.8	500.0	50,572.4	39,152.8	4,800.0	10,331.1	50,400.4		594.5 ³
FY99	Actual	704,734.8	2,784.7	588,796.7	500.0	54,237.7	41,979.4	4,800.0	10,891.7	0.0		744.6 ³
FY00	Actual	750,125.9	2,741.7	627,503.0	500.0	57,852.8	44,754.6	4,800.0	11,481.2	0.0		492.7 ³
FY01	Actual	778,886.9	3,464.1	647,293.8	5,000.0	106,024.7	0.0	4,800.0	11,711.3	0.0		593.0 ³
FY02	Actual	791,623.6	4,103.4	657,119.2	5,000.0	108,500.4	0.0	4,800.0	11,983.5	0.0		117.0
FY03	Actual	839,180.9	3,119.1	700,240.7	5,000.0	112,947.4	0.0	4,800.0	12,787.1	0.0		286.6
FY04	Actual	1,032,987.5	4,312.6	886,079.0	5,000.0	117,825.4	0.0	4,800.0	14,097.7	0.0		872.8
FY05	Actual	1,125,317.0	3,478.3	950,825.2	5,000.0	128,485.1	0.0	4,800.0	14,995.3	0.0	\$16,810.6 ⁴	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	Actual	1,339,278.0	9,606.4	1,142,468.0	5,000.0	152,578.2	0.0	4,800.0	15,405.6	0.0	8,487.1	932.8
FY09	Projection	1,254,153.5	7,005.7	1,068,938.7	5,000.0	143,422.0	0.0	4,800.0	15,300.0	0.0	8,487.1	1,200.0
FY10	Projection	1,248,453.0	7,081.1	1,063,427.0	5,000.0	142,757.8	0.0	4,800.0	15,700.0	0.0	8,487.1	1,200.0

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 ^{2,3}	Perm. Build. Fund ⁴	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>			\$0.00250		\$0.00050			
Jul-1963	<u>0.003500</u>			\$0.00300		0.00050			
Jul-1972	<u>0.004550</u>			\$0.00350	<u>\$0.00005</u> to <u>\$40,000</u>	0.00050	<u>\$0.00050</u>		
Jul-1974	0.004550			Balance	<u>1.099%</u> to <u>\$40,000</u>	<u>10.989%</u>	<u>10.989%</u>		
Jul-1975	0.004550			Balance	1.099% to <u>\$55,000</u>	10.989%	10.989%		
Jul-1978	0.004550			Balance	1.099% to <u>\$70,000</u>	10.989%	10.989%		
Jul-1979	0.004550			Balance	1.099% to <u>\$70,000</u>	10.989%	10.989%	<u>3.645%</u>	
Jul-1980	0.004550			Balance	1.099% to <u>\$85,000</u>	10.989%	10.989%	3.645%	
Jul-1982	0.004550			Balance	1.099% to <u>\$95,000</u>	10.989%	10.989%	3.645%	
Jul-1984	0.004550			Balance	1.099% to <u>\$100,000</u>	10.989%	10.989%	3.645%	
Mar-1987	<u>0.009000</u> ¹			Balance ¹	1.099% to \$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 up to \$7.770 million.</u>	0.400%	+ Balance 17.300%	0.000%	1.000%	
Jul-2009	0.028500	0.002587	0.002587	<u>Bond Levy Equalization Appropriation</u>	0.400%	+ Balance 17.300%	0.000%	1.000%	

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 is completed, then balance accrues to Economic Recovery Reserve Fund.

Basis of Projection:

The projections of General Fund revenues from this source for FY 2009 and FY 2010 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	Actual	46,216.4	6,535.0	6,486.7	23,948.9	106.2		0.0	375.0	150.0	4,307.3	4,307.3							0.0	
FY09	Projection	44,983.4	7,770.0	6,304.1	21,855.8	97.2		0.0	364.4	145.8	4,223.1	4,223.1							0.0	
FY10	Projection	44,065.2	15,300.0	6,175.1	13,719.5	97.2		0.0	356.9	142.8	4,136.9	4,136.9							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% ¹	2.5%
Jul-2000	0.0%	35.0%	2.5% ¹	2.5%

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

Basis of Projection:

The projections of General Fund revenues from this source for FY 2009 and FY 2010 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	Actual	8,349.6	7,200.5	120.4	0.0	514.3	514.3
FY09	Projection	8,666.7	7,550.0	38.2	0.0	539.3	539.3
FY10	Projection	8,691.0	7,571.2	38.2	0.0	540.8	540.8

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 2009 and FY 2010 are based on an assessment of recent collections, Idaho personal income, 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	Actual	4,587.6	2,147.6	1,507.9	18.3	0.0	\$913.9
FY09	Projection	4,658.8	2,188.3	1,536.5	2.7	0.0	931.2
FY10	Projection	4,668.1	2,192.7	1,539.6	2.7	0.0	933.1

