

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

General Fund Revenue Book

**FY 2011 Executive Budget
January 2010**

- Economic Forecast
- Revenue Projections
- Tax Structure

Prepared by the Division of Financial Management

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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

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INTRODUCTION

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

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

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

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

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

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Idaho Economic Forecast

The following tables and text are taken from the

January 2010 *Idaho Economic Forecast*,

a publication produced by the

Division of Financial Management.

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EXECUTIVE SUMMARY

Idaho's economy is forecast to improve this year as the national economy recovers. Indeed, some promising signs have already emerged. Recent Idaho Department of Labor data show nonfarm employment may have leveled off after declining most of last year. The local economy's improvement is confirmed by another indicator. The Federal Reserve Bank of Philadelphia's Coincident Economic Activity Index shows Idaho's economy has remained stable for several months beginning last fall. This year should be a transition year for the state's economy. Idaho nonfarm employment is expected to drop 1.1% from last year. While any decline is disappointing, it must be pointed out that this is a huge improvement from the previous year's 6.1% decrease. Idaho nominal personal income is forecast to rise 3.1% and real personal income increases 1.5%. Last year, both of these income measures declined by nearly 3%. Idaho housing starts are projected to grow 31.7%, but this is from last year's very low level. Idaho's economy should shift into a higher gear after this year, but it will still be a rather low gear. Instead of a quick reversal, the Gem State expected to climb gradually out of its most severe economic calamity in decades. Nonfarm employment is forecast to rise 1.8% in 2011, 3.2% in 2012, and 3.0% in 2013. At this pace, Idaho nonfarm employment will climb to just 650,000 jobs in 2013. While it is much higher than its projected trough of 602,000 jobs in 2010, it is still lower than its recent peak of 656,000 jobs in 2007. Idaho nominal personal income growth accelerates each year, going from 4.2% in 2011, to 5.7% in 2012, to 6.0% in 2013. Likewise, Idaho real personal income growth also picks up speed over time. However, neither nominal nor real personal incomes grow fast enough to match the pace they experienced earlier this decade. Idaho housing starts are expected to grow at double-digit rates over the forecast period and reach 16,400 units in 2013. While they are below their 2005 peak, they are a vast improvement from the 2009 trough.

It appears that after about a year and a half on the ropes, the national economy is on the rebound. The most convincing argument for the start of the recovery came in the form of the 2.8% annual growth in GDP during last year's third quarter, which ended a four-quarter slide in output. Even better news is it is estimated real GDP grew 2.7% in last year's fourth quarter, which suggests the recovery has legs. However, it must be noted that some of the strength in last year's second half was the result of special factors that will not be available in the future. Real GDP benefitted from the federal government's Car Allowance Rebate System. In addition, sales of both new and existing homes jumped in the third quarter thanks in part to the federal first-time homeowner's tax credit. The real test for the economy should come this year when it is expected to stand on its own two feet. Three areas bear watching to see whether it will pass muster. Retrenching consumers have curtailed spending over the last few quarters, creating a huge drag on the economy. Its outlook is shaped by high consumer debt burdens, depleted wealth, tight credit, and incomes being squeezed by a weak job market. Given these conditions, spending is more likely to grow in line with income than it has in the recent past. The anticipated gradual improvement in the job market should help consumers beginning this year. A tough question is how far companies can push existing workers before they must hire additional ones. With productivity soaring, firms will likely hire workers sooner than they did after the last recession. The nation's job engine is expected to restart this spring. The nation's housing sector has been a severe drag on the economy since 2006, and the economy cannot prosper until this burden is lifted. The median price for existing homes has retreated 21% and the new home price has dropped 9%. These falling prices will improve the affordability of homes, which in turn stimulates sales that help work off the huge inventory overhang. Once the demand and supply of homes is in better balance, companies (and construction workers) will resume building. The improvements to these factors helps paint a picture of cautious optimism. The economy is expected to advance gradually over the next few years. Admittedly, risks to the economy exist, but it appears the worst is behind us.

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2010

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
U.S. GDP (BILLIONS)												
Current \$	10,642	11,142	11,868	12,638	13,399	14,078	14,441	14,239	14,723	15,384	16,193	16,970
% Ch	3.5%	4.7%	6.5%	6.5%	6.0%	5.1%	2.6%	-1.4%	3.4%	4.5%	5.3%	4.8%
2000 Chain-Weighted	11,553	11,841	12,264	12,638	12,976	13,254	13,312	12,973	13,264	13,647	14,162	14,599
% Ch	1.8%	2.5%	3.6%	3.1%	2.7%	2.1%	0.4%	-2.5%	2.2%	2.9%	3.8%	3.1%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	34,916	36,082	39,559	42,215	46,273	49,231	50,399	49,100	50,621	52,744	55,761	59,106
% Ch	3.0%	3.3%	9.6%	6.7%	9.6%	6.4%	2.4%	-2.6%	3.1%	4.2%	5.7%	6.0%
Idaho Nonfarm (Millions)	33,848	35,259	38,226	41,040	45,183	47,696	48,735	48,076	49,509	51,551	54,504	57,784
% Ch	3.2%	4.2%	8.4%	7.4%	10.1%	5.6%	2.2%	-1.4%	3.0%	4.1%	5.7%	6.0%
U.S. (Billions)	9,060	9,378	9,937	10,486	11,268	11,894	12,239	12,066	12,464	12,984	13,648	14,384
% Ch	2.0%	3.5%	6.0%	5.5%	7.5%	5.6%	2.9%	-1.4%	3.3%	4.2%	5.1%	5.4%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	37,649	38,131	40,737	42,210	45,033	46,661	46,226	44,934	45,624	46,742	48,655	50,740
% Ch	1.7%	1.3%	6.8%	3.6%	6.7%	3.6%	-0.9%	-2.8%	1.5%	2.4%	4.1%	4.3%
Idaho Nonfarm (Millions)	36,499	37,261	39,363	41,035	43,973	45,207	44,700	43,997	44,623	45,685	47,558	49,605
% Ch	1.8%	2.1%	5.6%	4.2%	7.2%	2.8%	-1.1%	-1.6%	1.4%	2.4%	4.1%	4.3%
U.S. (Billions)	9,770	9,911	10,233	10,485	10,966	11,273	11,225	11,042	11,234	11,506	11,908	12,348
% Ch	0.6%	1.4%	3.3%	2.5%	4.6%	2.8%	-0.4%	-1.6%	1.7%	2.4%	3.5%	3.7%
HOUSING STARTS												
Idaho	13,230	16,395	18,677	23,418	19,527	14,323	7,974	5,890	7,756	10,354	13,202	16,385
% Ch	8.4%	23.9%	13.9%	25.4%	-16.6%	-26.7%	-44.3%	-26.1%	31.7%	33.5%	27.5%	24.1%
U.S. (Millions)	1,710	1,854	1,950	2,073	1,812	1,342	0,900	0,558	0,812	1,239	1,590	1,711
% Ch	6.8%	8.4%	5.2%	6.3%	-12.6%	-25.9%	-32.9%	-38.0%	45.5%	52.6%	28.3%	7.6%
TOTAL NONFARM EMPLOYMENT												
Idaho	568,042	572,544	588,052	611,691	638,869	656,268	647,933	608,354	601,576	612,264	631,552	650,593
% Ch	0.0%	0.8%	2.7%	4.0%	4.4%	2.7%	-1.3%	-6.1%	-1.1%	1.8%	3.2%	3.0%
U.S. (Thousands)	130,340	129,996	131,419	133,699	136,098	137,604	137,046	131,927	130,754	133,120	136,775	139,976
% Ch	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.4%	-3.7%	-0.9%	1.8%	2.7%	2.3%
SELECTED INTEREST RATES												
Federal Funds	1.7%	1.1%	1.3%	3.2%	5.0%	5.0%	1.9%	0.2%	0.2%	1.7%	3.3%	3.6%
Bank Prime	4.7%	4.1%	4.3%	6.2%	8.0%	8.1%	5.1%	3.3%	3.3%	4.7%	6.3%	6.6%
Existing Home Mortgage	6.5%	5.7%	5.7%	5.9%	6.6%	6.5%	6.2%	5.1%	5.2%	5.6%	6.2%	6.5%
INFLATION												
GDP Price Deflator	1.6%	2.2%	2.8%	3.3%	3.3%	2.9%	2.1%	1.2%	1.2%	1.6%	1.4%	1.7%
Personal Cons Deflator	1.4%	2.0%	2.6%	3.0%	2.7%	2.7%	3.3%	0.2%	1.5%	1.7%	1.6%	1.6%
Consumer Price Index	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.7%	2.0%	1.9%	1.9%

National Variables Forecast by IHS GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2009

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2010

	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	14,178	14,151	14,266	14,361	14,512	14,647	14,793	14,941	15,113	15,284	15,478	15,663
% Ch	-4.6%	-0.8%	3.3%	2.7%	4.3%	3.8%	4.1%	4.1%	4.7%	4.6%	5.2%	4.9%
2000 Chain-Weighted	12,925	12,902	12,990	13,076	13,146	13,224	13,302	13,385	13,475	13,583	13,705	13,824
% Ch	-6.4%	-0.7%	2.8%	2.7%	2.2%	2.4%	2.4%	2.5%	2.7%	3.2%	3.6%	3.5%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	48,750	48,944	49,157	49,548	49,740	50,460	50,898	51,387	51,787	52,379	53,025	53,786
% Ch	-10.6%	1.6%	1.8%	3.2%	1.6%	5.9%	3.5%	3.9%	3.2%	4.7%	5.0%	5.9%
Idaho Nonfarm (Millions)	47,785	47,946	48,125	48,446	48,721	49,365	49,774	50,177	50,613	51,190	51,838	52,566
% Ch	-6.7%	1.4%	1.5%	2.7%	2.3%	5.4%	3.4%	3.3%	3.5%	4.6%	5.2%	5.7%
U.S. (Billions)	11,953	12,049	12,089	12,174	12,259	12,398	12,539	12,661	12,781	12,905	13,050	13,199
% Ch	-8.9%	3.3%	1.3%	2.8%	2.8%	4.6%	4.6%	3.9%	3.8%	4.0%	4.6%	4.6%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	44,952	44,980	44,873	44,931	45,049	45,607	45,798	46,044	46,190	46,524	46,879	47,376
% Ch	-9.3%	0.2%	-0.9%	0.5%	1.0%	5.1%	1.7%	2.2%	1.3%	2.9%	3.1%	4.3%
Idaho Nonfarm (Millions)	44,062	44,062	43,931	43,932	44,126	44,617	44,787	44,960	45,142	45,467	45,829	46,301
% Ch	-5.3%	0.0%	-1.2%	0.0%	1.8%	4.5%	1.5%	1.6%	1.6%	2.9%	3.2%	4.2%
U.S. (Billions)	11,021	11,073	11,035	11,039	11,103	11,206	11,283	11,345	11,399	11,462	11,538	11,625
% Ch	-7.5%	1.9%	-1.4%	0.2%	2.3%	3.8%	2.8%	2.2%	1.9%	2.2%	2.6%	3.1%
HOUSING STARTS												
Idaho	5,191	5,020	6,629	6,720	7,043	7,449	8,038	8,494	9,129	9,931	10,831	11,526
% Ch	-30.7%	-12.5%	204.0%	5.6%	20.7%	25.1%	35.5%	24.7%	33.4%	40.1%	41.4%	28.3%
U.S. (Millions)	0.528	0.540	0.589	0.577	0.705	0.787	0.828	0.930	1.044	1.176	1.317	1.420
% Ch	-58.6%	9.7%	41.2%	-7.8%	123.1%	55.0%	22.5%	59.3%	59.0%	60.8%	57.6%	35.2%
TOTAL NONFARM EMPLOYMENT												
Idaho	621,231	608,650	603,153	600,383	599,054	602,107	601,802	603,339	606,384	610,059	613,957	618,657
% Ch	-10.3%	-7.9%	-3.6%	-1.8%	-0.9%	2.1%	-0.2%	1.0%	2.0%	2.4%	2.6%	3.1%
U.S. (Thousands)	133,662	132,125	131,235	130,686	130,384	130,648	130,805	131,177	131,857	132,678	133,540	134,404
% Ch	-5.9%	-4.5%	-2.7%	-1.7%	-0.9%	0.8%	0.5%	1.1%	2.1%	2.5%	2.6%	2.6%
SELECTED INTEREST RATES												
Federal Funds	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.5%	1.0%	1.4%	1.9%	2.5%
Bank Prime	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.5%	4.0%	4.4%	4.9%	5.5%
Existing Home Mortgage	5.2%	5.0%	5.3%	5.0%	5.0%	5.2%	5.2%	5.4%	5.5%	5.6%	5.6%	5.8%
INFLATION												
GDP Price Deflator	1.9%	0.0%	0.5%	0.1%	2.1%	1.3%	1.7%	1.5%	1.9%	1.3%	1.5%	1.3%
Personal Cons Deflator	-1.5%	1.4%	2.7%	2.7%	0.5%	0.8%	1.8%	1.7%	1.9%	1.7%	1.9%	1.5%
Consumer Price Index	-2.4%	1.3%	3.6%	3.3%	0.3%	0.7%	1.9%	1.8%	2.1%	2.1%	2.4%	1.9%

National Variables Forecast by IHS GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2009

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NATIONAL FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2009 through the Fourth Quarter of 2013

It appears that after about a year and a half on the ropes, the national economy is on the rebound. The most convincing argument for the start of the recovery came in the form of the 2.8% annual growth in GDP during last year's third quarter, which ended a four-quarter slide in output. (From the recession's start in 2008 to the second quarter of 2009, real output has declined 3.7%.) Even better news is it is estimated real GDP grew 2.7% in last year's fourth quarter, which suggests the recovery has legs. However, it must be noted that some of the strength in last year's second half was the result of special factors that will not be available in the future. Real GDP benefitted from the federal government's Car Allowance Rebate System. More commonly known as "cash for clunkers," this program issued nearly 680,000 vouchers worth about \$3 billion. They helped new motor vehicle sales jump at a 112% annual pace in last year's third quarter. In addition, sales of both new and existing homes jumped in the third quarter thanks in part to the federal first-time homeowner's tax credit. The real test for the economy should come this year when it is expected to stand on its own two feet. Three areas bear watching to see whether it will pass muster.

The economy cannot sustain growth without consumers. Consumer spending traditionally accounts for about two-thirds of GDP and has been a weak link. Retrenching consumers have curtailed spending over the last few quarters, creating a huge drag on the economy. The "cash for clunkers" program showed Americans can be induced with the right incentives to spend. However, absent these incentives, last summer's spending jump will not be repeated. Instead, it should expand gradually. This outlook is shaped by high consumer debt burdens, depleted wealth, tight credit, and incomes being squeezed by a weak job market. Given these conditions, spending is more likely to grow in line with income than it has in the recent past. Specifically, real consumer spending expands 1.8% in 2010, 2.4% in 2011, 2.7% in 2012, and 2.2% in 2013.

