

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

General Fund Revenue Book

**FY 2012 Executive Budget
January 2011**

- Economic Forecast
- Revenue Projections
- Tax Structure

Prepared by the Division of Financial Management

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INTRODUCTION

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

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

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

The major foundation of the IEM is economic base theory. Idaho's economy can be divided into "basic" and "domestic" activities (also known as "export" and "residential"). The basic activities, such as agriculture, forestry, mining, manufacturing, tourism, and exported services are characterized by a major dependence on external forces; while domestic activities like construction, trade, local services, and public utilities are characterized by a dependence on influences from within Idaho. 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 2011 *Idaho Economic Forecast*,

a publication produced by the

Division of Financial Management.

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EXECUTIVE SUMMARY

After suffering a weak year in 2010, Idaho's economy should take small steps toward a recovery in 2011. Idaho nonfarm employment shrank 1.3% in 2010. It is forecast to grow 1.0% this year. It is then expected to grow about 2.7% through 2014. At that pace, it finally clears its 2007 peak by about 2,600 jobs in 2014. The combined services and trade sectors are expected to make a disproportionately positive impact on employment. Although they account for about two-thirds of existing nonfarm jobs, they will account for over 80% of the jobs created over the forecast period. Goods-producing employment is anticipated to be a mixed bag. Manufacturing employment is forecast to expand in every year beginning with 2011. It should be noted that the state's high-tech sector's employment is projected to remain stable over the next few years, which is a vast improvement from the declines it experienced through the first decade of the new millennium. Mining should also advance over the forecast period. Construction employment should take longer to recover, posting its first gain in 2012. Recovering employment should help Idaho nominal personal income growth accelerate over the forecast period. Specifically, it increases 3.1% in 2011, 4.4% in 2012, 5.1% in 2013, and 6.1% in 2014. Idaho real personal income grows 1.7% in 2011, 2.7% in 2012, 3.3% in 2013, and 4.0% in 2014 in this forecast.

The national economy has been expanding since the third quarter of 2009, but it could do better. In order for it to shift into higher gear, consumers must be willing to spend more freely. Consumers have several reasons to be cautious. The lack of jobs remains one of the most frustrating features of the economy. Well over a year after the official end to the recession, the nation's unemployment rate is near 10% and the underemployment rate is about 17%. Consumers have also experienced a stretch of tight credit and watched their household finances deteriorate. One of the reasons for the drop was the housing price collapse. Consumers will spend more when they regain confidence in employment, but firms will not feel very confident in hiring more people until the economy starts growing faster. The virtuous circle necessary to drive spending and employment up strongly together has yet to develop. The need to hire appears to exist; productivity growth has been strong, suggesting those with jobs could use some additional help. Uncertainty about expiring 2001 federal tax cuts may have kept both consumers and businesses on the fence. Fortunately, this matter was settled late last year. It is hoped the end of this uncertainty will help transform the vicious cycle into a virtuous one where hiring and spending reinforce each other. This turnaround will be gradual. National nonfarm employment is forecast to grow 1.0% this year and 1.8% annually in the remaining years of the forecast. At that pace, it will take until 2014 to regain all of the jobs lost since the 2008 peak. No doubt some will be disappointed with the recovery. Indeed, things could be better. However, the economy is moving in the right direction. And even the smallest steps forward puts the worst downturn since the Great Depression further behind us.