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	\$0.45	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 2009 and FY 2010 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	3,006.2	2,483.2	14.3	359.0		149.6
FY08	Actual	3,124.9	2,581.7	14.4	0.0	\$373.3	155.5
FY09	Projection	3,450.2	2,858.7	6.0	0.0	413.3	172.2
FY10	Projection	3,492.0	2,893.4	6.0	0.0	418.3	174.3

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 2009 and FY 2010 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	Actual	1,599.2	0.0	1,599.2
FY09	Projection	2,200.0	0.0	2,200.0
FY10	Projection	2,200.0	0.0	2,200.0

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, 66% 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, 33% 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 2009 and FY 2010 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
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	265.8
FY07	Actual	3,569.8	16.4	0.0	2,345.2
FY08	Actual	3,829.5	3.9	0.0	2,524.9
FY09	Projection	1,515.2	0.0	0.0	1,000.0
FY10	Projection	757.6	0.0	0.0	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. 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. 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.

ESTATE AND TRANSFER TAX DISTRIBUTION HISTORY

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

1. 5% up to a cap of \$50,000. Excess to Water Pollution Control Fund.
2. First \$435,000 collected earmarked for Water Resources Conservation & Development Trust Account.
3. \$105,000 transferred to the Water Resources Conservation & Development Trust Account.
4. 10% of Estate Tax collected before refunds.

Basis of Projection:

The FY 2009 and FY 2010 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				Water Pollution Fund
			Gen. Fund	Refunds	Counties	Resource Conservation	
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	Actual	32.2	29.0	0.0	3.2	0.0	0.0
FY09	Projection	5.6	5.0	0.0	0.6	0.0	0.0
FY10	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; \$0.6 million to the Community College Fund; \$1.2 million to the Public School Income Fund; \$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 point 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; \$0.6 million to the Community College Fund; \$1.2 million to the Public School Income Fund; \$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 Distribu.	Distributions												
			General Fund	Alcohol Treat. Fund	Community College Fund	Coop. Welfare Fund	Public School Fund	Budget Reserve Fund	Permanent Building Fund	Drug Crt., Mental Health Crt. & Family Crt. Srvs Fund	Water Res. Rev. Dev. Fund	Warehouse Remodel Fund	Substance Abuse Treat. Fund	Drug & Mental Health Crt. 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	Actual	43,774.3	8,378.5	0.0	300.0	650.0	1,200.0	0.0	0.0	3,188.9	0.0	3,245.4	\$2,080.0	\$440.0	24,291.5
FY09	Projection	44,475.7	9,294.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,315.7	0.0	0.0	\$2,080.0	\$440.0	26,896.0
FY10	Projection	48,588.6	13,586.6	0.0	600.0	650.0	1,200.0	0.0	0.0	3,467.0	0.0	0.0	\$2,080.0	\$440.0	26,565.0

This area intentionally left blank.
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 2009 and FY 2010 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2009 projection includes approximately \$2.44 million of net earnings by the Treasurer from the issuance of a tax anticipation note. The FY 2010 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 2009 and FY 2010 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 year (CY) 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 CY 2005. Specifically, the insurance premium tax is 2.5% in CY 2005, 2.3% in CY 2006, 2.1% in CY 2007, 1.9% in CY 2008, 1.7% in CY 2009, and 1.5% in CY 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 CY 2006. The reduced rate is 1.4% in CY 2005, 1.42% in CY 2006, 1.44% in CY 2007, 1.46% in CY 2008, 1.48% in CY 2009, and 1.5% in CY 2010. The percent of a company's assets invested in Idaho required for the reduced rate is 25% in CY 2005, 20% in CY 2006, 15% in CY 2007, 10% in CY 2008, 5% in CY 2009, and 0% in CY 2010. The premium tax rate for surplus lines of insurance is 2.75% through CY 2006 and 1.5% beginning with CY 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 2009 and FY 2010 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 2009 and FY 2010 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 FY 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 2009 and FY 2010 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	Actual	29.0	11,366.2	5,140.0	56,343.2	1,919.9	5,626.9	2,821.0	687.9	2,243.6	30,176.7
FY09	Projection	5.0	6,078.1	5,421.9	56,434.9	1,952.2	2,500.0	2,700.0	550.0	1,188.6	30,074.3
FY10	Projection	0.0	2,296.0	5,487.0	56,906.7	1,975.6	2,500.0	2,800.0	550.0	0.0	33,482.8

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

This page left blank intentionally.