The anticipated gradual improvement in the job market should help consumers beginning this year. A tough question is how far companies can push existing workers before they must hire additional ones. A couple of items suggest they may be near that point. One is the much better-than-expected November employment report that showed nonfarm employment fell by just 11,000 jobs. The second factor is the soaring output per worker. Productivity cannot continue to grow by 8% as it did late last year. With productivity soaring, firms will likely hire workers sooner than they did after the last recession. The nation's job engine is expected to restart this spring. As a result, after peaking at 10.4% in 2010's first quarter, the unemployment rate falls gradually to 7.5% by the end of 2013.

The nation's housing sector has been a severe drag on the economy since 2006, and the economy cannot prosper until this burden is lifted. After peaking at over 2 million starts in 2005, housing starts dropped below 600,000 units last year. Since 2005, the sales of existing homes has fallen nearly 27%. New home sales dropped almost 70%. The median price for existing homes retreated 21% and new home prices dropped 9%. Ironically, these falling prices are one of the cornerstones of the recovery. They improve the affordability of homes, which in turn stimulates sales that help work off the huge inventory overhang. Once the demand and supply of homes is in better balance, companies (and construction workers) will resume building. After last year's trough, housing starts climb to about 1.7 million units in 2013.

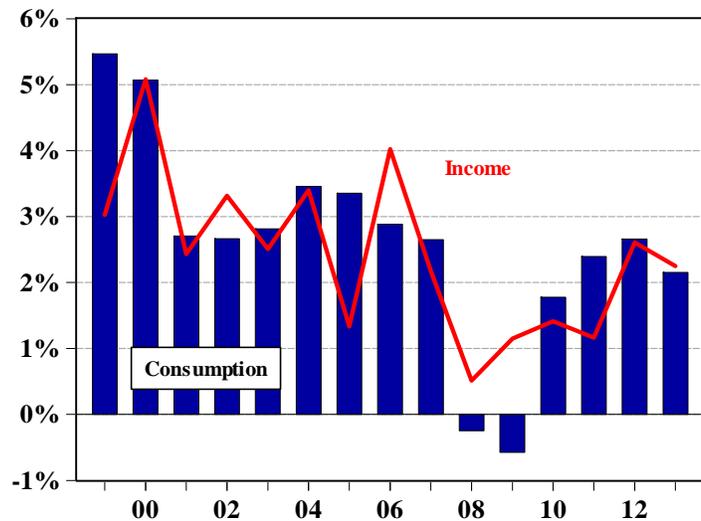
The improvements to these factors helps paint a picture of cautious optimism. The economy is expected to advance gradually over the next few years. Admittedly, risks to the economy exist, but it appears the worst is behind us.

SELECTED NATIONAL ECONOMIC INDICATORS

Consumer Spending: After declining for two consecutive years, real consumer spending is expected to begin expanding in 2010. This reversal is significant because consumer spending accounts for about two-thirds of the economy, so it would be impossible to sustain a recovery without it. This point is further illustrated by looking at its recent contributions to real GDP growth. After the 2000 recession, consumer spending was virtually the only source of economic growth. The U.S. economy started its current recession at the beginning of 2008. Not coincidentally, real spending shrank 0.2% that year. It is forecast to decline another 0.6% in 2009 and real GDP is expected to retreat 2.5%. To break it down further, real spending stripped 0.2% from GDP growth in 2008 and by an estimated 0.4% in 2009. Obviously, real GDP cannot advance while spending retreats.

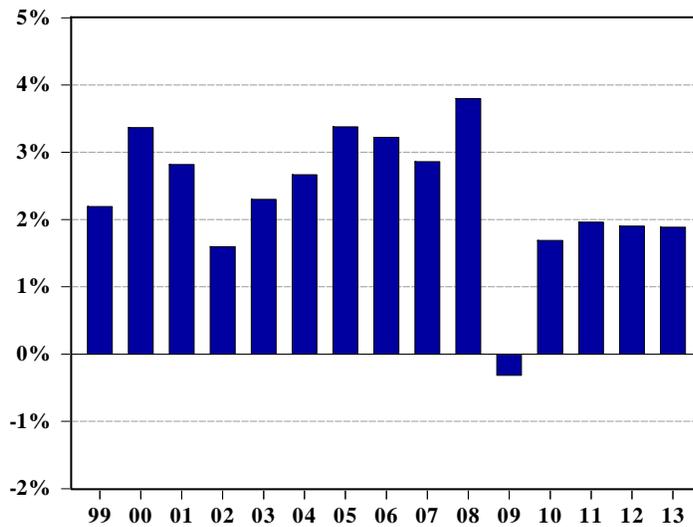
The good news is spending is forecast to resume growing this year. However, it is not expected to return to the heady pace experienced earlier this decade when spending growth often eclipsed income growth. This spending spree was made possible by easily available credit and strong net household wealth gains. From 2000 to its peak in 2007, monthly financial obligations as a percent of disposable personal income increased from 17.4% to 18.7%. Interestingly, over this period there were already signs of household financial stress. For example, the percent of credit card accounts that were at least 30 days delinquent increased from 3.2% in 2000 to a peak of 4.8% in 2005 before settling at 4.3% in 2008. Another source of funds was homes. The housing boom caused prices to increase about 7% annually from 2000 to 2007, which was better than the stock market whose wild swings netted investors a 0.5% average gain over this same period. As a result of the strong housing prices, U.S. household net worth climbed from 5.7 times disposable income in 2000 to 6.4 times disposable income in 2006. With their household portfolios doing so well, consumers felt less compelled to put aside money for the future. As a result, the personal savings rate was halved from 2.9% in 2000 to 1.4% in 2006. Eventually, however, these sources that augmented income began to dry up. Most notably, the housing bust sent prices south. They dropped 5.8% in 2008 and an estimated 4.5% in 2009. The 2008 housing price drop and nearly 35% decline in equities caused household net worth to fall 17.2% in 2008. It is estimated to have expanded almost 6% in 2009 thanks to a 30.6% recovery in equities. However, net worth in 2009 was 5.1 times disposable personal income, which is significantly below its 2006 peak. One result of the falling net worth is that consumers are saving more. The personal savings rate had already climbed to 2.6% in 2008 and is estimated to rise further to 4.5% in 2009. The current forecast assumes this newfound thriftiness will continue through the forecast period. Some of it is voluntary and some of it is not. For example, credit has become tighter. In addition, the lingering weak housing market should make consumers more cautious about spending. As a result, they are more likely to spend within their means. This translates into real consumer spending growth mirroring real disposable income growth in the future. Real disposable income is expected to rise 1.4% this year, 1.2% next year, 2.6% in 2012, and 2.2% in 2013. Real spending is forecast to advance 1.8% in 2010, 2.4% in 2011, 2.7% in 2012, and 2.2% in 2013.

U.S. Real Consumption and Disposable Income Growth



Source: IHS Global Insight

Consumer Price Inflation



Source: IHS Global Insight

Inflation: During the next few years, one item low on the list of economic concerns will be inflation. Inflation did spike at 3.8% in 2008, but this was largely due to the huge run up in energy prices that is not expected to recur during the forecast period. Given its role in shaping overall inflation, a review of energy prices is in order. According to the Energy Information Agency, world crude oil prices, which had been hovering between about \$20 and \$40 per barrel, began to take off in the middle of the decade. In early 2004 it topped \$30 per barrel and a year later it was over \$40 per barrel. But these gains would pale against what would follow. Fueled by strong demand, the price of oil soared over the next few years, causing the weekly price to climb above \$100 per barrel in March 2008. It

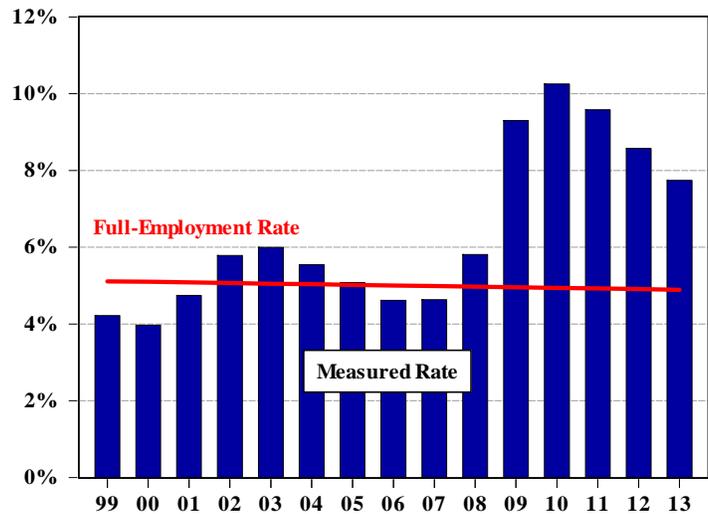
would peak at almost \$150 per barrel that July. This increase pushed the energy commodity component of the consumer price index to climb at a whopping 37.3% pace in the third quarter of that year. The overall consumer price index advanced at a 6.2% annual pace that same quarter, its biggest jump since the last quarter of 1990. Consumers were reminded of these increases every time they fueled their cars. The price of gasoline rose from under \$2.00 per gallon at the start of 2005 to over \$4 per gallon in the summer of 2008. However, energy prices have retreated significantly since then and are not expected to return to the heights of the summer of 2008. By the end of 2008, oil was down to \$36 per barrel. At the time of this writing, the world price of crude oil was just below \$80 per barrel and the domestic price for gasoline was about \$2.70 per gallon. Given the demand for petroleum is expected to grow slowly over the forecast period, energy prices should advance gradually. The per barrel price of West Texas Intermediate crude oil is projected to average \$61.98 in 2009, \$68.25 in 2010, \$77.17 in 2011, \$83.16 in 2012, and \$87.02 in 2013. As a result, the energy commodity component of the consumer price index is forecast to drop 27.4% in 2009, then it rises 10.2% in 2010, 8.1% in 2011, 5.4% in 2012, and 3.1% in 2013. But even with these increases, the overall consumer price index does grow faster than 2.0% over the forecast period. Removing the volatile food and energy components from the consumer price index results in a core inflation rate that is expected to average 1.7% over the forecast period. This measure is being held in check by anticipated slow employment cost gains resulting from the lackluster labor market. Specifically, the employment cost index increases 1.5% in 2009, 1.8% in 2010, 1.6% in 2011, 1.8% in 2012, and 2.5% in 2013.

Employment: The Obama Administration received an early Christmas gift this year in the form of one of the most favorable national employment reports (i.e., least negative) in the last two years. The day after the President convened his jobs summit, the U.S. Department of Labor released its November *Employment Situation* report which showed the employment situation was healthier than most economy watchers had expected. On December 4, 2009, the Labor Department reported the U.S. unemployment rate actually fell to 10% in November from the previous month's 10.2%, which marks just the fourth time it has declined since the recession started. The job's number was better than expected in November. The consensus was the number of nonfarm jobs would decline by 150,000 in that month. Instead, 11,000 jobs were lost. This drop was the smallest of the recession. (The largest drop of over 740,000 jobs

occurred at the beginning of 2009.) Other good news came in the form of revisions which showed the number of job losses in recent months were lower than had been previously reported. September's decline was reduced by 80,000 and October's drop shrank by 59,000. In addition to the brighter job picture, the average workweek increased 0.2 hours in November. While this news may raise hopes for an earlier start for the jobs recovery, it may be premature to declare the bottom of the jobs cycle. In fact, other data from the U.S. Department of Labor show the level of stress is still high in the job market. The Job Opening and Labor Turnover Survey and the recent monthly jobs reports can be combined to put the job market into perspective. These data show there were

15.7 million persons seeking work and 4.38 million job openings. As a result, there were 6.3 seekers per job opening, compared to 1.7 seekers per job opening when the economy last peaked in December 2007. The large number of seekers relative to jobs helps make the case that the job recovery will be gradual. In fact, nonfarm employment is not expected to attain its previous peak until the last quarter of 2012. The civilian unemployment rate is expected to rise again and peak at 10.4% early this year. It is expected to recede to 7.7% in 2013, which is still well above the full employment threshold.

U.S. Civilian Unemployment Rate

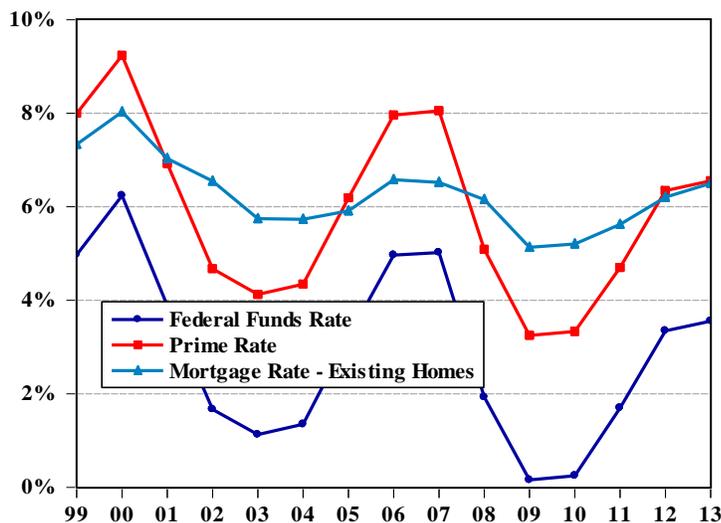


Source: IHS Global Insight

Financial Markets: Perhaps the biggest challenge Chairman Bernanke currently faces may not be the economy but, instead, Congress. On December 3, 2009 the Chairman testified before the Senate Banking Committee in his re-nomination hearing. Despite a grilling by the committee members, it is

likely he will be re-nominated. While the chairman's job seems safe, the Federal Reserve faces major threats from proposed legislation that would have a major impact on its mandate and scope. There is a proposed bill in the House that subjects the Federal Reserve's monetary policy decisions to some kind of audit review. Another proposal in the Senate removes banking and financial regulation and supervision from the central bank's mandate. Bernanke has defended the Federal Reserve's current role in an article in the *Washington Post*, but it remains to be seen whether it sways the thinking of other policy makers. Bernanke remains committed to price stability and that the Federal Reserve will not monetize the federal debt. (Monetizing the debt occurs when the

Selected U.S. Interest Rates

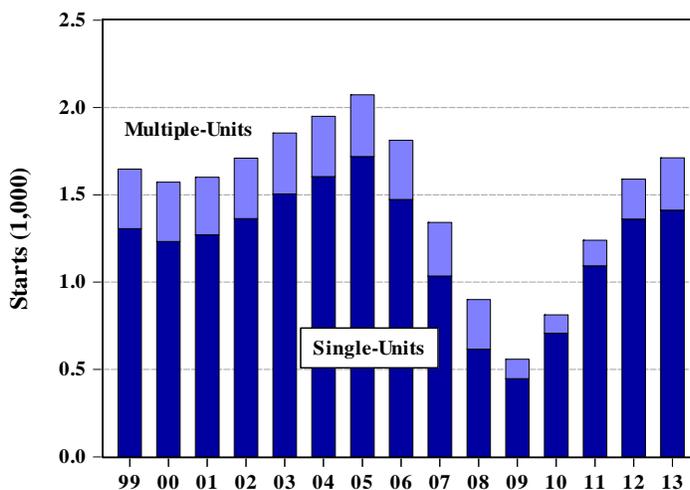


Source: IHS Global Insight

central bank purchases debt instruments of the federal government. In essence, the Federal Reserve creates money to finance the national debt.) Bernanke pointed out the rapid rise of entitlement spending as a risk to the fiscal outlook, and that healthcare reform must include a major focus on controlling costs. These are longer term policy issues. In the short-run, the central bank is expected to keep its bellwether federal funds rate near 0% through the first half of this year, then begin to increase it gradually as the economy improves. It can afford to keep interest rates low because inflation is not a threat. Specifically, the inflation measure preferred by the Federal Reserve, the core personal consumption deflator, is expected to remain well below the two-percent ceiling favored by the central bank. The federal funds rate is projected to average 0.24% this year, 1.7% next year, 3.3% in 2012, and 3.6% in 2013.