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
U.S. GDP (BILLIONS)												
Current \$	11,142	11,868	12,638	13,399	14,062	14,369	14,119	14,645	15,172	15,831	16,527	17,364
% Ch	4.7%	6.5%	6.5%	6.0%	4.9%	2.2%	-1.7%	3.7%	3.6%	4.3%	4.4%	5.1%
2005 Chain-Weighted	11,841	12,264	12,638	12,976	13,229	13,229	12,881	13,234	13,532	13,921	14,298	14,742
% Ch	2.5%	3.6%	3.1%	2.7%	1.9%	0.0%	-2.6%	2.7%	2.3%	2.9%	2.7%	3.1%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	36,065	39,545	42,197	46,253	49,117	50,376	48,944	50,402	51,957	54,223	56,969	60,423
% Ch	3.3%	9.6%	6.7%	9.6%	6.2%	2.6%	-2.8%	3.0%	3.1%	4.4%	5.1%	6.1%
Idaho Nonfarm (Millions)	35,242	38,210	41,022	45,163	47,538	48,555	47,716	48,895	50,429	52,682	55,429	58,877
% Ch	4.1%	8.4%	7.4%	10.1%	5.3%	2.1%	-1.7%	2.5%	3.1%	4.5%	5.2%	6.2%
U.S. (Billions)	9,378	9,937	10,486	11,268	11,912	12,391	12,175	12,503	12,900	13,409	13,999	14,787
% Ch	3.5%	6.0%	5.5%	7.5%	5.7%	4.0%	-1.7%	2.7%	3.2%	3.9%	4.4%	5.6%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	38,112	40,722	42,192	45,013	46,527	46,194	44,798	45,335	46,116	47,380	48,921	50,863
% Ch	1.3%	6.8%	3.6%	6.7%	3.4%	-0.7%	-3.0%	1.2%	1.7%	2.7%	3.3%	4.0%
Idaho Nonfarm (Millions)	37,243	39,347	41,017	43,953	45,032	44,523	43,675	43,980	44,760	46,034	47,599	49,561
% Ch	2.1%	5.7%	4.2%	7.2%	2.5%	-1.1%	-1.9%	0.7%	1.8%	2.8%	3.4%	4.1%
U.S. (Billions)	9,911	10,233	10,485	10,966	11,284	11,362	11,144	11,246	11,450	11,717	12,022	12,447
% Ch	1.4%	3.3%	2.5%	4.6%	2.9%	0.7%	-1.9%	0.9%	1.8%	2.3%	2.6%	3.5%
HOUSING STARTS												
Idaho	16,393	18,674	23,410	19,553	14,379	7,988	5,674	5,275	6,840	11,266	13,987	15,372
% Ch	23.9%	13.9%	25.4%	-16.5%	-26.5%	-44.4%	-29.0%	-7.0%	29.7%	64.7%	24.2%	9.9%
U.S. (Millions)	1,854	1,950	2,073	1,812	1,342	0,900	0,554	0,604	0,783	1,210	1,408	1,592
% Ch	8.4%	5.2%	6.3%	-12.6%	-25.9%	-32.9%	-38.4%	9.0%	29.7%	54.6%	16.4%	13.0%
TOTAL NONFARM EMPLOYMENT												
Idaho	572,545	588,052	611,681	638,834	656,219	648,875	610,403	602,249	608,472	624,890	642,419	658,847
% Ch	0.8%	2.7%	4.0%	4.4%	2.7%	-1.1%	-5.9%	-1.3%	1.0%	2.7%	2.8%	2.6%
U.S. (Thousands)	129,996	131,419	133,694	136,086	137,588	136,777	130,911	130,246	131,551	133,981	136,458	138,946
% Ch	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.3%	-0.5%	1.0%	1.8%	1.8%	1.8%
SELECTED INTEREST RATES												
Federal Funds	1.1%	1.3%	3.2%	5.0%	5.0%	1.9%	0.2%	0.2%	0.1%	1.3%	3.4%	3.6%
Bank Prime	4.1%	4.3%	6.2%	8.0%	8.1%	5.1%	3.3%	3.3%	3.3%	4.3%	6.4%	6.6%
Existing Home Mortgage	5.7%	5.7%	5.9%	6.6%	6.5%	6.2%	5.1%	4.9%	4.6%	5.2%	6.2%	6.3%
INFLATION												
GDP Price Deflator	2.2%	2.8%	3.3%	3.3%	2.9%	2.2%	0.9%	1.0%	1.3%	1.4%	1.6%	1.9%
Personal Cons Deflator	2.0%	2.6%	3.0%	2.7%	2.7%	3.3%	0.2%	1.8%	1.3%	1.6%	1.8%	2.0%
Consumer Price Index	2.3%	2.7%	3.4%	3.2%	2.9%	3.8%	-0.3%	1.7%	1.5%	1.9%	2.0%	2.2%