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 Employees 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 (Repealed 2008)
Corporate Headquarters Real Property Improvement Credit (Repealed 2008)
Corporate Headquarters New Jobs Credit (Repealed 2008)
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 (Repealed 2008)
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
Personal Property Tax on Rentals

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

	CY2005	CY2006	CY2007	CY2008	CY2009	CY2010
1 Income Tax Expenditures (Calendar Year Basis)						
1.1 Uses of Income Not Taxed						
1.1.01 Investment Tax Credit	\$29,721	\$32,254	\$32,893	\$32,347	\$28,135	\$30,111
1.1.02 Other States Tax Credit	\$54,497	\$58,355	\$62,992	\$65,291	\$66,595	\$68,183
1.1.03 Elderly Dependent Credit	\$523	\$578	\$597	\$615	\$629	\$645
1.1.04 Youth and Rehabilitation Credit	\$8,469	\$9,768	\$10,904	\$11,463	\$11,235	\$11,114
1.1.05 Schools, Libraries, and Museums Credit	\$4,096	\$4,307	\$4,612	\$4,758	\$4,853	\$4,969
1.1.06 Grocery Credit	\$26,231	\$27,773	\$28,457	\$52,523	\$67,364	\$82,816
1.1.07 Recycling Equipment Credit	\$6	\$1	\$21	\$21	\$21	\$21
1.1.08 Technological Equipment Deduction	\$48	\$75	\$80	\$82	\$84	\$86
1.1.09 Long-Term Care Insurance Deduction	\$894	\$989	\$1,022	\$1,042	\$1,067	\$1,092
1.1.10 Alternative Energy Device Deduction	\$267	\$309	\$330	\$340	\$345	\$353
1.1.11 Insulation Deduction	\$590	\$731	\$780	\$803	\$814	\$833
1.1.12 Workers' Compensation Premium Deduction	\$400	\$400	\$400	\$400	\$400	\$400
1.1.13 Child Care Deduction	\$3,800	\$4,012	\$4,065	\$4,107	\$4,103	\$4,152
1.1.14 College Savings Deduction	\$1,340	\$1,400	\$1,149	\$1,224	\$1,245	\$1,269
1.1.15 Health Insurance Deduction	\$9,576	\$11,173	\$11,879	\$12,514	\$12,905	\$13,559
1.1.16 Elderly and Developmental Disability Deduction	\$9	\$9	\$9	\$9	\$9	\$9
1.1.17 Adoption Expense Deduction	\$46	\$49	\$48	\$48	\$48	\$48
1.1.18 Medical Savings Account Deduction	\$1,050	\$984	\$1,051	\$1,081	\$1,096	\$1,122
1.1.19 New Employees Credit	\$220	\$0	\$1,510	\$1,510	\$1,510	\$1,510
1.1.20 Riparian Land Improvements Credit	\$0	\$0	\$0	\$0	\$0	\$0
1.1.21 Broadband Investment Credit	\$484	\$1,266	\$1,291	\$1,270	\$1,105	\$1,182
1.1.22 County Incentive Investment Tax Credit	\$251	\$113	\$0	\$0	\$0	\$0
1.1.23 Research Activity Credit	\$1,199	\$1,141	\$1,164	\$1,144	\$995	\$1,065
1.1.24 Promoter Sponsored Events Credit	\$9	\$1	\$5	\$5	\$5	\$5
1.1.25 Corporate Headquarters Investment Credit	\$0	\$0	\$0	Repealed	Repealed	Repealed
1.1.26 Corporate Headquarters Real Property Improvement Credit	\$0	\$0	\$0	Repealed	Repealed	Repealed
1.1.27 Corporate Headquarters New Jobs Credit	\$0	\$0	\$0	Repealed	Repealed	Repealed
1.1.28 Small Employer Capital Investment Credit	\$3	\$0	\$29	\$58	\$87	\$115
1.1.29 Small Employer Real Property Improvement Credit	\$1	\$1	\$29	\$58	\$87	\$116
1.1.30 Small Employer New Jobs Credit	\$0	\$1	\$29	\$133	\$237	\$341
1.1.31 Live Organ Donation Expenses Credit	\$0	\$0	\$15	\$15	\$15	\$15
1.1.32 Biofuel Investment Tax Credit	\$0	\$0	\$30	\$68	\$68	\$68
1.2 Sources of Income Not Taxed						
1.2.01 Capital Gains Exclusion	\$53,232	\$70,579	\$75,550	\$78,915	\$80,380	\$82,271
1.2.02 Government Interest Exclusion	\$3,910	\$6,253	\$6,971	\$7,313	\$7,147	\$7,069
1.2.03 Social Security Exclusion	\$32,961	\$39,206	\$42,229	\$46,697	\$50,288	\$52,449
1.2.04 Railroad Retirement Exclusion						
1.2.05 Retirement Benefit Exclusion	\$4,660	\$5,421	\$5,823	\$6,404	\$6,874	\$7,170
1.2.06 Idaho Lottery Winnings Exclusion	\$4,394	\$4,467	\$4,542	\$4,618	\$4,696	\$4,775
1.2.07 Indian Earnings on Reservation Exclusion	\$470	\$511	\$547	\$565	\$576	\$590
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