Housing: The housing sector continues to improve, which bodes well for the overall economy because a strong housing sector is an essential cog in the recovery. Since 2006, housing has been a drag on the overall economy, and the economy simply cannot soar until the burden of a weak housing sector is removed. The key to the housing recovery is to work off inventories of unsold houses to bring demand and supply more in line, so that new residential investment can take place. Several years of robust growth left the housing sector with too many homes when demand collapsed. Housing starts were near 2 million units from 2003 through 2006. By 2009, starts fell to under 600,000 units. But housing starts were not the only indicator to sink. The average price of existing single-family houses tumbled from \$270,000 in 2006 to an estimated \$217,000 in 2009, as prices bore the brunt of the supply/demand imbalance. These were the only three years on records (that go back to 1968) that housing prices have declined. By last year, the housing sector was near bottom and ripe for recovery. Ironically, tumbling prices were an essential ingredient. Lower housing prices made housing more affordable, which stimulated demand. Demand also was pushed by the federal first-time homeowner’s tax credit that expired in November 2009. After falling to a low of 4.9 million units in the second quarter of 2008, sales of existing homes gradually expanded. They took a noticeable jump in the third quarter of 2009 coincident with the termination of the original federal credit. This helped to push the number of unsold new homes to 239,000 units—the 30th straight monthly decline and the lowest level since 1971. This first-time homebuyer tax credit has been extended to include sales with a binding contract occurring between January 1, 2010 and April 30, 2010. A tax credit of up to \$6,500 is available to non-first time buyers meeting certain requirements. These credits should temporarily boost sales in the first part of this year, but the annual sales should be the same as in 2009. Single-family housing starts and new home sales gradually improve despite the expiration of these two credits. They are propelled by the need to replenish inventory, a gradual pick up in household formation, and job growth. Household formation is an interesting factor. U.S. Census Bureau data show household formations has slowed recently due to lower immigration and the weak economy, which has forced some Americans to move back in with family. The latter is likely to reverse once job growth takes off. The forecast calls for housing starts to grow to 812,000 starts this year, 1.2 million starts next year, 1.6 million starts in 2012, and 1.7 million units in 2013. Over this same period, sales of existing homes climb from 5.2 million units to 6.4 million

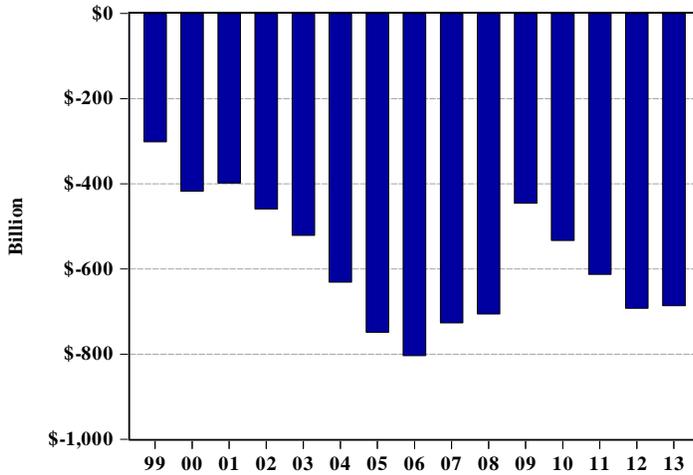
U.S. Housing Starts



Source: IHS Global Insight

units. The average sales price for an existing home goes from \$216,000 to \$238,000. After being a drag on real GDP growth for four consecutive years, real residential fixed investment becomes a contributor to growth beginning in 2010.

U.S. Current Trade Deficit



Source: IHS Global Insight

International: After bottoming out in the second quarter of last year, the trade deficit is expected to climb steadily through 2011. In fact, by late 2011, the real trade gap will be as large as it was when the recession began in early 2008. The real trade deficit is anticipated to stabilize in early 2012 as import growth slows down. A major factor shaping the trade situation is inventories. Net exports (exports less imports) and inventory changes have been almost mirror images of each other over the last few years, and they should remain so for the next few years. For example, when businesses cut inventories imports plunge, and this causes net exports to rise. Conversely, imports rise with growing inventories, so net

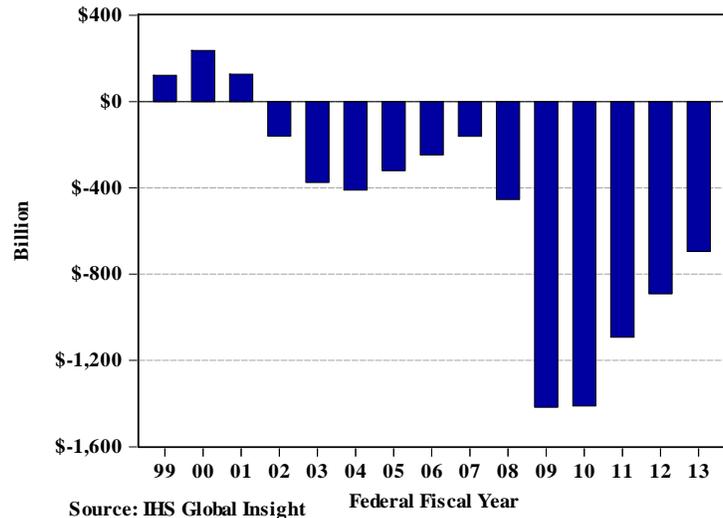
exports fall. After about a year of sideways movement, the rebound of foreign demand for U.S. products will begin to whittle down the real trade deficit with help from both a weak dollar and restrained domestic demand. After enjoying a slight recovery last year, the greenback is expected to slide gradually through 2013. Strong exports also reflect the stronger demand from recovering foreign economies. After a dismal 2009, most major economies are anticipated to pick up steam in 2010. And most of them are expected to grow even faster after this year. The major exception is China. It grew 8.5% in 2009. It is projected to advance nearly 10% this year, but average 8.6% growth from 2011 to 2014. The nominal net exports deficit improved drastically in 2009, dropping by over \$300 billion from the previous year. This decline was due in large part to the reduced bill for petroleum imports. It is estimated this component of imports dropped from \$453 billion in 2008 to \$264 billion in 2009. It also benefitted by the drop in non-automotive capital goods. After 2009, the nominal net exports deficit is forecast to rise again, but not approach its 2008 deficit. Because recent nominal deficits were heavily influenced by volatile prices, it is useful to look at the inflation-adjusted net exports deficit. As expected, it shows a smaller swing from 2008 to 2009—\$494 billion to \$365 billion. After 2009, it expands to a peak of \$461 billion in 2012, but drops to \$410 billion in 2013, making it a drag on real GDP growth during most of the forecast period.

Government: The full fiscal stimulus package is valued at around \$787 billion over ten years. It is assumed that \$561 billion of the total will be injected during the first two calendar years. It is assumed in this forecast that the government will not allow emergency unemployment benefits to expire at the end of 2009. It also includes the impacts of the expanded homeowners’ tax credit that was passed in November 2009 as part of the “Worker, Homeownership, and Business Assistance Act of 2009.” Another part of that bill that has been incorporated in the forecast is the corporate tax provisions that temporarily increase the carry-back period for net operating losses, but postpone a planned corporate tax break. The corporate tax measures raise about \$10 billion over the 2010-19 period, but they initially reduce revenues by \$33 billion in fiscal year 2010. Another important assumption is the top marginal tax rates of income tax, including the top marginal rate on capital gains and dividends, increase in 2011. The

rest of the Bush tax cuts are left in place. Beyond 2011, it is assumed a further increase in the income tax burden that is not confined to the top brackets. The U.S. Treasury has \$700 billion in budget authority under the Troubled Asset Relief Program. This forecast assumes the Treasury spends only \$615 billion, or a net of \$520 billion after repayments of \$95 billion by some banks. This amount is assumed to be distributed as follows: \$73 billion to the auto sector, \$467 billion to the financial sector, and \$75 billion for the housing plan. One of the most publicized programs was the Car Allowance Rebate System (CARS) that was more commonly known as the “cash for clunkers” program. According to the federal government, as of the beginning

of November 2009, 678,024 CARS vouchers (with a price tag of \$2.9 billion) were either paid or approved for payment. This program contributed to the estimated 112% annualized increase in real spending on new motor vehicles during last year’s third quarter. The stimulus package, financial bailout costs, and recession will lift the federal budget deficit to \$1.4 trillion in both 2009 and 2010. (It was less than one-half trillion dollars in 2008.) The deficit is not expected to drop below one trillion dollars until after 2012. However, the lasting effects of these deficits can be seen in the national debt. For the first half of this decade the amount of publicly held debt as a percentage of GDP hovered near 35%. It was 44% of GDP in 2008, but it is expected to climb to 70% by 2013.

U.S. Federal Government Surplus Unified Basis



IDAHO FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2009 through the Fourth Quarter of 2013

As was predicted a year ago, 2009 was one of the worst years for Idaho's economy. Unfortunately, it was worse than expected. We predicted last January that Idaho nonfarm employment would decline 2.1% in 2009. It was much worse; it is estimated to have dropped 6.1% last year. The declines were spread among several sectors. Manufacturing employment fell 13.2%, compared to the forecast of 8.1%. Construction employment retreated by 25%, which is about twice as much as was predicted last year. Mining employment also declined about 25%, which was slightly higher than the 20% that was forecast. Services employment was down about 4%, which was much more than the 0.3% predicted. Due in large part to the weaker-than-expected employment, instead of growing by a predicted 2.7% last year, Idaho real personal income actually decreased by that amount. Instead of falling 10%, Idaho housing starts dropped 26%.

Idaho's economy is forecast to improve this year as the national economy recovers. Indeed, some promising signs have already emerged. Recent Idaho Department of Labor data show nonfarm employment may have leveled off after declining most of last year. The updated employment data also show the October 2009 *Idaho Economic Forecast* may have been too pessimistic because there were about 500 more jobs in the third quarter than had been projected. Idaho housing starts were also higher in the third quarter than had been predicted. The local economy's improvement is confirmed by another indicator. The Federal Reserve Bank of Philadelphia's Coincident Economic Activity Index is a composite measure representing Idaho's economic performance. It shows Idaho's economy had been in freefall since the summer of 2007. But the monthly declines ended abruptly last fall, and the index has remained stable for several months.

This year should be a transition year for the state's economy. Idaho nonfarm employment is expected to drop 1.1% from last year. While any decline is disappointing, it must be pointed out that this is a huge improvement from the previous year's 6.1% decrease. It should also be noted that it will experience some growth spurts during the year. Specifically, on an annualized basis, it shrinks 0.9% in the first quarter of 2010, expands 2.1% in the second quarter, falls 0.2% in the third quarter, and rises 1.0% in the fourth quarter. The prospects for Idaho personal income are also brighter this year. Idaho nominal personal income is forecast to rise 3.1% and real personal income increases 1.5%. Last year, both of these income measures declined by nearly 3%. Idaho housing starts are projected to grow 31.7%, but this is from last year's very low level. To provide some perspective, this translates to about 7,800 units in 2010, which is slightly lower than in 2008 and is just a third of their peak in 2005.

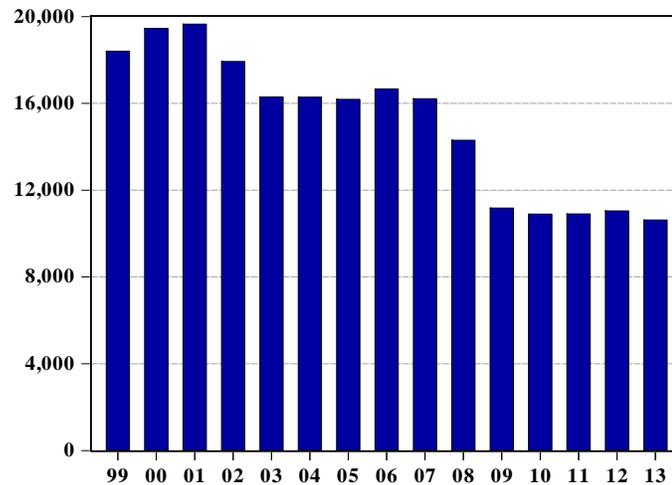
Idaho's economy should shift into a higher gear after this year, but it will still be a rather low gear. Instead of a quick reversal, the Gem State expected to climb gradually out of its most severe economic calamity in decades. Nonfarm employment is forecast to rise 1.8% in 2011, 3.2% in 2012, and 3.0% in 2013. At this pace, Idaho nonfarm employment will climb to just 650,000 jobs in 2013. While it is much higher than its projected trough of 602,000 jobs in 2010, it is still lower than its recent peak of 656,000 jobs in 2007. Idaho nominal personal income growth accelerates each year, going from 4.2% in 2011, to 5.7% in 2012, to 6.0% in 2013. Likewise, Idaho real personal income growth also picks up speed over time. However, neither nominal nor real personal incomes grow fast enough to match the pace they experienced earlier this decade. Idaho housing starts are expected to grow at double-digit rates over the forecast period and reach 16,400 units in 2013. While they are below their 2005 peak, they are a vast improvement from the 2009 trough.