National Variables Forecast by IHS GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2010

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2011

	2010				2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	14,446	14,579	14,730	14,826	14,977	15,089	15,225	15,397	15,570	15,742	15,914	16,098
% Ch	4.8%	3.7%	4.2%	2.6%	4.2%	3.0%	3.6%	4.6%	4.6%	4.5%	4.5%	4.7%
2005 Chain-Weighted	13,139	13,195	13,261	13,342	13,413	13,480	13,563	13,672	13,765	13,873	13,972	14,075
% Ch	3.7%	1.7%	2.0%	2.5%	2.2%	2.0%	2.5%	3.2%	2.8%	3.2%	2.9%	3.0%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	49,756	50,200	50,581	51,072	51,412	51,696	52,148	52,572	53,216	53,887	54,543	55,244
% Ch	5.1%	3.6%	3.1%	3.9%	2.7%	2.2%	3.5%	3.3%	5.0%	5.1%	5.0%	5.2%
Idaho Nonfarm (Millions)	48,315	48,863	49,055	49,348	49,732	50,164	50,649	51,173	51,663	52,319	53,006	53,742
% Ch	4.2%	4.6%	1.6%	2.4%	3.2%	3.5%	3.9%	4.2%	3.9%	5.2%	5.4%	5.7%
U.S. (Billions)	12,350	12,474	12,540	12,647	12,749	12,841	12,944	13,067	13,187	13,329	13,481	13,640
% Ch	3.7%	4.1%	2.1%	3.5%	3.3%	2.9%	3.2%	3.9%	3.7%	4.4%	4.6%	4.8%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	44,865	45,271	45,500	45,705	45,846	45,979	46,220	46,417	46,786	47,194	47,570	47,971
% Ch	3.0%	3.7%	2.0%	1.8%	1.2%	1.2%	2.1%	1.7%	3.2%	3.5%	3.2%	3.4%
Idaho Nonfarm (Millions)	43,566	44,065	44,127	44,162	44,349	44,617	44,892	45,182	45,420	45,820	46,229	46,667
% Ch	2.0%	4.7%	0.6%	0.3%	1.7%	2.4%	2.5%	2.6%	2.1%	3.6%	3.6%	3.8%
U.S. (Billions)	11,136	11,249	11,280	11,318	11,369	11,421	11,473	11,537	11,594	11,674	11,757	11,845
% Ch	1.6%	4.1%	1.1%	1.4%	1.8%	1.9%	1.8%	2.3%	2.0%	2.8%	2.9%	3.0%
HOUSING STARTS												
Idaho	6,717	5,574	3,601	5,207	5,523	6,093	7,374	8,371	9,454	10,690	12,055	12,866
% Ch	36.2%	-52.6%	-82.6%	337.1%	26.5%	48.1%	114.6%	66.1%	62.7%	63.5%	61.7%	29.8%
U.S. (Millions)	0.617	0.602	0.589	0.607	0.644	0.718	0.824	0.946	1.083	1.184	1.269	1.305
% Ch	42.6%	-9.4%	-8.2%	12.6%	26.9%	54.3%	73.1%	73.6%	72.0%	42.7%	32.2%	11.9%
TOTAL NONFARM EMPLOYMENT												
Idaho	602,991	603,899	600,862	601,247	603,327	606,354	610,159	614,048	618,002	622,469	627,070	632,021
% Ch	-2.2%	0.6%	-2.0%	0.3%	1.4%	2.0%	2.5%	2.6%	2.6%	2.9%	3.0%	3.2%
U.S. (Thousands)	129,697	130,392	130,339	130,558	130,850	131,281	131,728	132,344	132,970	133,648	134,324	134,982
% Ch	0.2%	2.2%	-0.2%	0.7%	0.9%	1.3%	1.4%	1.9%	1.9%	2.1%	2.0%	2.0%
SELECTED INTEREST RATES												
Federal Funds	0.1%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.3%	0.7%	1.6%	2.5%
Bank Prime	3.3%	3.3%	3.3%	3.3%	3.3%	3.2%	3.3%	3.3%	3.3%	3.7%	4.6%	5.5%
Existing Home Mortgage	5.1%	5.1%	4.8%	4.6%	4.5%	4.5%	4.5%	4.8%	5.0%	5.1%	5.2%	5.6%
INFLATION												
GDP Price Deflator	1.0%	1.9%	2.3%	0.0%	2.0%	1.0%	1.1%	1.3%	1.8%	1.3%	1.5%	1.6%
Personal Cons Deflator	2.1%	0.0%	1.0%	2.1%	1.4%	1.1%	1.4%	1.5%	1.7%	1.6%	1.7%	1.8%
Consumer Price Index	1.5%	-0.7%	1.5%	2.7%	1.4%	1.1%	1.7%	1.9%	2.1%	1.9%	2.0%	2.1%