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
2 Sales Tax Expenditures (Fiscal Year Basis)						
2.1 Specific Uses Not Taxed						
2.1.01 Production Exemption - Equipment	\$94,702	\$98,183	\$99,923	\$91,118	\$85,569	\$97,805
2.1.02 Production Exemption - Supplies	\$71,689	\$74,324	\$75,641	\$68,976	\$64,776	\$74,038
2.1.03 Irrigation Equipment and Supplies	\$3,380	\$3,465	\$3,551	\$3,640	\$3,731	\$3,824
2.1.04 Pollution Control Equipment	\$5,135	\$9,206	\$11,785	\$12,024	\$9,155	\$9,066
2.1.05 Broadcast Equipment and Supplies	\$2,195	\$2,271	\$2,311	\$2,108	\$1,979	\$2,262
2.1.06 Publishing Equipment and Supplies	\$141	\$146	\$148	\$135	\$127	\$145
2.1.07 Commercial Aircraft	\$1,890	\$1,890	\$1,890	\$1,890	\$1,890	\$1,890
2.1.08 Railroad Rolling Stock and Remanufacturing	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550
2.1.09 Interstate Trucks	\$6,858	\$6,933	\$6,713	\$5,393	\$5,891	\$6,279
2.1.10 Out-of-State Contracts	\$3,658	\$3,785	\$3,852	\$3,513	\$3,299	\$3,771
2.1.11 Trade-in Value	\$29,277	\$29,598	\$28,659	\$23,022	\$25,151	\$26,806
2.1.12 Sale or Lease of Businesses or Business Assets	\$1,736	\$1,796	\$1,828	\$1,667	\$1,566	\$1,789
2.1.13 Food Stamps/WIC	\$6,808	\$6,639	\$7,065	\$7,186	\$7,288	\$7,680
2.1.14 Motor Vehicles Used Outside of Idaho	\$16,353	\$16,532	\$16,008	\$12,859	\$14,048	\$14,973
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	\$69	\$73	\$77	\$75	\$75	\$80
2.1.19 School Lunches and Senior Citizen Meals	\$3,027	\$3,180	\$3,400	\$3,612	\$3,661	\$3,809
2.1.20 Drivers Education Automobiles	\$38	\$39	\$39	\$39	\$38	\$37
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	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550
2.1.24 Research and Development Equipment	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200
2.1.25 Corporate Headquarters Construction	\$0	\$0	\$0	Repealed	Repealed	Repealed
2.1.26 Small Employer Headquarters Construction	\$90	\$90	\$90	\$115	\$115	\$115
2.1.27 Glider Kit Vehicles	\$0	\$288	\$279	\$224	\$245	\$261
2.1.28 Media Production Projects	\$0	\$0	\$60	\$59	\$62	\$65
2.1.29 State Tax Anticipation Revenue	\$0	\$0	\$0	\$2,600	\$3,300	\$0
2.2 Goods Not Taxed						
2.2.01 Motor Fuels	\$150,019	\$151,954	\$181,651	\$139,744	\$125,876	\$150,951
2.2.02 Heating Materials	\$4,553	\$5,134	\$6,151	\$4,748	\$4,170	\$4,737
2.2.03 Utility Sales	\$78,185	\$80,530	\$82,946	\$85,435	\$87,998	\$90,638
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	\$49,943	\$55,091	\$57,015	\$58,479	\$61,199	\$70,346
2.2.07 Funeral Caskets	\$1,173	\$1,208	\$1,244	\$1,281	\$1,320	\$1,359
2.2.08 Containers	\$32	\$34	\$36	\$35	\$35	\$37
2.2.09 Nonprofit Literature	\$122	\$125	\$128	\$130	\$131	\$134
2.2.10 Official Documents	\$60	\$62	\$63	\$64	\$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	\$2,011	\$2,095	\$2,139	\$2,189	\$2,226	\$2,271
2.2.14 Telecommunications Equipment	\$962	\$1,058	\$1,164	\$1,280	\$1,409	\$1,549
2.2.15 Personal Property Tax on Rentals	\$0	\$0	\$0	\$400	\$400	\$400