SELECTED IDAHO ECONOMIC INDICATORS

Computer and Electronics: After suffering significant setbacks in the first decade of the new millennium, Idaho's computer and electronics manufacturing sector should enter a period of relative stability in the initial years of the second decade. However, it is important to note that while it appears the period of huge employment losses is over, a return to late 1990's payroll levels are not likely. During the 1990s this sector's employment grew so consistently that it seemed it was immune to business cycle downturns. Indeed, it helped insulate the Gem State economy from the 1990-91 recession. Thanks to those steady gains, the computer and electronics sector achieved a couple of impressive

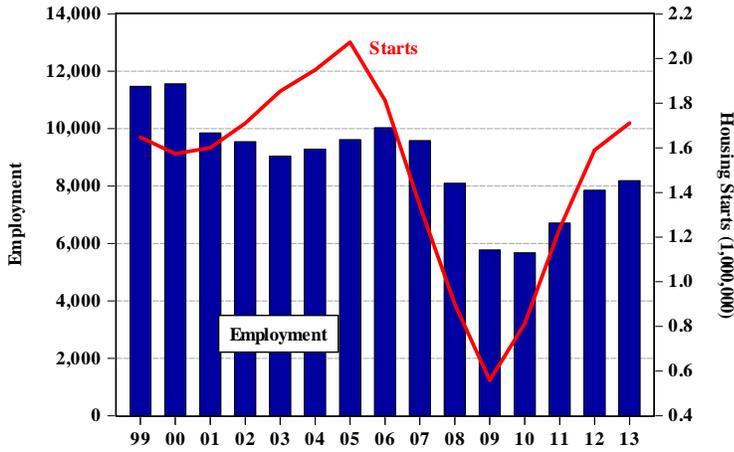
milestones. It became the state's largest manufacturing employer in 1997 and its payroll exceeded 19,000 jobs in 1998. Its employment slipped by about 600 jobs in 1999, but then rallied to a peak of 19,565 jobs in 2001. Since then, the protracted slowdown in the global high-tech sector has made local job gains rare, with employment decreasing in every year except 2006. The largest declines occurred in 2008 and 2009. These declines primarily resulted from a series of layoffs at Micron Technology, as the company took actions in response to weak prices caused by a worldwide, chronic surplus of computer memory products. Micron Technology reduced its Idaho work force by 1,100 jobs in 2007. In addition, it announced in October 2008 it would further reduce its Boise work force by 1,500 jobs. This was not the last layoff for the company, however. Micron Technology announced on February 23, 2009 that it planned to further reduce its payroll by as many as 2,000 jobs by August of that year. The cumulative impact of these reductions is the company's Idaho employment will settle at about 5,000 jobs. More recently, the company has shared some good news. On December 22, 2009 it reported a quarterly profit for the first time in about three years. Micron Technology noted that its positive bottom line resulted from improved prices for its products. These stronger prices are a welcome change from the soft prices which have plagued this industry for years. The current forecast for Idaho computer and electronics employment is slightly more optimistic than the previous one. In October 2009 it was predicted this sector's employment would decline about 11% in 2010, 5% in 2011, and then grow 3.5% in 2012. In the current forecast employment drops 2.5% in 2010, is stable in 2011, and rises 1.3% in 2012. As a result, there are 11,045 jobs in 2012, which is about 400 higher than in the previous forecast. In 2013, employment shrinks about 4% to 10,600 jobs.

Idaho Computer and Electronic Products Employment



Logging and Wood Products: The nation's recent housing boom helped interrupt the long decline in Idaho logging and wood products employment. Thanks to strong demand, Idaho logging and wood products employment expanded by about 1,000 jobs from 2003 to 2006—the first time it had grown three years in a row since the mid-1990s. However, the housing bust is having the opposite effect. A defining feature of the housing implosion is how quickly it has taken place. Four years ago, national housing starts exceeded 2-million units. By 2008, there were half as many housing starts (900,000) as there were in 2006—the first time its fallen below a million annual units since records began a half century ago. It is estimated they dropped further in 2009 to about 558,000 units. Idaho logging and wood

Idaho Wood Product Employment and U.S. Housing Starts

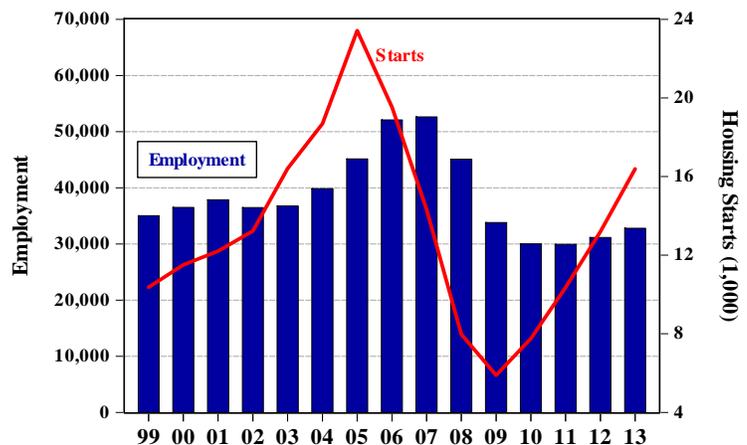


products employment dropped from 10,000 jobs in 2006 to an estimated 5,800 jobs in 2009. As demand recedes, the supply factors that have contributed to the protracted employment decline are expected to resurface as the primary drivers of this sector’s outlook. The major supply factor is the dwindling supply of logs from national forests. According to the U.S. Forest Service, the timber harvest from Idaho national forests dropped from 239.8 million board feet in 1998 to 121.1 million board feet in 2007. This drop represents a halving of the national forest’s share of the Idaho timber harvest from 20% in 1998 to 11% in 2007. Over this same

period, the total harvest from all Idaho sources shrank 16%. This situation is not unique to Idaho; it is prevalent throughout the Northwest. For example, the combined harvest from Washington and Oregon national forests has dropped nearly 44% over the same period and their total harvest has fallen by nearly 18%. These supply factors have exacted a heavy toll from one of the region’s iconic industries. The combined employment for Oregon and Washington dropped 30% from 1998 to 2007. In Idaho the drop was 16%, or about 2,300 jobs. 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. Local employment will eventually benefit from the anticipated national housing starts recovery, but the turnaround is not expected to recover all of the jobs lost since 2006. In 2013, there should be about 8,200 logging and wood products jobs in the Gem State, which is about 1,800 lower than its most recent peak.

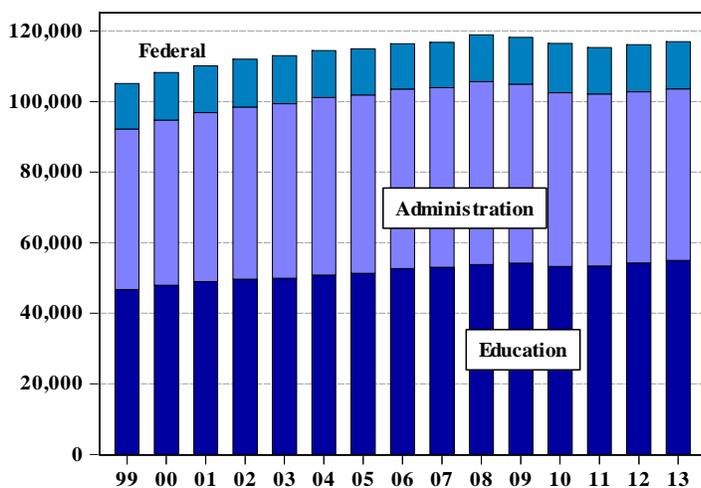
Construction: The forecast for Idaho’s construction sector is slightly brighter than had been previously projected. It is still believed it is in the midst of a shakeout that will continue through most of the forecast period. However, it will not be as severe as had been previously forecast. In the October 2009 *Idaho Economic Forecast* it was reported construction employment would slide from 45,100 jobs in 2008 to 30,700 jobs in 2012. In the current forecast, employment declines less steeply, from 45,100 jobs to 31,100 over the same period. While this is a modest change, it is a welcome break from the series of downward revisions. The stronger outlook reflects recent data that show construction employment was stronger than had been forecast. Another positive factor is housing starts were

Idaho Construction Employment and Housing Starts



about 1,600 units higher in the third quarter than was reported in October. While this is not expected to fuel a job recovery on par with that which occurred earlier this decade, it is a step in the right direction. Fueled by the Idaho housing boom, construction employment advanced an amazing 5% annually from 1997 to 2007—about twice as fast as overall employment. Thanks to its above-average growth, construction’s share of total employment climbed from 6.4% in 1997 to 8% in 2007. This growth spurt was made possible by the strong housing market that expanded from just 8,900 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 advancing because of the state’s still strong nonresidential construction sector. Eventually, this sector also softened, and construction employment started to shrink in the second quarter of 2006. Idaho housing starts are believed to have hit a bottom of 5,900 units in 2009. Idaho construction employment does not begin growing again until 2012. Specifically, it is forecast to drop by 25.0% in 2009, 11.3% in 2010, and 0.3% in 2011, and then rise by 4.1% in 2012 and 5.2% in 2013. In that year, the construction sector accounts for 5% of all nonfarm jobs.

Idaho Government Employment



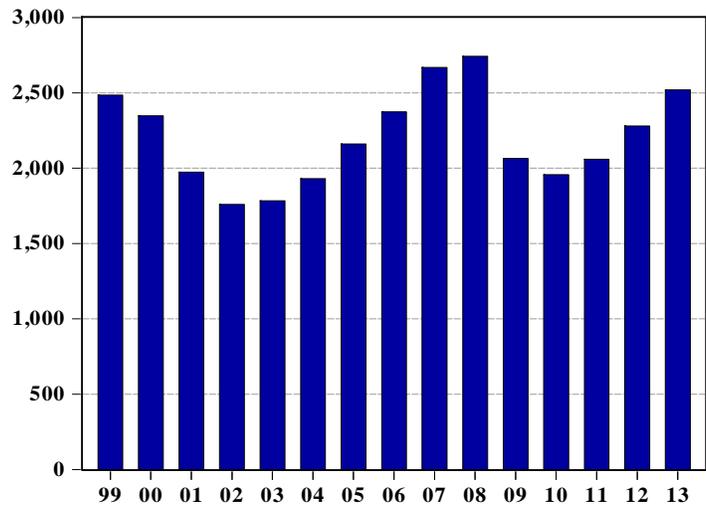
Government: Idaho’s population growth slowed last year. According to the U.S. Census Bureau, there were 1,545,801 residents on July 1, 2009, which was a 1.2% increase from the previous year. This pace was much slower than the 1.9% increase from 2007 to 2008, and it was also the lowest year-to-year change of the decade. The biggest difference between the two years was the falloff of net migration into the state. From 2007 to 2008, 14,700 more persons entered the state than left it. In comparison, net migration was just 3,700 persons from 2008 to 2009. Population is an important determinant of the level of government employment in Idaho. Simply put, rising populations make more demands on

governments which must hire more employees. Idaho’s experience during the last half of the 1990s provides an example of this relationship. From 1994 to 2000, the Gem State’s population grew from 1.145 million persons to 1.299 million persons, an average annual increase of 2.1%. Over this same period, state and local government employment increased at a 2.8% clip. Most of the population growth resulted from newcomers pouring into the state in search of economic opportunities. In 1995 alone, 22,700 more persons moved into the Gem State than moved out of it. Of course, it can also go the other way, such as in the mid-1980s when net outmigration caused the state’s population to decline. While a repeat of this outmigration is not anticipated, neither is a return to the quick-paced 1990s, either. Instead, the state’s population growth rate is forecast to hit 1.1% this year and gradually pick up speed to 2.0% in 2013. The slow population growth last year and this year reflects low net immigration to the state. For example, in 2006 about 24,000 more people moved into the state than left it. It is predicted that net immigration will be less than 4,000 persons in 2010. It is expected to move back into double digits again when the economy recovers, but not top the levels experienced earlier this decade. Neither is total population growth forecast to resume its earlier pace. As a result of this slower population growth, the demand for public services should not be as robust, which implies slower future government employment growth in the Gem State. Job growth is also being constrained by weak government revenues. Last year the state’s General Fund revenue declined 15.2% in FY 2009. It is predicted to fall

another 4.7% in FY 2010. In order to balance its budget, the state took unprecedented measures. For example, for the first time ever the state cut its public schools funding for FY 2010. And the pain extends beyond state government because Idaho cities and counties participate in revenue sharing from the state sales tax. Already, some of the state’s local governments have announced plans to make the cuts necessary to balance their budgets. One bright, but temporary, spot is the hiring for the decennial census. There are about 13,300 federal government jobs in Idaho, but employment will jump to about 15,500 persons in the second quarter of 2010, before settling back and remaining steady over the forecast horizon.

Mining: After climbing for six consecutive years, Idaho mining employment has fallen victim to the cooler global economy. The mining sectors recent expansion was fueled by rising metal prices caused by strong worldwide demand. For example, the Comex Spot Settlement price of silver nearly tripled from \$4.60 per Troy ounce in 2002 to \$13.38 per ounce in 2007. Over this same period, zinc prices climbed from 36 cents per pound to \$1.47 per pound. The price of lead soared from 21 cents per pound to \$1.17 per pound and molybdenum increased from \$18.23 per pound to \$40.19 per pound. Idaho mining employment increased from about 1,800 jobs to about 2,700 jobs over this same period. It added another 80 jobs in 2008.

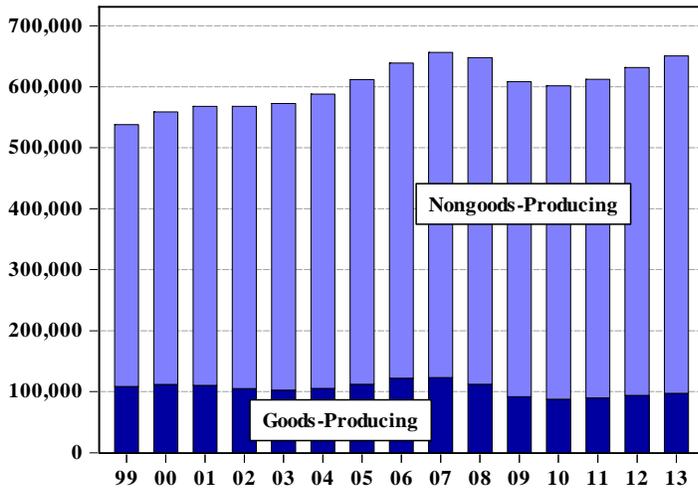
Idaho Mining Employment



Unfortunately, the U.S. slipped into a recession in 2008 and mineral prices retreated. The softer prices and financial difficulties caused the mining sector to shed about 700 jobs in 2009. Prices have recovered lately, and this has stirred renewed interest in exploration. Notably, SNS Silver Corporation has entered into an agreement with Syringa Exploration, Incorporated to reopen northern Idaho’s Crescent Mine that has been closed for nearly 25 years. Over the next three years Syringa plans to invest \$8.2 million in the mine. In other positive news, Hecla Mining reported the Lucky Friday Mine has experienced record drilling results, which increases its potential for future development. It is predicted U.S. mining activity will improve this year, but not enough to prevent Idaho from shedding another 100 jobs. However, the mining sector does return to growth in 2011 and by 2013 there are 2,500 jobs—just 250 fewer jobs than at its 2008 peak.