National Variables Forecast by IHS GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2010

NATIONAL FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2010 through the Fourth Quarter of 2014

The national economy has been expanding since the third quarter of 2009, but it could do better. Since that time, real output has grown faster than 3.0% in just two quarters. In order for it to shift into higher gear, consumers must be willing to spend more freely. Unfortunately, in the U.S. economy, where the consumer is king, the king is not in the mood to spend. The University of Michigan consumer sentiment index hit a record low of 63.8 in 2008. Two years later it was 71.1, which was still well below average.

Consumers have several reasons to be cautious. The lack of jobs remains one of the most frustrating features of the economy. Well over a year after the official end to the recession, a couple of measures reveal why job seekers are disappointed. As of October 2010, the nation's unemployment rate was near 10% and the underemployment rate was about 17%. Consumers have also experienced a stretch of tight credit and watched their household finances deteriorate. For example, after peaking in 2007, U.S. household net worth declined by \$10.6 trillion by 2009. One of the reasons for the drop was the housing price collapse. Since 2006, the average price for an existing home in the U.S. has declined nearly 20.0%.

Consumers and businesses are stuck in an economic "Catch-22." Consumers will spend more when they regain confidence in employment, but firms will not feel very confident in hiring more people until the economy starts growing faster. The virtuous circle necessary to drive spending and employment up strongly together has yet to develop. The need to hire appears to exist; productivity growth has been strong, suggesting those with jobs could use some additional help. Both consumers and businesses had concerns about the expiration of the 2001 federal tax cuts. Fortunately, this matter was settled late last year. It is hoped the end of this uncertainty will help transform the vicious cycle into a virtuous one where hiring and spending reinforce each other.

Another positive is the nation's long-suffering housing sector should improve in 2012. After five tumultuous years, housing prices are expected to begin rising again. New housing starts, which had fallen below one million units since 2008, are projected to clear 1.2 million units next year. Sales of existing homes should once again top five million units in 2012.

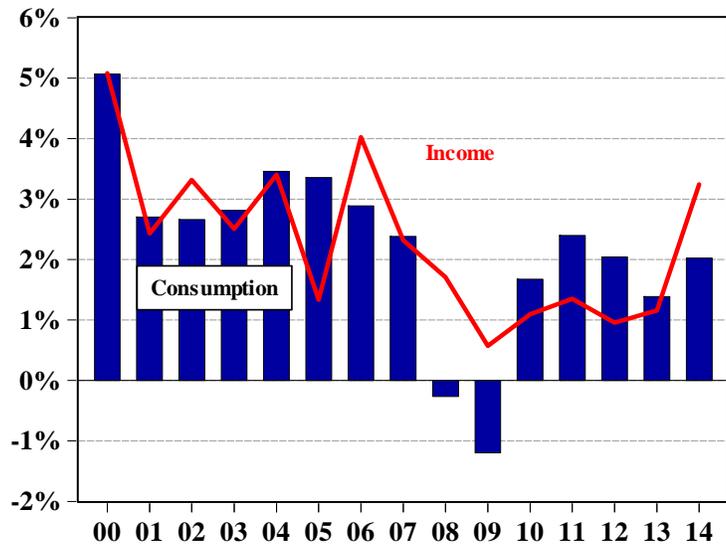
The road back to economic prosperity will be gradual. National nonfarm employment is forecast to grow 1.0% this year and 1.8% annually in the remaining years of the forecast. At that pace, it will take until 2014 to regain all of the jobs lost since the 2008 peak. The unemployment rate is expected to be 7.9% in 2014, which is above the level consistent with full employment. Real disposable income should gradually improve, and this will help real consumer spending to slowly expand. Consumers' moods should be lifted by anticipated growth of household net worth. Business investment was strong in 2010, but this did not translate to much hiring because most companies were spending to increase the efficiency of their operations, not to increase capacity. It should be more balanced in the future, and the good news is companies have lots of cash on hand to make these investments.