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
2.3 Services Not Taxed						
2.3.01 Construction	\$160,955	\$159,281	\$151,409	\$135,921	\$119,721	\$125,306
2.3.02 Agricultural and Industrial Services	\$2,773	\$2,826	\$2,867	\$2,910	\$2,949	\$2,991
2.3.03 Transportation Services	\$32,499	\$34,023	\$35,739	\$36,300	\$35,356	\$36,179
2.3.04 Information Services	\$77,019	\$78,887	\$80,776	\$81,977	\$82,967	\$84,501
2.3.05 Repairs	\$43,186	\$45,763	\$48,262	\$49,871	\$51,281	\$53,313
2.3.06 Professional Services	\$146,083	\$154,799	\$163,252	\$168,693	\$173,462	\$180,338
2.3.07 Business Services	\$119,181	\$126,292	\$133,188	\$137,628	\$141,518	\$147,128
2.3.08 Personal Services	\$9,525	\$10,094	\$10,645	\$11,000	\$11,311	\$11,759
2.3.09 Health and Medical Services	\$298,655	\$315,759	\$336,555	\$352,599	\$367,146	\$388,654
2.3.10 Social Services	\$51,341	\$54,281	\$57,857	\$60,615	\$63,115	\$66,813
2.3.11 Educational Services	\$29,388	\$31,141	\$32,842	\$33,936	\$34,896	\$36,279
2.3.12 Lottery Tickets and Pari-Mutuel Betting	\$9,066	\$9,564	\$9,891	\$10,232	\$10,586	\$10,954
2.3.13 Media Measurement Services	\$59	\$61	\$63	\$65	\$66	\$68
2.3.14 Miscellaneous Services	\$2,325	\$2,480	\$2,616	\$2,703	\$2,779	\$2,889
2.3.15 Nonprofit Shooting Range Fees	\$13	\$30	\$32	\$33	\$34	\$35
2.4 Specific Entities Not Taxed						
2.4.01 Educational Institution Purchases	\$8,386	\$8,826	\$10,387	\$10,893	\$10,643	\$11,282
2.4.02 Hospital Purchases	\$19,441	\$20,554	\$21,908	\$22,952	\$23,899	\$25,299
2.4.03 Health Entity Purchases	\$335	\$354	\$372	\$372	\$379	\$397
2.4.04 Canal Company Purchases	\$910	\$931	\$961	\$974	\$977	\$1,000
2.4.05 Forest Protective Association Purchases	\$40	\$41	\$42	\$43	\$43	\$44
2.4.06 Food Bank Purchases	\$240	\$253	\$266	\$266	\$271	\$284
2.4.07 Nonsale Clothier Purchases	\$1	\$1	\$1	\$1	\$1	\$1
2.4.08 Centers for Independent Living	\$5	\$5	\$5	\$5	\$5	\$5
2.4.09 State of Idaho and Local Government Purchases	\$27,115	\$29,468	\$34,621	\$35,008	\$32,916	\$31,609
2.4.10 Ronald McDonald House Rooms	\$1	\$1	\$1	\$1	\$1	\$1
2.4.11 INL Research and Development Purchases	\$4,424	\$4,696	\$4,936	\$4,608	\$4,168	\$4,637
2.4.12 Motor Vehicle Purchases by Family Members	\$1,919	\$1,940	\$1,878	\$1,509	\$1,648	\$1,757
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)	\$2,743	\$2,892	\$3,043	\$3,040	\$3,100	\$3,244
2.4.15 Sales by Indian Tribes on Reservations	\$4,433	\$4,663	\$4,968	\$4,822	\$4,831	\$5,141
2.4.16 Sales of Meals by Churches to Members	\$11	\$12	\$13	\$13	\$13	\$14
2.4.17 Sales by Outfitters and Guides	\$16	\$16	\$16	\$16	\$16	\$16
2.4.18 Sales Through Vending Machines	\$2,167	\$2,290	\$2,437	\$2,478	\$2,514	\$2,649
2.4.19 Auto Manufacturer Rebates	\$633	\$640	\$620	\$498	\$544	\$580
2.4.20 Incidental Sales by Churches	\$687	\$724	\$762	\$761	\$776	\$812
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 Service Agencies	\$156	\$165	\$173	\$173	\$177	\$185
2.4.25 Senior Citizens Centers	\$37	\$39	\$41	\$41	\$42	\$44
2.4.26 Blind Services Foundation, Inc.	\$6	\$7	\$7	\$7	\$7	\$8
2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault	\$0	\$8	\$9	\$9	\$9	\$9
2.4.28 Free Dental Clinics	\$8	\$9	\$10	\$10	\$10	\$11
2.4.29 Museums	\$0	\$180	\$189	\$189	\$193	\$202

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 14 years from the year of qualifying property purchase. The definition of qualified investment is tied to the old federal ITC (repealed in the Tax Reform Act of 1986), with the exceptions that: a) the equipment must have Idaho situs; and b) motor vehicles under 8,000 pounds do not qualify. Mobile property that is only partially used in Idaho is allowed ITC in proportion to its use in Idaho.

History: Idaho's ITC was enacted in 1982. It was amended in 1987 to prevent its automatic repeal by the federal repeal of ITC in 1986. It was amended in 1992 in response to an Idaho Supreme Court case that changed the interpretation of how the credit is applied to equipment that is used both inside and outside Idaho. It was amended in 1994 to make technical changes relating to unitary corporations. It was amended in 1995 to

extend the carryover period from five to seven years, 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. Amended in 2008.