Services and Trade: This year marks a transition year for the state’s huge services sector. After shedding jobs in 2009, it is expected to begin adding jobs in 2010. These gains will initially be slow, but they should accelerate with time. In fact, services employment promises to be one of the stronger job engines during the next few years. 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. In 2008, it consisted of 306,400 jobs, or about half of all the jobs in Idaho. It began declining in the first quarter of 2008 coincident with the start of the U.S. recession. It did expand modestly during that year’s interior quarters, but these gains were erased by the huge 5.6% annualized decline in the last quarter of that year. On an annual basis, Idaho services employment grew an anemic 0.6% in 2008—its worst showing in records that go back to 1991. Unfortunately, last year was even worse. Services suffered job losses in the first half of 2009. It is

Idaho Nonfarm Employment



estimated employment shrank nearly 4% last year—its first ever decline. All service categories suffered losses, except health and education. (Information employment dropped 29.2% in 2009’s first quarter, but this decline resulted from employees being reassigned to the professional and business services category and not poor business conditions.) This year, more service categories should expand and help overall services employment eke out 0.2% growth. By 2011, all services employment categories are expected to advance, which causes this sector’s hiring to kick into higher gear. Specifically, Idaho services sector employment increases 2.7% in 2011, 3.7% in 2012,

and 3.6% in 2013. Idaho trade employment takes longer to recover and is not as robust. This sector is made up of both retail and wholesale components that together accounted for 17% of total nonfarm employment last year. As is the case with the service sector, the trade sector began shedding jobs in the first quarter of 2008. A major difference between these two is the pace of job losses has been considerably higher in the trade sector. The number of trade sector jobs is estimated to have dropped 6.5% last year and it is projected to fall another 1.3% this year. This sector is forecast to expand 1.8% in 2011, 2.8% in 2012, and 3.7% in 2013.

ALTERNATIVE FORECASTS

IHS Global Insight has assigned a 60% probability of occurrence to its December 2009 baseline forecast of the U.S. economy. The major features of this forecast include:

- Real GDP shrinks 2.5% in 2009, expands 2.2% in 2010, increases 2.9% in 2011, grows 3.8% in 2012, and advances 3.1% in 2013;
- U.S. nonfarm employment falls 3.7% in 2009, drops another 0.9% in 2010, grows 1.8% in 2011, increases 2.7% in 2012, and rises 2.3% in 2013;
- the annual U.S. civilian unemployment rate peaks at 10.4% in the beginning of 2010 then recedes to 7.5% by the end of 2013;
- consumer prices fall 0.3% in 2009, then rise 1.7% in 2010, 2.0% in 2011, and 1.9% in both 2012 and 2013;
- the current account deficit is \$446 billion in 2009, \$533 billion in 2010, \$613 billion in 2011, \$692 billion in 2012, and \$687 billion in 2013;
- the federal unified budget deficit is \$1.42 trillion in 2009, \$1.41 trillion in 2010, \$1.09 trillion in 2011, \$861 billion in 2012, and \$695 billion in 2013.

OPTIMISTIC SCENARIO

IHS Global Insight's *Optimistic Scenario* has been assigned a 20% 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, the stimulus package, and help from foreign central banks, limit the downside of the U.S. economic downturn. This simulation contains no additional economic stimulus above the level in the baseline, but the primary difference is the wheels of stimulus start to achieve traction more quickly in the *Optimistic Scenario*, producing 4.0% growth in this year's third quarter. This scenario also assumes total factor productivity grows faster than in the baseline. This assumption causes lower inflation and stronger income growth over the long term. Credit flows more freely in this scenario, helping housing starts average 981,000 units this year, compared to the baseline's 812,000 units. Likewise, nonresidential fixed investment is also stronger in the *Optimistic Scenario*. After suffering a 17.1% contraction in 2009, it rebounds by 5.3% in 2010. In the baseline, it retreats another 1.4% this year. Thanks to the anticipated 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 brighter future for the economy compared to the *Baseline* and *Pessimistic* scenarios. After real GDP declines 2.5% in 2009, it rebounds more smartly than in the baseline. In 2010 it advances 4.1% compared to the baseline's 2.2%. National nonfarm employment also fares better in this scenario; by 2013 there are about 4.5 million more jobs than in the *Baseline Scenario*. The civilian unemployment rate declines more steeply, so that it is down to 6.4% by the end of 2013, versus 7.7% in the baseline case. In short, this scenario sees a quicker turn in the cycle than in the baseline, but without the adverse consequences for the long-term inflation outlook.

The stronger national economy does not prevent Idaho job losses this year, but it softens the blow compared to the baseline case. Specifically, in the *Baseline Scenario* Idaho nonfarm employment is projected to shrink 1.1% in 2010. In the optimistic case this measure falls just 0.8%. But this improvement is not limited to this year alone; employment grows faster in each year of the forecast. As a result, there are 11,000 more jobs in 2013 compared to the *Baseline Scenario*. Idaho real personal income growth is slightly slower in 2010 compared to the baseline case, the result of slightly higher

IDAHO ECONOMIC FORECAST
BASELINE AND ALTERNATIVE FORECASTS
JANUARY 2010

	BASELINE				OPTIMISTIC				PESSIMISTIC			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
U.S. GDP (BILLIONS)												
Current \$	14,723	15,384	16,193	16,970	15,051	15,921	16,756	17,512	14,455	14,890	15,642	16,391
% Ch	3.4%	4.5%	5.3%	4.8%	5.6%	5.8%	5.2%	4.5%	1.6%	3.0%	5.0%	4.8%
2005 Chain-Weighted	13,264	13,647	14,162	14,599	13,513	14,040	14,616	15,142	13,006	13,168	13,554	13,877
% Ch	2.2%	2.9%	3.8%	3.1%	4.1%	3.9%	4.1%	3.6%	0.3%	1.2%	2.9%	2.4%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	50,621	52,744	55,761	59,106	50,782	52,894	56,135	60,006	50,348	52,215	54,758	57,288
% Ch	3.1%	4.2%	5.7%	6.0%	3.4%	4.2%	6.1%	6.9%	2.6%	3.7%	4.9%	4.6%
U.S. (Billions)	12,464	12,984	13,648	14,384	12,643	13,356	14,054	14,733	12,325	12,653	13,296	14,077
% Ch	3.3%	4.2%	5.1%	5.4%	4.7%	5.6%	5.2%	4.8%	2.2%	2.7%	5.1%	5.9%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	45,624	46,742	48,655	50,740	45,539	46,776	49,155	52,133	45,489	45,992	47,005	48,051
% Ch	1.5%	2.4%	4.1%	4.3%	1.4%	2.7%	5.1%	6.1%	1.3%	1.1%	2.2%	2.2%
U.S. (Billions)	11,234	11,506	11,908	12,348	11,338	11,811	12,307	12,800	11,136	11,145	11,413	11,807
% Ch	1.7%	2.4%	3.5%	3.7%	2.7%	4.2%	4.2%	4.0%	0.9%	0.1%	2.4%	3.4%
TOTAL NONFARM EMPLOYMENT												
Idaho	601,576	612,264	631,552	650,593	603,498	616,813	637,245	661,661	598,748	603,511	615,414	625,628
% Ch	-1.1%	1.8%	3.2%	3.0%	-0.8%	2.2%	3.3%	3.8%	-1.6%	0.8%	2.0%	1.7%
U.S. (Thousands)	130,754	133,120	136,775	139,976	132,442	136,144	140,152	143,351	129,698	130,347	133,104	135,821
% Ch	-0.9%	1.8%	2.7%	2.3%	0.3%	2.8%	2.9%	2.3%	-1.7%	0.5%	2.1%	2.0%
GOODS-PRODUCING SECTOR												
Idaho	87,590	89,616	94,097	97,108	89,778	93,746	97,059	99,129	85,706	85,381	89,124	92,083
% Ch	-4.6%	2.3%	5.0%	3.2%	-2.3%	4.4%	3.5%	2.1%	-6.6%	-0.4%	4.4%	3.3%
U.S. (Thousands)	17,791	18,044	18,965	19,858	18,189	18,859	19,803	20,622	17,519	17,405	18,203	19,087
% Ch	-6.0%	1.4%	5.1%	4.7%	-4.0%	3.7%	5.0%	4.1%	-7.4%	-0.7%	4.6%	4.9%
NONGOODS-PRODUCING SECTOR												
Idaho	513,985	522,648	537,455	553,484	513,720	523,067	540,186	562,532	513,042	518,130	526,291	533,545
% Ch	-0.5%	1.7%	2.8%	3.0%	-0.5%	1.8%	3.3%	4.1%	-0.7%	1.0%	1.6%	1.4%
U.S. (Thousands)	112,963	115,075	117,809	120,119	114,252	117,285	120,349	122,729	112,179	112,942	114,901	116,734
% Ch	0.0%	1.9%	2.4%	2.0%	1.1%	2.7%	2.6%	2.0%	-0.7%	0.7%	1.7%	1.6%
SELECTED INTEREST RATES												
Federal Funds	0.2%	1.7%	3.3%	3.6%	0.5%	1.3%	3.0%	3.2%	0.1%	2.2%	4.7%	5.3%
Bank Prime	3.3%	4.7%	6.3%	6.6%	3.6%	4.3%	6.0%	6.2%	3.2%	5.2%	7.7%	8.3%
Existing Home Mortgage	5.2%	5.6%	6.2%	6.5%	5.3%	5.4%	5.9%	6.1%	5.2%	6.4%	7.8%	8.6%
INFLATION												
GDP Price Deflator	1.2%	1.6%	1.4%	1.7%	1.5%	1.8%	1.1%	0.9%	1.3%	1.7%	2.1%	2.3%
Personal Cons Deflator	1.5%	1.7%	1.6%	1.6%	2.0%	1.4%	1.0%	0.8%	1.3%	2.6%	2.6%	2.3%
Consumer Price Index	1.7%	2.0%	1.9%	1.9%	2.3%	1.6%	1.3%	1.0%	1.4%	2.9%	3.0%	2.6%

Forecast Begins the THIRD Quarter of 2009

inflation. Nevertheless, it advances faster in the remaining years of the forecast, so it is about \$1.4 billion higher in 2013.

PESSIMISTIC SCENARIO

The *Pessimistic Scenario* has also been assigned a 20% probability of occurrence. This simulation assumes the financial crises worsens, which prolongs the worst recession since the Great Depression. The recession is W-shaped and lasts 11 quarters. Credit markets remain clogged, both domestically and across the world. The housing recession drags on. The median price of existing homes falls nearly 8% below the baseline in 2010 and 2011. Home sales are also much lower. Housing starts begin to turn around from record-low levels, but the recovery is sluggish. The weakness in housing undermines consumer confidence. This, along with the drop in household wealth from falling home prices and a slowdown in job growth, causes consumers to retrench sharply. Light-vehicle sales are especially hard hit. Capital spending drops as firms scuttle long-term projects due to the bleaker outlook. The lower investment contributes to lower productivity growth, which lowers the nation's potential economic growth. The economy receives no relief from exports, as foreign economic growth is also in peril. Weaker world demand translates into lower oil prices in the short run compared to the baseline.

In this scenario, real GDP rises just 0.3% in 2010. In comparison, in the *Baseline Scenario* it increases 2.2% in 2010. From peak to trough, real GDP drops 3.8% and the decline lasts almost three years, which is much worse than the losses during the 1973-75 and 1981-82 recessions. Unlike those recessions, however, the economy emerges from the current downturn weaker and facing more troubles ahead.

Idaho's economic performance is weaker in every year of the forecast period compared to the baseline case. For example, Idaho nonfarm employment declines 1.6% in 2010. It then grows by a modest 0.8% in 2011, 2.0% in 2012, and 1.7% in 2013. In the *Baseline Scenario*, nonfarm employment falls 1.1% in 2010, but it is followed by increases of 1.8% in 2011, 3.2% in 2012, and 3.0% in 2013. The net impact of the slower growth is there are about 25,000 fewer jobs in 2013 in the *Pessimistic Scenario* than in the baseline case. Idaho real personal income is \$2.7 billion lower in 2013 in the *Pessimistic 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) 2009. 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 2010 *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 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
INDIVIDUAL INCOME TAX	\$508.02	\$559.17	\$596.46	\$650.85	\$704.82	\$776.19	\$841.87	\$960.16	\$1,023.97
% CHANGE	10.6%	10.1%	6.7%	9.1%	8.3%	10.1%	8.5%	14.1%	6.6%
CORPORATE INCOME TAX	\$70.00	\$87.63	\$131.64	\$151.98	\$122.36	\$117.29	\$95.44	\$124.87	\$141.53
% CHANGE	20.8%	25.2%	50.2%	15.5%	-19.5%	-4.1%	-18.6%	30.8%	13.3%
SALES TAX	\$402.82	\$452.68	\$481.57	\$463.00	\$476.73	\$496.81	\$588.80	\$627.50	\$647.29
% CHANGE	10.6%	12.4%	6.4%	-3.9%	3.0%	4.2%	18.5%	6.6%	3.2%
CIGARETTE TAX	\$7.00	\$7.61	\$7.25	\$7.48	\$7.49	\$7.48	\$7.23	\$7.30	\$7.98
TOBACCO PRODUCTS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4.06
BEER TAX	\$1.70	\$1.71	\$1.65	\$1.62	\$1.63	\$1.62	\$1.68	\$1.75	\$1.82
WINE TAX	\$0.75	\$0.81	\$1.14	\$1.52	\$1.66	\$1.80	\$1.90	\$1.96	\$1.90
LIQUOR SURCHARGE	<u>\$4.95</u>								
PRODUCT TAXES	\$14.39	\$15.07	\$14.99	\$15.57	\$15.73	\$15.84	\$15.76	\$15.96	\$20.70
% CHANGE	-0.2%	4.7%	-0.6%	3.9%	1.0%	0.7%	-0.5%	1.2%	29.7%
KILOWATT-HOUR TAX	\$1.45	\$2.09	\$1.69	\$2.89	\$2.97	\$3.24	\$2.89	\$2.77	\$1.80
MINE LICENSE TAX	\$0.11	\$0.47	\$0.29	\$0.80	\$0.66	\$0.96	\$1.98	(\$0.66)	\$0.12
INTEREST EARNINGS	\$10.54	\$10.61	\$15.00	\$18.54	\$18.24	\$17.93	\$18.69	\$21.56	\$22.30
COURT FEES AND FINES	\$3.21	\$3.72	\$3.89	\$4.24	\$4.71	\$5.02	\$5.13	\$5.31	\$5.49
INSURANCE PREMIUM TAX	\$28.81	\$33.19	\$34.93	\$36.13	\$40.26	\$42.85	\$45.47	\$46.43	\$55.88
ALCOHOLIC BEVERAGE LICENSES	\$0.96	\$1.04	\$1.07	\$1.05	\$1.14	\$1.15	\$1.16	\$1.30	\$1.22
UCC FILINGS	\$0.91	\$0.78	\$0.85	\$0.94	\$0.03	\$0.03	\$0.01	\$0.02	\$2.01
UNCLAIMED PROPERTY	\$1.34	\$1.71	\$2.09	\$1.39	\$0.83	\$1.17	\$1.59	\$2.31	\$5.81
LANDS	\$0.23	\$0.22	\$0.24	\$0.24	\$0.24	\$0.27	\$0.32	\$0.70	\$0.34
ONE-TIME TRANSFERS	\$0.00	\$3.42	\$0.00	\$0.15	\$0.00	\$0.00	\$0.43	\$4.42	\$11.19
ESTATE TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$35.81
OTHER DEPTS & TRANSFERS	<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>	<u>\$9.18</u>
MISC. REVENUE	\$48.23	\$58.52	\$63.46	\$69.55	\$72.23	\$76.01	\$82.57	\$92.46	\$151.15
% CHANGE	-13.4%	21.3%	8.4%	9.6%	3.9%	5.2%	8.6%	12.0%	63.5%
TOTAL GENERAL FUND*	\$1,043.47	\$1,173.07	\$1,288.10	\$1,350.94	\$1,391.86	\$1,482.14	\$1,624.43	\$1,820.96	\$1,984.64
% CHANGE	9.6%	12.4%	9.8%	4.9%	3.0%	6.5%	9.6%	12.1%	9.0%

* Totals may not add due to rounding.