No doubt some will be disappointed with the recovery. Indeed, things could be better. However, the economy is moving in the right direction. And even the smallest steps forward puts the worst downturn since the Great Depression further behind us.

SELECTED NATIONAL ECONOMIC INDICATORS

Consumer Spending: It appears real consumer spending made a positive turn in 2010, but the recovery will be gradual. Consumers tightened their belts during the recession, causing spending to shrink 0.3% in 2008 and 1.2% in 2009. This period is the only time during the last half century spending has declined in two consecutive years. As a result, this single-largest component of GDP was actually a drag on the U.S. economy. It is estimated real spending grew 1.7% last year, which made it a contributor to real GDP once again. While welcome, this growth is low by historical standards. One of the reasons for this low growth is after having come through the worst downturn since the Great Depression, consumers are understandably cautious. Their mood shifts can be mapped by the changes in the University of Michigan consumer sentiment index. After peaking at 95.2 in 2004, the index drifted down to 85.6 in 2007. It then plunged to 63.8—its lowest level on record in 2008. It increased slightly to 66.3 the next year, but it was still about 20 points lower than the 50-year average. Consumers have a right to be nervous given the recent drop in household net worth, tight credit, and the weak job market. After peaking in 2007, U.S. household net worth declined by \$10.6 trillion by 2009. Over this period it dropped from being over six times disposable income to under five times disposable income. The ratio of monthly financial obligation to disposable personal income slipped from almost 19% to 18%, as credit dried up and consumers reined in spending. And despite the recession being officially over since June 2009, the unemployment remains near 10%. At present, consumers' hesitancy to spend and businesses' reluctance to hire are reinforcing each other. Consumers and businesses are stuck in a vicious cycle. Consumers will spend more when they regain confidence in employment, but firms will not feel very confident in hiring more people until the economy starts growing faster. The virtuous circle necessary to drive spending and employment up strongly together has yet to develop. Real consumer spending accounts for 70% of GDP, and it has dampened the prospects for GDP growth. Firms have been holding on to their cash, waiting for market and public policy uncertainties to be resolved before making new and hard-to-reverse investment and hiring decisions. A major uncertainty had been the expiration of the 2001 federal tax cuts. It was resolved late last year. This resolution will help turn the vicious cycle into a virtuous one. However, it will take time for the current cycle to reverse direction. Real consumer spending is forecast to increase 1.7% in 2010, 2.4% in 2011, 2.0% in 2012, 1.4% in 2013, and 2.0% in 2014.

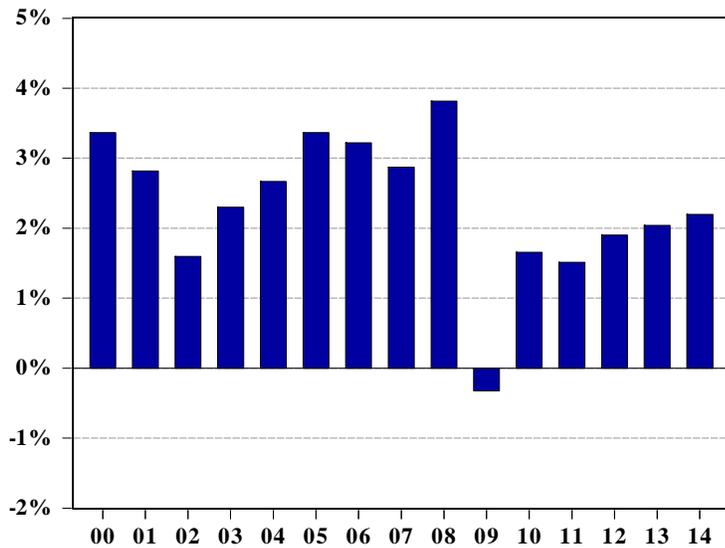
U.S. Real Consumption and Disposable Income Growth