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

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

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

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

Description: This is a credit provided to taxpayers who make charitable contributions to the Anchor House, 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 carryover 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: Idaho households with no more than \$1,000 of taxable income receive a \$50 grocery tax credit in 2008 for each taxpayer and their dependents. After that year, the credit increases by \$10 per year until it reaches \$100. The grocery tax credit for households with more than \$1,000 of taxable income in 2008 is \$30 and increases by \$10 annually until it also reaches \$100. All Idahoans who are at least 65 years of age receive an additional \$20 credit. Food stamp users, incarcerated persons, and part-year residents get the credit on a prorated basis.

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. Amended in 2008.

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% of 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 three 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. Repealed July 1, 2008.

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

Description: This credit is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005." It provides an income tax credit of 10% of the purchase price of new plant (buildings and structural components of buildings) within the project site as specified in 63-2902. This credit is limited to no more than \$500,000 in any one tax year, and is not subject to the 50% limit specified in 63-3029B. This credit can be generated for plant purchases 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. Repealed July 1, 2008.

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

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

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

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

Description: This credit is contingent on a taxpayer qualifying under the “Idaho Small Employer Incentive Act of 2005.” It provides an income tax credit of 3.75% of the purchase price of new equipment installed anywhere in Idaho. Qualifying equipment is the same as equipment that qualifies under Idaho’s 3% Investment Tax Credit (see 1.1.01). This credit is in lieu of the Investment Tax Credit, is limited to no more than \$750,000 in any one tax year, and is subject to a 62.5% limit instead of the 50% limit specified in 63-3029B. This credit can be generated for eligible equipment purchases occurring 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 \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008.

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 \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008.

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 \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008.

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 eighteen months. Amended in 2005 to reduce the holding period for real estate from 18 months to 12 months. Amended in 2008 to extend exemption to certain pass-through entities.

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(1)*

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(1)*

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. Amended in 2008 to include equipment used to process certain materials for the production of energy.

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. Amended in 2008 to include inputs used to process certain materials for the production of energy.

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

Description: Exempts agricultural irrigation equipment and supplies, 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 a change in the form of business ownership. It also exempts sales and leases of capital assets between closely related businesses, but only if the sales tax has previously been paid on the capital asset.

History: Originally enacted as 63-3622(l), it was amended in 1967 to add bulk sales and change in form of doing business by adopting a new definition section 63-3612A 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. Repealed July 1, 2008.

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

Description: This rebate is contingent on a taxpayer qualifying under the “Idaho Small Employer Incentive Act of 2005.” It provides a sales and use tax rebate for 25% of sales and use taxes paid on property constructed, located, or installed in the “project site” (as specified in 63-4402) through December 31, 2010. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008.

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(u) 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(o) 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. Amended in 2008 to include qualified items prescribed by physician assistants.

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.

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

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

History: Enacted in 2008.

2.3.01 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. Amended in 2008 to include Idaho Digital Learning Academy.

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

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

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

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

Description: Exempts all purchases by certain specified "health-related entities." The list consists of: the 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 of eligible entities.

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

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

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

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

Description: Exempts all purchases by forest protective associations. Forest protective associations are associations that detect, prevent, and suppress forest or range fires. They include only those associations that contract with the State of Idaho 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)(1,6,8)*

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

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

Description: Exempts sales 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

CROSS REFERENCE TABLE
In General Fund Revenue Book Order

	Title	Idaho Code
1.1.01	Investment Tax Credit	63-3029B
1.1.02	Other States Tax Credit	63-3029
1.1.03	Elderly Dependent Credit	63-3025D
1.1.04	Youth and Rehabilitation Credit	63-3029C
1.1.05	Schools, Libraries, and Museums Credit	63-3029A
1.1.06	Grocery Credit	63-3024A
1.1.07	Recycling Equipment Credit	63-3029D
1.1.08	Technological Equipment Deduction	63-3022J
1.1.09	Long-Term Care Insurance Deduction	63-3022Q
1.1.10	Alternative Energy Device Deduction	63-3022C
1.1.11	Insulation Deduction	63-3022B
1.1.12	Workers' Compensation Premium Deduction	63-3022(m)
1.1.13	Child Care Deduction	63-3022D
1.1.14	College Savings Deduction	63-3022(n)
1.1.15	Health Insurance Deduction	63-3022P
1.1.16	Elderly and Developmental Disability Deduction	63-3022E
1.1.17	Adoption Expense Deduction	63-3022I
1.1.18	Medical Savings Account Deduction	63-3022K
1.1.19	New Employees Credit	63-3029F
1.1.20	Riparian Land Improvements Credit	63-3024B
1.1.21	Broadband Investment Credit	63-3029I
1.1.22	County Incentive Investment Tax Credit	63-3029J
1.1.23	Research Activity Credit	63-3029G
1.1.24	Promoter Sponsored Events Credit	63-3620C(3)(b)
1.1.25	Corporate Headquarters Investment Credit	63-2903
1.1.26	Corporate Headquarters Real Property Improvement Credit	63-2904
1.1.27	Corporate Headquarters New Jobs Credit	63-2905
1.1.28	Small Employer Capital Investment Credit	63-4403
1.1.29	Small Employer Real Property Improvement Credit	63-4404
1.1.30	Small Employer New Jobs Credit	63-4405
1.1.31	Live Organ Donation Expenses Credit	63-3029K
1.1.32	Biofuel Investment Tax Credit	63-3029M
1.2.01	Capital Gains Exclusion	63-3022H
1.2.02	Government Interest Exclusion	63-3022M
1.2.03	Social Security Exclusion	63-3022(l)
1.2.04	Railroad Retirement Exclusion	63-3022(l)
1.2.05	Retirement Benefit Exclusion	63-3022A
1.2.06	Idaho Lottery Winnings Exclusion	67-7439
1.2.07	Indian Earnings on Reservation Exclusion	Idaho Income Tax Regulation 30
1.2.08	World War II Reparations Exclusion	63-3022G
1.2.09	Marriage Penalty Deduction	63-3022N
2.1.01	Production Exemption - Equipment	63-3622D 63-3622JJ