GENERAL FUND REVENUE
(\$ MILLION)

SOURCE	ACTUAL								FORECAST	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
INDIVIDUAL INCOME TAX	\$835.85	\$837.80	\$902.13	\$1,035.54	\$1,216.49	\$1,400.16	\$1,429.74	\$1,167.89	\$1,124.97	\$1,170.59
% CHANGE	-18.4%	0.2%	7.7%	14.8%	17.5%	15.1%	2.1%	-18.3%	-3.7%	4.1%
CORPORATE INCOME TAX	\$76.30	\$93.13	\$103.02	\$139.56	\$194.13	\$190.22	\$189.28	\$141.03	\$130.67	\$132.68
% CHANGE	-46.1%	22.1%	10.6%	35.5%	39.1%	-2.0%	-0.5%	-25.5%	-7.3%	1.5%
SALES TAX	\$657.12	\$700.24	\$886.08	\$950.83	\$880.77	\$1,077.46	\$1,141.44	\$1,022.20	\$950.11	\$988.68
% CHANGE	1.5%	6.6%	26.5%	7.3%	-7.4%	22.3%	5.9%	-10.4%	-7.1%	4.1%
CIGARETTE TAX	\$8.00	\$8.26	\$30.04	\$7.81	\$7.98	\$1.00	\$6.54	\$7.77	\$16.90	\$15.40
TOBACCO PRODUCTS	\$4.31	\$4.67	\$5.49	\$5.75	\$6.16	\$6.55	\$7.20	\$7.36	\$7.59	\$7.51
BEER TAX	\$1.88	\$1.91	\$1.96	\$1.95	\$1.99	\$2.13	\$2.15	\$2.04	\$2.11	\$2.13
WINE TAX	\$1.88	\$1.97	\$2.14	\$2.33	\$2.43	\$2.48	\$2.58	\$3.28	\$2.96	\$3.03
LIQUOR SURCHARGE	\$4.95	\$4.95	\$4.95	\$4.95	\$7.39	\$10.24	\$8.38	\$9.29	\$11.39	\$13.46
PRODUCT TAXES	\$21.02	\$21.75	\$44.57	\$22.79	\$25.94	\$22.41	\$26.84	\$29.74	\$40.94	\$41.54
% CHANGE	1.5%	3.5%	104.9%	-48.9%	13.8%	-13.6%	19.8%	10.8%	37.7%	1.5%
KILOWATT-HOUR TAX	\$1.79	\$1.80	\$1.83	\$1.53	\$2.29	\$2.26	\$1.60	\$2.02	\$2.30	\$2.20
MINE LICENSE TAX	\$0.82	\$0.04	\$0.07	\$0.03	\$0.27	\$2.35	\$2.52	\$0.94	\$0.50	\$0.50
INTEREST EARNINGS	\$11.33	\$2.98	\$4.97	\$8.92	\$18.12	\$17.17	\$11.37	\$0.76	\$1.04	\$1.06
COURT FEES AND FINES	\$5.19	\$5.29	\$4.98	\$4.66	\$4.79	\$5.04	\$5.14	\$5.35	\$5.26	\$5.34
INSURANCE PREMIUM TAX	\$55.37	\$59.49	\$62.77	\$60.85	\$60.38	\$59.78	\$56.34	\$55.48	\$51.59	\$52.67
ALCOHOLIC BEVERAGE LICENSES	\$1.36	\$1.39	\$1.61	\$1.64	\$1.72	\$1.81	\$1.92	\$1.61	\$1.53	\$1.55
UCC FILINGS	\$2.03	\$2.14	\$2.39	\$2.69	\$3.02	\$3.00	\$2.82	\$2.42	\$2.40	\$2.45
UNCLAIMED PROPERTY	\$0.88	\$3.76	\$3.69	\$9.83	\$1.99	\$3.31	\$5.63	\$1.78	\$1.50	\$1.50
LANDS	\$0.35	\$0.36	\$0.33	\$0.53	\$0.33	\$0.47	\$0.69	\$0.98	\$0.59	\$0.59
ONE-TIME TRANSFERS	\$7.11	\$5.46	\$51.40	\$0.86	\$0.54	\$1.54	\$2.24	\$1.43	\$1.22	\$0.00
ESTATE TAX	\$7.59	\$13.65	\$4.43	\$3.30	\$1.11	\$0.12	\$0.03	\$0.24	(\$0.18)	\$0.00
OTHER DEPTS & TRANSFERS	\$16.31	\$14.67	\$22.84	\$24.14	\$21.89	\$25.40	\$30.18	\$31.70	\$34.68	\$31.59
MISC. REVENUE	\$110.14	\$111.02	\$161.31	\$118.98	\$116.43	\$122.25	\$120.48	\$104.71	\$102.43	\$99.45
% CHANGE	-27.1%	0.8%	45.3%	-26.2%	-2.1%	5.0%	-1.4%	-13.1%	-2.2%	-2.9%
TOTAL GENERAL FUND*	\$1,700.43	\$1,763.95	\$2,097.10	\$2,267.69	\$2,433.75	\$2,812.49	\$2,907.78	\$2,465.57	\$2,349.12	\$2,432.94
% CHANGE	-14.3%	3.7%	18.9%	8.1%	7.3%	15.6%	3.4%	-15.2%	-4.7%	3.6%

* Totals may not add due to rounding.

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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+
2009	\$0-1320	\$1321-2641	\$2642-3962	\$3963-5283	\$5284-6603	\$6604-9906	\$9907-26417		\$26418+

1. Income bracket amounts shown are for single and married filing separate returns.
For all other filing status returns double the income bracket amounts for each rate.
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, veterans' support, etc.

Basis of Projection:

The projections of General Fund revenue from the individual income tax for FY 2010 and FY 2011 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	1,429,738.8	6,389.6	1,789.4
FY09	Actual	1,478,272.7	302,638.7	1,167,889.1	6,379.0	1,365.9
FY10	Projection	1,419,475.2	286,910.2	1,124,971.5	6,593.6	1,000.0
FY11	Projection	1,471,346.1	293,108.7	1,170,588.3	6,649.2	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 IHS 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	189,283.5	471.1	419.6
FY09	Actual	174,503.0	32,277.3	141,025.4	503.6	696.8
FY10	Projection	155,420.9	23,751.0	130,669.9	500.0	500.0
FY11	Projection	157,904.8	24,227.2	132,677.6	500.0	500.0

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 AND DISTRIBUTION HISTORY

(\$ THOUSANDS)

Effective Date	Tax Rate	Gen. Fund	Perm. Build Fund	Rev. Sharing	Alloc. to Counties ¹	Pollution Control	Public School Inc. Fund	Agricultural Equipment Prop. Tax Exemption	Misc. Distributions
Jul-1965	<u>3.0%</u>	Bal.	\$500						<u>2.3</u>
Jul-1968	3.0%	Bal.	\$500		<u>5.0%</u>				3
Jul-1969	3.0%	Bal.	\$500		<u>10.0%</u>				3
Jul-1970	3.0%	Bal.	\$500		<u>15.0%</u>				3
Jul-1971	3.0%	Bal.	\$500		<u>20.0%</u>				3
Jul-1975	3.0%	Bal.	\$500		20.0%				3.5
Jul-1976	3.0%	Bal.	\$500		20.0%				3.5
Jul-1977	3.0%	Bal.	\$500		20.0%				3.4.5
Jul-1980	3.0%	Bal.	\$500		<u>10.0%</u>		<u>10.0%</u>		3.4.5
Mar-1983	<u>4.0%</u>	Bal.	\$500		10.0%		10.0%		3.4.5
Jun-1983	<u>4.5%</u>	Bal.	\$500		10.0%		10.0%		3.4.5
Jul-1984	<u>4.0%</u>	Bal.	\$500	<u>6.25%</u>	<u>7.5%</u>	<u>\$4,800</u>			4.5
Apr-1986	<u>5.0%</u>	Bal.	\$500	6.25%	7.5%	\$4,800			4.5
Jul-1987	5.0%	Bal.	\$500	<u>7.75%</u>	<u>6.0%</u>	\$4,800			4.5
Jul-1988	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800			4.5.6
Jul-1995	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800			4.5.6.7
Jul-1998	5.0%	Bal.	\$500	7.75%	6.0%	\$4,800			4.5.6
Jul-2000	5.0%	Bal.	<u>\$5,000</u>	<u>13.75%</u>	<u>0.0%</u>	\$4,800			4.5.6
May-2003	<u>6.0%</u>	Bal.	\$5,000	13.75%	0.0%	\$4,800			4.5.6
Jun-2003	6.0%	Bal.	\$5,000	<u>11.50%</u>	0.0%	\$4,800			4.5.6
Jul-2004	6.0%	Bal.	\$5,000	11.50%	0.0%	\$4,800		<u>\$13,448</u>	4.5.6
Jul-2005	<u>5.0%</u>	Bal.	\$5,000	11.50%	0.0%	\$4,800		\$13,448	4.5.6
Aug-2005	5.0%	Bal.	\$5,000	<u>13.75%</u>	0.0%	\$4,800		\$13,448	4.5.6
Oct-2006	<u>6.0%</u>	Bal.	\$5,000	13.75%	0.0%	\$4,800		\$13,448	4.5.6
Nov-2006	6.0%	Bal.	\$5,000	<u>11.50%</u>	0.0%	\$4,800		<u>\$8,487</u>	4.5.6
Jul-2007	6.0%	Bal.	\$5,000	11.50%	0.0%	\$4,800		\$8,487	4.5.6.8

1. 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.
2. 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.
3. Amount equal to the sum required to be certified by the state controller distributed to the Social Security Trust Fund.
4. Amount equal to the sum required to be certified by the Idaho housing agency.
5. \$1.00 per registration fee on vehicle registration transfers that do not involve sales tax.
6. Amount certified by the Tax Commission as necessary to fund the Circuit Breaker.
7. Amount necessary to fund Property Tax Relief.
8. An amount equal to deposits into the Demonstration Pilot Project Fund.

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 2010 and FY 2011 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. Wages and housing 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	1.2
FY76	Actual	88,874.0	137.5	63,650.6	500.0		17,747.3					6,838.6	1.2
FY77	Actual	103,859.6	219.2	73,594.5	500.0		20,728.1					8,817.8	1.2
FY78	Actual	118,866.2	157.0	84,107.4	500.0		23,741.8					10,360.0	1.2
FY79	Actual	129,906.4	205.9	91,463.6	500.0		25,940.1					11,796.8	1.2
FY80	Actual	137,113.9	264.5	95,984.6	500.0		27,369.9					12,994.9	1.2
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	3
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	3
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	3
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	3
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	3
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	3
FY08	Actual	1,339,278.0	9,606.4	1,141,439.7	5,000.0	152,578.2	0.0	4,800.0	15,405.6	0.0	8,487.1	1,961.1	3.5
FY09	Actual	1,201,248.3	5,963.3	1,022,201.6	5,000.0	136,994.7	0.0	4,800.0	15,459.1	0.0	8,487.1	2,342.5	3.5
FY10	Projection	1,119,377.9	6,278.1	950,106.2	5,000.0	128,006.5	0.0	4,800.0	15,500.0	0.0	8,487.1	1,200.0	3.5
FY11	Projection	1,163,293.3	6,830.2	988,682.7	5,000.0	132,993.2	0.0	4,800.0	15,300.0	0.0	8,487.1	1,200.0	3.5

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

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 needed to fund 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 adequately funded, 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>			<u>\$0.00250</u>		<u>\$0.00050</u>			
Jul-1963	<u>0.003500</u>			<u>\$0.00300</u>		0.00050			
Jul-1972	<u>0.004550</u>			<u>\$0.00350</u>	<u>\$0.00005</u>	to \$40,000	0.00050	<u>\$0.00050</u>	
Jul-1974	0.004550			<u>Balance</u>	<u>1.099%</u>	to \$40,000	<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 \$70,000	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			<u>Balance</u> 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%	<u>1.000%</u> <u>Balance</u>
Jul-2006	0.028500	0.002587	0.002587	<u>Bond Levy Equalization Appropriation</u>	0.400%		17.300%	0.000%	1.000%
							<u>+ Balance</u>		
Jul-2007	0.028500	0.002587	0.002587	<u>Bond Levy Equalization Appropriation up to \$6.535 million.</u>	0.400%		17.300%	0.000%	1.000%
							<u>+ Balance</u>		
Jul-2008	0.028500	0.002587	0.002587	<u>Bond Levy Equalization Appropriation up to \$7.770 million.</u>	0.400%		17.300%	0.000%	1.000%
							<u>+ Balance</u>		
Jul-2009	0.028500	0.002587	0.002587	<u>Bond Levy Equalization Appropriation less Lottery Contribution.</u>	0.400%		17.300%	0.000%	1.000%
							<u>+ Balance</u>		

1. From March 1, 1987 to July 1, 1987 the additional \$.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 2010 and FY 2011 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	Actual	44,391.9	7,770.0	6,233.1	21,521.8	4.4	0.0	360.3	144.1	4,179.1	4,179.1			0.0	
FY10	Projection	42,370.9	16,900.0	5,938.2	11,005.9	90.7	0.0	343.2	137.3	3,977.8	3,977.8			0.0	
FY11	Projection	40,771.8	15,400.0	5,713.5	11,449.9	90.7	0.0	330.3	132.1	3,827.7	3,827.7			0.0	

TOBACCO PRODUCTS TAX

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

Idaho levies a 35% tax on the wholesale price of tobacco products, except for cigarettes. This entire amount, net of refunds, is remitted to the General Fund. An additional 5% of the wholesale price is also collected. Half of this additional amount is earmarked for the Public School Income Fund, with \$250,000 appropriated to Idaho State Police. The other half of the 5% collected is distributed to the Department of Juvenile Corrections for county juvenile probation services.