	Title	Idaho Code
2.1.02	Production Exemption - Supplies	63-3622D 63-3622JJ
2.1.03	Irrigation Equipment and Supplies	63-3622W
2.1.04	Pollution Control Equipment	63-3622X
2.1.05	Broadcast Equipment and Supplies	63-3622S
2.1.06	Publishing Equipment and Supplies	63-3622T
2.1.07	Commercial Aircraft	63-3622GG
2.1.08	Railroad Rolling Stock and Remanufacturing	63-3622CC 63-3622DD
2.1.09	Interstate Trucks	63-3622R(c)
2.1.10	Out-of-State Contracts	63-3622B
2.1.11	Trade-in Value	63-3613(b)2
2.1.12	Sale or Lease of Businesses or Business Assets	63-3622K(b)(2-5)
2.1.13	Food Stamps/WIC	63-3622EE 63-3622FF
2.1.14	Motor Vehicles Used Outside of Idaho	63-3622R(a)
2.1.15	Common Carrier Purchases and Out-of-State Sales	63-3622Q 63-3622P
2.1.16	Donations of Real Property to Idaho Government	63-3621(m)
2.1.17	Incidental Sales of Tangible Personal Property	63-3609
2.1.18	Lodging, Eating, and Drinking Places	63-3612
2.1.19	School Lunches and Senior Citizen Meals	63-3622J
2.1.20	Drivers Education Automobiles	63-3622R(e)
2.1.21	Ski Lifts and Snowgrooming Equipment	63-3622Y
2.1.22	Clean Rooms	63-3622NN
2.1.23	Alternative Electricity-Producing Equipment	63-3622QQ
2.1.24	Research and Development Equipment	63-3622RR
2.1.25	Corporate Headquarters Construction	63-2908
2.1.26	Small Employer Headquarters Construction	63-4408
2.1.27	Glider Kit Vehicles	63-3622R(d)
2.1.28	Media Production Projects	63-3622TT
2.1.29	State Tax Anticipation Revenue	63-3641
2.2.01	Motor Fuels	63-3622C
2.2.02	Heating Materials	63-3622G
2.2.03	Utility Sales	63-3622F
2.2.04	Used Mobile Homes	63-3622R(b)
2.2.05	Vending Machines and Amusement Devices	63-3622II
2.2.06	Prescriptions and Durable Medical Equipment	63-3622N
2.2.07	Funeral Caskets	63-3622U
2.2.08	Containers	63-3622E
2.2.09	Nonprofit Literature	63-3622I
2.2.10	Official Documents	63-3622AA
2.2.11	Precious Metal Bullion	63-3622V
2.2.12	Idaho Commemorative Silver Medallions	63-3622PP
2.2.13	New Manufactured Homes or Modular Buildings	63-3613(c)
2.2.14	Telecommunications Equipment	63-3613(b)10 63-3621(a)
2.2.15	Personal Property Tax on Rentals	63-3622UU

	Title	Idaho Code
2.3.01	Construction	63-3609
2.3.02	Agricultural and Industrial Services	
2.3.03	Transportation Services	63-3613(b)7
2.3.04	Information Services	
2.3.05	Repairs	63-3613(b)4
2.3.06	Professional Services	
2.3.07	Business Services	
2.3.08	Personal Services	
2.3.09	Health and Medical Services	
2.3.10	Social Services	
2.3.11	Educational Services	
2.3.12	Lottery Tickets and Pari-Mutuel Betting	67-7439
2.3.13	Media Measurement Services	63-3622LL
2.3.14	Miscellaneous Services	
2.3.15	Nonprofit Shooting Range Fees	63-3622SS
2.4.01	Educational Institution Purchases	63-3622O(1)(a), 33-5204
2.4.02	Hospital Purchases	63-3622O(1)(a)
2.4.03	Health Entity Purchases	63-3622O(1)(a)
2.4.04	Canal Company Purchases	63-3622O(1)(a)
2.4.05	Forest Protective Association Purchases	63-3622O(1)(a)
2.4.06	Food Bank Purchases	63-3622O(1)(b,c)
2.4.07	Nonsale Clothier Purchases	63-3622O(1)(d)
2.4.08	Centers for Independent Living	63-3622O(1)(e)
2.4.09	State of Idaho and Local Government Purchases	63-3622O(1)(f)
2.4.10	Ronald McDonald House Rooms	63-3622O(5)
2.4.11	INL Research and Development Purchases	63-3622BB
2.4.12	Motor Vehicle Purchases by Family Members	63-3622K(c)
2.4.13	Sales by 4-H and FFA Clubs at Fairs	63-3622K(b)7
2.4.14	Sales by Non-Retailers (Yard and Occasional Sales)	63-3622K(b)(1,6,8)
2.4.15	Sales by Indian Tribes on Reservations	63-3622Z
2.4.16	Sales of Meals by Churches to Members	63-3622J
2.4.17	Sales by Outfitters and Guides	63-3613(b)9
2.4.18	Sales Through Vending Machines	63-3613(e)
2.4.19	Auto Manufacturer Rebates	63-3613(b)8
2.4.20	Incidental Sales by Churches	63-3622KK
2.4.21	Federal Excise Tax Imposed at Retail Level	63-3613(b)5
2.4.22	Federal Constitutional Prohibitions	63-3622A
2.4.23	Other Federal and State Statutory Prohibitions	Various
2.4.24	Volunteer Fire Departments and Emergency Medical Service Agencies	63-3622O(1)(g)
2.4.25	Senior Citizens Centers	63-3622O(1)(h)
2.4.26	Blind Services Foundation, Inc.	63-3622O(1)(i)
2.4.27	Advocates for Survivors of Domestic Violence and Sexual Assault	63-3622O(1)(j)
2.4.28	Free Dental Clinics	63-3622O(1)(k)
2.4.29	Museums	63-3622O(1)(l)

CROSS REFERENCE TABLE

In Idaho Code Order

Idaho Code		Title
Idaho Income Tax Regulation 30	1.2.07	Indian Earnings on Reservation Exclusion
33-5204	2.4.01	Educational Institution Purchases
63-2903	1.1.25	Corporate Headquarters Investment Credit
63-2904	1.1.26	Corporate Headquarters Real Property Improvement Credit
63-2905	1.1.27	Corporate Headquarters New Jobs Credit
63-2908	2.1.25	Corporate Headquarters Construction
63-3022(l)	1.2.03	Social Security Exclusion
	1.2.04	Railroad Retirement Exclusion
63-3022(m)	1.1.12	Workers' Compensation Premium Deduction
63-3022(n)	1.1.14	College Savings Deduction
63-3022A	1.2.05	Retirement Benefit Exclusion
63-3022B	1.1.11	Insulation Deduction
63-3022C	1.1.10	Alternative Energy Device Deduction
63-3022D	1.1.13	Child Care Deduction
63-3022E	1.1.16	Elderly and Developmental Disability Deduction
63-3022G	1.2.08	World War II Reparations Exclusion
63-3022H	1.2.01	Capital Gains Exclusion
63-3022I	1.1.17	Adoption Expense Deduction
63-3022J	1.1.08	Technological Equipment Deduction
63-3022K	1.1.18	Medical Savings Account Deduction
63-3022M	1.2.02	Government Interest Exclusion
63-3022N	1.2.09	Marriage Penalty Deduction
63-3022P	1.1.15	Health Insurance Deduction
63-3022Q	1.1.09	Long-Term Care Insurance Deduction
63-3024A	1.1.06	Grocery Credit
63-3024B	1.1.20	Riparian Land Improvements Credit
63-3025D	1.1.03	Elderly Dependent Credit
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

Idaho Code		Title
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)(1,6,8)	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

Idaho Code		Title
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
63-3622UU	2.2.15	Personal Property Tax on Rentals
63-3622V	2.2.11	Precious Metal Bullion
63-3622W	2.1.03	Irrigation Equipment and Supplies
63-3622X	2.1.04	Pollution Control Equipment
63-3622Y	2.1.21	Ski Lifts and Snowgrooming Equipment
63-3622Z	2.4.15	Sales by Indian Tribes on Reservations
63-3641	2.1.29	State Tax Anticipation Revenue
63-4403	1.1.28	Small Employer Capital Investment Credit
63-4404	1.1.29	Small Employer Real Property Improvement Credit
63-4405	1.1.30	Small Employer New Jobs Credit
63-4408	2.1.26	Small Employer Headquarters Construction
67-7439	1.2.06	Idaho Lottery Winnings Exclusion
	2.3.12	Lottery Tickets and Pari-Mutuel Betting