TOBACCO TAX RATE AND DISTRIBUTION HISTORY

Effective Date	Percent of Wholesale Price Distributed to Fund			
	Water Pollution Control	General Fund	Public School Income	Dept. of Juvenile Corr.
Jul-1972	35.0%	0.0%	0.0%	0.0%
Jul-1994	35.0%	0.0%	5.0%	0.0%
Mar-1995	35.0%	0.0%	2.5%	2.5%
Jul-1996	35.0%	0.0%	2.5% 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 2010 and FY 2011 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	Actual	8,467.0	7,358.3	57.5	0.0	525.6	525.6
FY10	Projection	8,710.2	7,586.7	39.7	0.0	541.9	541.9
FY11	Projection	8,625.3	7,512.4	39.7	0.0	536.6	536.6

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 AND DISTRIBUTION HISTORY

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 2010 and FY 2011 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	Actual	4,353.8	2,038.8	1,431.5	15.9	0.0	867.6
FY10	Projection	4,482.4	2,105.2	1,478.1	3.2	0.0	895.8
FY11	Projection	4,543.6	2,134.0	1,498.3	3.2	0.0	908.1

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 AND DISTRIBUTION HISTORY

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 \$0.45	Idaho Non-Idaho	\$0.15 to GF; \$0.05 to ATF. \$0.40 to GF; \$0.05 to ATF.
Jul-1986	\$0.20 \$0.45	Idaho Non-Idaho	88% to GF; 12% to ATF. 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 2010 and FY 2011 are based on a subjective assessment of recent collection history, 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	Actual	3,964.7	3,280.1	12.9	0.0	474.2	197.6
FY10	Projection	3,569.4	2,957.3	6.4	0.0	427.6	178.2
FY11	Projection	3,658.5	3,031.2	6.4	0.0	438.3	182.6

KILOWATT-HOUR TAX

Description: (Title 63, Chapter 27, *Idaho Code*)

Revenue is derived from a one-half mill (\$0.0005) per kilowatt-hour tax on hydro-generated electricity in Idaho. Power used by industrial consumers and for irrigation is exempt from this tax. All collections accrue to the General Fund. This tax has been levied since July 1, 1931.

Basis of Projection:

Kilowatt-hour tax receipts for FY 2010 and FY 2011 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	Actual	2,018.2	0.0	2,018.2
FY10	Projection	2,300.0	0.0	2,300.0
FY11	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. 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. 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. 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 2010 and FY 2011 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	Actual	1,430.0	3.1	0.0	941.8
FY10	Projection	760.6	3.0	0.0	500.0
FY11	Projection	760.6	3.0	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 gross 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 gradually disappears. However, the relevant estate provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 expire in 2011. Upon their termination, they revert to their pre-2001 levels, so the Idaho General Fund should begin to receive revenue from the Idaho Estate and Transfer Tax thereafter.

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% ⁴	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 2010 and FY 2011 General Fund revenue projection for this source is based on a trend analysis of past collections, the impacts of the Federal Economic Growth and Tax Relief and Reconciliation Act of 2001, and judgment.

Historical Data:

ESTATE AND TRANSFER TAX

\$ THOUSANDS

Year		Gross Collections	Distributions				
			Gen. Fund	Refunds	Counties	Resource Conservation	Water Pollution Fund
FY70	Actual		0.0			0.0	0.0
FY71	Actual		0.0			0.0	0.0
FY72	Actual		0.0			0.0	0.0
FY73	Actual		0.0			0.0	0.0
FY74	Actual		0.0			0.0	0.0
FY75	Actual		0.0			0.0	0.0
FY76	Actual		0.0			0.0	0.0
FY77	Actual		0.0			0.0	0.0
FY78	Actual		0.0			0.0	0.0
FY79	Actual		0.0			0.0	0.0
FY80	Actual		0.0			0.0	0.0
FY81	Actual		0.0			0.0	0.0
FY82	Actual		0.0			0.0	0.0
FY83	Actual		0.0			0.0	0.0
FY84	Actual		0.0			0.0	0.0
FY85	Actual		0.0			0.0	0.0
FY86	Actual	\$3,071.7	\$0.0	\$207.2	\$286.5	\$0.0	\$2,578.1
FY87	Actual	1,489.6	0.0	137.7	148.9	135.2	1,067.9
FY88	Actual	3,831.9	0.0	70.8	383.2	355.7	3,022.2
FY89	Actual	1,853.2	0.0	63.1	185.3	160.5	1,444.3
FY90	Actual	1,848.3	0.0	104.4	186.4	155.7	1,401.7
FY91	Actual	2,364.4	0.0	299.0	236.4	182.9	1,646.1
FY92	Actual	20,449.8	0.0	103.4	2,044.4	1,830.2	16,471.8
FY93	Actual	5,143.5	0.0	331.1	532.0	428.0	3,852.4
FY94	Actual	6,844.8	0.0	122.9	684.5	603.7	5,433.6
FY95	Actual	7,350.3	0.0	270.2	735.0	634.5	5,710.6
FY96	Actual	6,342.7	0.0	240.6	634.3	546.8	4,921.0
FY97	Actual	4,168.0	0.0	116.0	416.8	363.5	3,271.7
FY98	Actual	9,124.1	0.0	499.8	912.4	771.2	6,940.7
FY99	Actual	11,494.7	0.0	374.7	1,149.5	997.1	8,973.5
FY00	Actual	11,454.1	0.0	371.1	1,145.4	993.8	8,943.8
FY01	Actual	41,376.3	35,806.8	1,431.9	4,137.6	0.0	0.0
FY02	Actual	9,070.7	7,589.0	574.7	907.1	0.0	0.0
FY03	Actual	15,577.0	13,649.2	370.0	1,557.7	0.0	0.0
FY04	Actual	6,233.9	4,430.6	1,179.9	623.4	0.0	0.0
FY05	Actual	6,378.0	3,296.6	2,443.6	637.8	0.0	0.0
FY06	Actual	1,541.0	1,110.4	276.5	154.1	0.0	0.0
FY07	Actual	158.6	122.9	19.8	15.9	0.0	0.0
FY08	Actual	32.2	29.0	0.0	3.2	0.0	0.0
FY09	Actual	264.2	237.7	0.1	26.4	0.0	0.0
FY10	Projection	44.4	-180.0	220.0	4.4	0.0	0.0
FY11	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 Distrib.	Distributions														
			General Fund	Alcohol Treat. Fund	Community College Fund	Coop. Welfare Fund	Public School Fund	Budget Reserve Fund	Permanent Building Fund	Drug Cr., Cr. & Family Cr. Srvs. Fund	Mental Health Cr. Srvs. Fund	Water Res. Rev. Dev. Fund	Warehouse Remodel Fund	Substance Abuse Treat. Fund	Drug & Mental Health Cr. Super. Fund	Cities & Counties	
FY70	Actual	\$7,116.0	\$1,910.4														
FY71	Actual	8,228.1	2,005.5														
FY72	Actual	8,686.9	2,401.0														
FY73	Actual	10,497.1	2,814.7														
FY74	Actual	10,739.6	2,961.7														
FY75	Actual	9,445.4	2,517.4														
FY76	Actual	11,371.8	2,786.1														
FY77	Actual	10,569.5	2,883.4														
FY78	Actual	11,241.4	3,192.7														
FY79	Actual	12,138.3	3,369.9														
FY80	Actual	13,490.0	3,529.6														
FY81	Actual	14,378.7	3,741.8														
FY82	Actual	12,914.8	3,948.1														
FY83	Actual	15,487.2	3,700.0														
FY84	Actual	15,170.2	3,820.0														
FY85	Actual	12,780.1	4,945.0	\$1,200.0	\$300.0	\$650.0	\$1,200.0										\$4,485.1
FY86	Actual	12,294.5	4,945.0	1,200.0	300.0	650.0	1,200.0										3,999.5
FY87	Actual	12,294.8	4,945.0	1,200.0	300.0	650.0	1,200.0										3,999.8
FY88	Actual	10,795.0	4,945.0	1,200.0	300.0	650.0	1,200.0										2,500.0
FY89	Actual	11,377.9	4,945.0	1,200.0	300.0	650.0	1,200.0										3,082.9
FY90	Actual	12,425.0	4,945.0	1,200.0	300.0	650.0	1,200.0										4,130.0
FY91	Actual	12,268.3	4,945.0	1,200.0	300.0	650.0	1,200.0										3,973.3
FY92	Actual	12,999.1	4,945.0	1,200.0	300.0	650.0	1,200.0										4,704.1
FY93	Actual	12,802.8	4,945.0	1,200.0	300.0	650.0	1,200.0										4,507.8
FY94	Actual	26,149.3	4,945.0	1,200.0	300.0	650.0	1,200.0	\$6,255.8									11,178.5
FY95	Actual	18,449.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0									10,154.3
FY96	Actual	16,578.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0									8,283.1
FY97	Actual	17,417.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0									9,122.3
FY98	Actual	16,605.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0									8,310.7
FY99	Actual	18,584.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0									10,289.1
FY00	Actual	19,891.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	\$1,000.0								10,596.7
FY01	Actual	20,293.9	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0								11,998.9
FY02	Actual	21,100.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0								12,805.7
FY03	Actual	23,163.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0								14,868.0
FY04	Actual	27,775.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0	\$2,050.0							17,430.0
FY05	Actual	33,826.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0	1,811.0	\$7,200.0						16,520.0
FY06	Actual	35,459.5	7,388.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0	2,114.5	0.0	\$2,000.0					20,607.0
FY07	Actual	42,512.7	10,242.2	1,200.0	300.0	650.0	1,200.0	0.0	0.0	2,313.9	0.0	2,000.0					24,606.6
FY08	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	Actual	44,417.5	9,294.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,257.5	0.0	0.0	\$2,080.0		\$440.0		26,896.0
FY10	Projection	44,018.8	11,394.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,288.8	0.0	0.0	\$2,080.0		\$440.0		24,366.0
FY11	Projection	46,096.0	13,461.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,341.0	0.0	0.0	\$2,080.0		\$440.0		24,324.0

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

INTEREST EARNINGS

Description: (Title 67, Chapter 12, *Idaho Code*)

State Treasurer's interest income is derived from investments of idle state funds. Investments are made in time certificates of deposit, U.S. Treasury bills, and repurchase agreements. The earnings from these investments are related to short-term interest rates, coupled with the amount of fund balances available for the Treasurer to invest. All net interest earnings, except those derived from the trust and agency funds, accrue to the General Fund. Beginning in FY 2000, all interest earned on the Permanent Building Fund balance is retained by that fund instead of being paid to the General Fund. In addition, beginning in FY 2000, the Treasurer is allowed to invest in certain corporate financial instruments and United States Small Business Administration Loans.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2010 and FY 2011 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2010 projection includes approximately \$282,000 of net earnings by the Treasurer from the issuance of a tax anticipation note. The FY 2011 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 2010 and FY 2011 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. Up to 20% of the tax collections can be directed to the Insurance Refund Fund. However, the amount in the Insurance Refund Fund that exceeds \$40,000 at the end of the fiscal year is transferred to the General Fund.

Net premium taxes are distributed as follows. Twenty-five percent of the net tax collected in excess of \$45,000,000 is paid to the Idaho High Risk Individual Reinsurance Pool. Twenty-five percent of the tax in excess of \$55,000,000 accrues to the Idaho Health Insurance Access Card Fund. The remaining net tax collections go to the General 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 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 2010 and FY 2011 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 2010 and FY 2011 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 Environmental Quality, Division of Financial Management, and Department of Agriculture. Other agencies provide lesser amounts on a sporadic basis. 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 2010 and FY 2011 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	Actual	237.7	760.4	5,354.0	55,478.8	1,610.2	1,782.3	2,423.7	977.6	1,426.0	31,701.0
FY10	Projection	-180.0	1,043.9	5,255.4	51,587.7	1,525.6	1,500.0	2,400.0	590.0	1,220.0	34,682.5
FY11	Projection	0.0	1,058.0	5,336.6	52,671.3	1,550.0	1,500.0	2,450.0	590.0	0.0	31,593.9

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

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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 and/or uncertainty 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 can be 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.

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 certain 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 (2006-2020)
Small Employer Real Property Improvement Credit (2006-2020)
Small Employer New Jobs Credit (2006-2020)
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 (Sunsets July 1, 2011)
Research and Development Equipment
Corporate Headquarters Construction (Repealed 2008)
Small Employer Headquarters Construction (2006-2020)
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

	CY2006	CY2007	CY2008	CY2009	CY2010	CY2011
1 Income Tax Expenditures (Calendar Year Basis)						
1.1 Uses of Income Not Taxed						
1.1.01 Investment Tax Credit	\$32,254	\$44,614	\$43,778	\$36,506	\$39,033	\$44,554
1.1.02 Other States Tax Credit	\$58,355	\$70,213	\$72,179	\$70,819	\$73,013	\$76,075
1.1.03 Elderly Dependent Credit	\$578	\$613	\$632	\$645	\$658	\$679
1.1.04 Youth and Rehabilitation Credit	\$9,768	\$9,071	\$9,298	\$8,562	\$8,735	\$9,145
1.1.05 Schools, Libraries, and Museums Credit	\$4,307	\$4,497	\$4,603	\$4,485	\$4,624	\$4,818
1.1.06 Grocery Credit	\$27,773	\$29,933	\$52,504	\$65,539	\$81,472	\$98,656
1.1.07 Recycling Equipment Credit	\$1	\$135	\$29	\$29	\$29	\$29
1.1.08 Technological Equipment Deduction	\$75	\$50	\$51	\$55	\$57	\$59
1.1.09 Long-Term Care Insurance Deduction	\$989	\$1,123	\$1,150	\$1,172	\$1,206	\$1,233
1.1.10 Alternative Energy Device Deduction	\$309	\$355	\$362	\$351	\$363	\$377
1.1.11 Insulation Deduction	\$731	\$769	\$785	\$760	\$787	\$816
1.1.12 Workers' Compensation Premium Deduction	\$400	\$400	\$400	\$400	\$400	\$400
1.1.13 Child Care Deduction	\$4,012	\$4,182	\$4,219	\$4,209	\$4,266	\$4,306
1.1.14 College Savings Deduction	\$1,400	\$1,561	\$1,638	\$1,662	\$1,691	\$1,716
1.1.15 Health Insurance Deduction	\$11,173	\$12,711	\$13,383	\$13,949	\$14,627	\$15,279
1.1.16 Elderly and Developmental Disability Deduction	\$9	\$9	\$9	\$9	\$9	\$9
1.1.17 Adoption Expense Deduction	\$49	\$46	\$48	\$48	\$48	\$48
1.1.18 Medical Savings Account Deduction	\$984	\$1,007	\$1,027	\$995	\$1,031	\$1,069
1.1.19 New Employees Credit	\$0	\$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	\$1,266	\$744	\$731	\$609	\$651	\$743
1.1.22 County Incentive Investment Tax Credit	\$113	\$200	\$0	\$0	\$0	\$0
1.1.23 Research Activity Credit	\$1,141	\$1,612	\$1,582	\$1,319	\$1,410	\$1,610
1.1.24 Promoter Sponsored Events Credit	\$1	\$0	\$4	\$4	\$4	\$4
1.1.25 Corporate Headquarters Investment Credit	\$0	\$0	Repealed	Repealed	Repealed	Repealed
1.1.26 Corporate Headquarters Real Property Improvement Credit	\$0	\$0	Repealed	Repealed	Repealed	Repealed
1.1.27 Corporate Headquarters New Jobs Credit	\$0	\$986	Repealed	Repealed	Repealed	Repealed
1.1.28 Small Employer Capital Investment Credit	\$0	\$453	\$481	\$510	\$539	\$567
1.1.29 Small Employer Real Property Improvement Credit	\$1	\$0	\$29	\$57	\$86	\$115
1.1.30 Small Employer New Jobs Credit	\$1	\$179	\$282	\$386	\$490	\$594
1.1.31 Live Organ Donation Expenses Credit	\$0	\$40	\$40	\$40	\$40	\$40
1.1.32 Biofuel Investment Tax Credit	\$0	\$0	\$68	\$68	\$68	\$68
1.2 Sources of Income Not Taxed						
1.2.01 Capital Gains Exclusion	\$70,579	\$47,508	\$49,611	\$48,304	\$49,812	\$51,816
1.2.02 Government Interest Exclusion	\$6,253	\$6,677	\$6,832	\$6,257	\$6,393	\$6,683
1.2.03 Social Security Exclusion	\$39,206	\$46,179	\$51,309	\$58,599	\$62,168	\$62,936
1.2.04 Railroad Retirement Exclusion						
1.2.05 Retirement Benefit Exclusion	\$5,421	\$6,189	\$6,842	\$7,793	\$8,282	\$8,370
1.2.06 Idaho Lottery Winnings Exclusion	\$4,467	\$4,542	\$4,618	\$4,696	\$4,775	\$4,856
1.2.07 Indian Earnings on Reservation Exclusion	\$526	\$559	\$573	\$558	\$575	\$599
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

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
2 Sales Tax Expenditures (Fiscal Year Basis)						
2.1 Specific Uses Not Taxed						
2.1.01 Production Exemption - Equipment	\$99,142	\$101,665	\$89,262	\$84,155	\$93,964	\$107,273
2.1.02 Production Exemption - Supplies	\$75,050	\$76,961	\$67,571	\$63,705	\$71,131	\$81,206
2.1.03 Irrigation Equipment and Supplies	\$3,465	\$3,551	\$3,640	\$3,731	\$3,824	\$3,920
2.1.04 Pollution Control Equipment	\$9,633	\$12,742	\$12,405	\$9,270	\$7,978	\$9,318
2.1.05 Broadcast Equipment and Supplies	\$2,441	\$2,503	\$2,198	\$2,072	\$2,314	\$2,641
2.1.06 Publishing Equipment and Supplies	\$156	\$160	\$141	\$133	\$148	\$169
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	\$6,570	\$6,330	\$5,054	\$5,285	\$5,979	\$6,798
2.1.10 Out-of-State Contracts	\$4,069	\$4,172	\$3,663	\$3,454	\$3,856	\$4,402
2.1.11 Trade-in Value	\$28,050	\$27,025	\$21,575	\$22,563	\$25,527	\$29,023
2.1.12 Sale or Lease of Businesses or Business Assets	\$1,931	\$1,980	\$1,738	\$1,639	\$1,830	\$2,089
2.1.13 Food Stamps/WIC	\$6,639	\$8,135	\$8,391	\$8,558	\$9,007	\$9,360
2.1.14 Motor Vehicles Used Outside of Idaho	\$15,668	\$15,095	\$12,051	\$12,603	\$14,258	\$16,211
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	\$71	\$76	\$74	\$76	\$78	\$82
2.1.19 School Lunches and Senior Citizen Meals	\$3,143	\$3,360	\$3,587	\$3,599	\$3,719	\$3,854
2.1.20 Drivers Education Automobiles	\$38	\$38	\$38	\$37	\$38	\$39
2.1.21 Ski Lifts and Snowgrooming Equipment	\$600	\$600	\$600	\$600	\$600	\$600
2.1.22 Clean Rooms	\$480	\$480	\$480	\$480	\$480	\$480
2.1.23 Alternative Electricity-Producing Equipment	\$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	Repealed	Repealed	Repealed	Repealed
2.1.26 Small Employer Headquarters Construction	\$90	\$90	\$115	\$115	\$115	\$115
2.1.27 Glider Kit Vehicles	\$288	\$277	\$222	\$232	\$262	\$298
2.1.28 Media Production Projects	\$0	\$60	\$60	\$62	\$64	\$67
2.1.29 State Tax Anticipation Revenue	\$0	\$0	\$2,600	\$3,300	\$3,300	\$3,300
2.2 Goods Not Taxed						
2.2.01 Motor Fuels	\$151,528	\$181,812	\$146,778	\$149,266	\$152,141	\$162,844
2.2.02 Heating Materials	\$4,936	\$5,534	\$4,972	\$4,422	\$4,541	\$4,795
2.2.03 Utility Sales	\$80,530	\$82,946	\$85,435	\$87,998	\$90,638	\$93,357
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	\$34,256	\$34,615	\$35,831	\$38,197	\$41,407	\$45,257
2.2.07 Funeral Caskets	\$1,208	\$1,244	\$1,281	\$1,320	\$1,359	\$1,400
2.2.08 Containers	\$33	\$35	\$34	\$35	\$36	\$38
2.2.09 Nonprofit Literature	\$124	\$127	\$129	\$130	\$132	\$134
2.2.10 Official Documents	\$62	\$63	\$64	\$64	\$65	\$67
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	\$2,125	\$2,165	\$2,197	\$2,247	\$2,310	\$2,375
2.2.14 Telecommunications Equipment	\$1,058	\$1,164	\$1,280	\$1,409	\$1,549	\$1,704
2.2.15 Personal Property Tax on Rentals	\$0	\$0	\$400	\$400	\$400	\$400

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
2.3 Services Not Taxed						
2.3.01 Construction	\$159,370	\$151,813	\$126,493	\$103,092	\$101,430	\$115,048
2.3.02 Agricultural and Industrial Services	\$2,830	\$2,870	\$2,907	\$2,951	\$2,998	\$3,047
2.3.03 Transportation Services	\$35,316	\$36,048	\$35,524	\$36,115	\$36,800	\$38,044
2.3.04 Information Services	\$79,372	\$81,028	\$82,163	\$83,032	\$84,217	\$85,743
2.3.05 Repairs	\$45,841	\$48,182	\$49,455	\$50,554	\$52,394	\$54,481
2.3.06 Professional Services	\$158,545	\$166,642	\$171,042	\$174,843	\$181,208	\$188,428
2.3.07 Business Services	\$103,611	\$108,902	\$111,778	\$114,262	\$118,421	\$123,139
2.3.08 Personal Services	\$9,031	\$9,492	\$9,743	\$9,960	\$10,322	\$10,733
2.3.09 Health and Medical Services	\$324,015	\$345,107	\$361,925	\$379,606	\$396,929	\$417,729
2.3.10 Social Services	\$55,982	\$59,627	\$62,532	\$65,587	\$68,580	\$72,174
2.3.11 Educational Services	\$33,478	\$35,188	\$36,117	\$36,919	\$38,263	\$39,788
2.3.12 Lottery Tickets and Pari-Mutuel Betting	\$9,564	\$9,891	\$10,232	\$10,586	\$10,954	\$11,337
2.3.13 Media Measurement Services	\$61	\$63	\$65	\$66	\$68	\$70
2.3.14 Miscellaneous Services	\$2,490	\$2,617	\$2,686	\$2,746	\$2,846	\$2,960
2.3.15 Nonprofit Shooting Range Fees	\$30	\$32	\$32	\$33	\$34	\$36
2.4 Specific Entities Not Taxed						
2.4.01 Educational Institution Purchases	\$8,549	\$9,953	\$9,532	\$8,970	\$9,295	\$9,671
2.4.02 Hospital Purchases	\$19,749	\$21,035	\$22,060	\$23,138	\$24,194	\$25,461
2.4.03 Health Entity Purchases	\$356	\$374	\$374	\$382	\$396	\$413
2.4.04 Canal Company Purchases	\$932	\$962	\$977	\$988	\$1,002	\$1,019
2.4.05 Forest Protective Association Purchases	\$41	\$42	\$43	\$43	\$44	\$45
2.4.06 Food Bank Purchases	\$255	\$268	\$268	\$274	\$284	\$296
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	\$28,623	\$32,592	\$30,318	\$27,814	\$28,334	\$29,227
2.4.10 Ronald McDonald House Rooms	\$1	\$1	\$1	\$1	\$1	\$1
2.4.11 INL Research and Development Purchases	\$5,024	\$5,318	\$4,805	\$4,312	\$4,592	\$5,329
2.4.12 Motor Vehicle Purchases by Family Members	\$1,838	\$1,771	\$1,414	\$1,479	\$1,673	\$1,902
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)	\$2,932	\$3,076	\$3,079	\$3,142	\$3,259	\$3,398
2.4.15 Sales by Indian Tribes on Reservations	\$4,557	\$4,861	\$4,757	\$4,863	\$5,039	\$5,247
2.4.16 Sales of Meals by Churches to Members	\$11	\$12	\$12	\$12	\$13	\$14
2.4.17 Sales by Outfitters and Guides	\$16	\$16	\$16	\$16	\$16	\$16
2.4.18 Sales Through Vending Machines	\$2,126	\$2,261	\$2,332	\$2,379	\$2,503	\$2,601
2.4.19 Auto Manufacturer Rebates	\$606	\$584	\$466	\$488	\$552	\$628
2.4.20 Incidental Sales by Churches	\$734	\$770	\$771	\$787	\$816	\$851
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	\$165	\$173	\$173	\$176	\$183	\$191
2.4.25 Senior Citizens Centers	\$39	\$41	\$41	\$42	\$44	\$46
2.4.26 Blind Services Foundation, Inc.	\$7	\$7	\$7	\$7	\$8	\$8
2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault	\$8	\$9	\$9	\$9	\$9	\$10
2.4.28 Free Dental Clinics	\$9	\$10	\$10	\$10	\$11	\$11
2.4.29 Museums	\$180	\$189	\$189	\$193	\$200	\$209

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. Amended in 2009 to include estates.

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 elementary and secondary 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. Private elementary and secondary schools were added in 2009.

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. Original deduction applied to 50% of premiums. Amended in 2004 to cover 100% of long-term care insurance 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, 2020. 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. Amended in 2009 to extend this credit to 2020.

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, 2020. 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. Amended in 2009 to extend this credit to 2020.

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, 2020. 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. Amended in 2009 to extend this credit to 2020.

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(I)*

Description: This exclusion is for the amount of social security income that is **included** in arriving at federal adjusted gross income. No social security income is subject to Idaho's income tax.

History: This exclusion was enacted in 1984 in response to federal taxation of a portion of social security income.

1.2.04 Railroad Retirement Exclusion *Idaho Code 63-3022(I)*

Description: This exclusion is for the amount of railroad retirement benefits paid by the Railroad Retirement Board that are **included** in federal adjusted gross income. Railroad retirement is the equivalent of social security for railroad employees.

History: Enacted in 1984.

1.2.05 Retirement Benefit Exclusion *Idaho Code 63-3022A*

Description: This exclusion is for retirement benefits paid by any of the following: a) U.S. civil service; b) fireman's retirement fund of Idaho; c) policeman's retirement fund of a city within Idaho; and d) U.S. Military. The exclusion is available to either retirees or un-remarried widows of retirees who are 65 years of age or older, or are disabled and 62 years of age or older. The exclusion is limited to the actual retirement payment or the maximum amount of social security benefits available, whichever is less.

History: This exclusion was enacted in 1973. It is revised annually by the Tax Commission to adjust the maximum exclusion amount.

1.2.06 Idaho Lottery Winnings Exclusion *Idaho Code 67-7439*

Description: Excludes Idaho Lottery prizes of less than \$600 from taxable income.

History: Originally enacted in 1988 as a 100% exclusion. Amended in 1997 to limit the income exclusion to prizes of less than \$600 (effective 1/1/98). Amended in 1998 to restrict the exclusion to Idaho State Lottery winnings.

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

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

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

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

Description: Amounts paid to individuals from the United States Civil Liberties Public Education fund.

History: Enacted in 1989.

1.2.09 Marriage Penalty Deduction *Idaho Code 63-3022N*

Description: Idaho joint income tax returns are given an additional standard deduction amount equal to double the single standard deduction less the joint deduction. This deduction is not available to returns that claim itemized deductions. Beginning in 2003 the federal standard deduction for joint filers will be twice the standard deduction for single filers, which will eliminate the Idaho Marriage Penalty deduction.

History: Enacted in 1999 at a level of \$150. Amended in 2000 to make it the difference between the joint standard deduction and two times the single standard deduction. Eliminated in 2003 by federal tax policy.

SALES AND USE TAX DETAIL

The following sales tax expenditures can be divided into four broad categories: 2.1.01 through 2.1.29 cover sales tax expenditures that are related to the specific uses of goods and services; 2.2.01 through 2.2.15 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, 2020. 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. Amended in 2009 to extend this exemption to 2020.

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 \$6 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. Amended in 2009 to lower minimum freeway interchange project size from \$8 million to \$6 million.

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