Source: IHS Global Insight

Inflation: Inflation is expected to remain tame over the forecast period. Indeed, core inflation (total inflation less food and energy) barely has a pulse. It was reported that core inflation in October 2010 was just 0.6% higher than in the previous October. The change is the smallest 12-month increase since the inception of this concept in 1957. The primary reason for the low core inflation is low employment costs. It is estimated these costs grew just 2.0% in 2010, which is virtually the same as in 2009. Interestingly, one part of these costs, wages and salaries, actually grew just 1.6%, the result of the slack labor market. Other components grew faster. Benefits, fueled by health insurance increases, advanced

Consumer Price Inflation



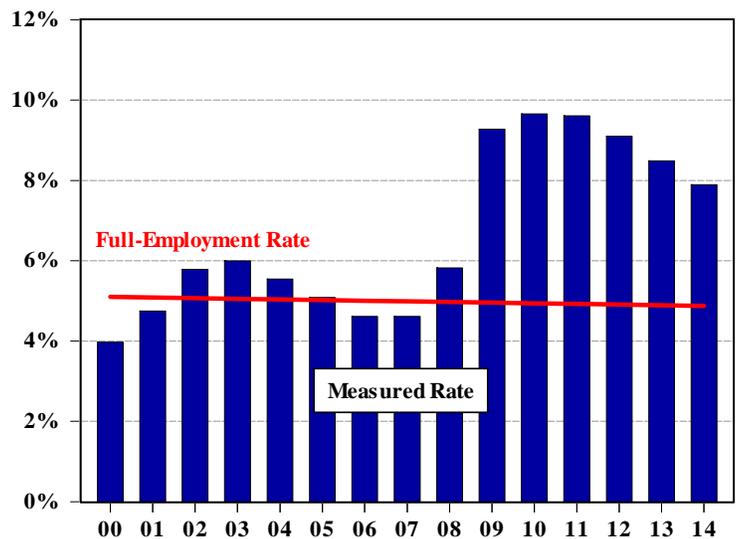
Source: IHS Global Insight

2.6% last year. Health insurance increased nearly 5.0%. Employment costs are expected to simmer slowly over the forecast period, but not boil. As the unemployment rate gradually retreats, employment costs are forecast to grow 2.0% this year, 2.1% next year, 2.3% in 2013, and 2.7% in 2014. Core inflation grows slightly slower. It is expected to be 1.3% in 2011, 1.7% in 2012, 1.9% in 2013, and 2.2% in 2014. Adding food and energy prices back into the core gives overall consumer inflation. It is forecast to be 1.5% in 2011, 1.9% in 2012, 2.0% in 2013, and 2.2% in 2014. This measure's slightly faster pace compared to core inflation is caused by sporadic boosts in food and energy prices. For example, food prices are expected to jump 2.4% in 2011 after

being almost flat the previous year. Food inflation is well below 2.0% in the next two years. Energy prices, which increased 9.1% in 2010, are forecast to grow just 1.6% in 2011. However, energy prices recover after next year, growing 5.0% in 2012, 3.7% in 2013, and 2.6% in 2014. Part of the reason for these gains is gasoline prices are projected to be \$2.96 per gallon in 2011, \$3.12 per gallon in 2012, \$3.24 per gallon in 2013, and \$3.34 per gallon in 2014. In turn, these gasoline prices reflect the rise in oil prices from \$78.67 per barrel in 2010 to \$96.27 per barrel in 2014.

Employment: Saying the U.S. labor market is telegraphing mixed signals is an understatement. October's job report was solid, although not spectacular. According to initial estimates, private payrolls climbed by 159,000 jobs—the fourth consecutive month of 100,000-plus gains, as well as the 10th consecutive month in the black. The data showed private payrolls have climbed by 1.12 million since December 2009. Despite these gains, the unemployment rate remained at 9.6%, as both household employment and the labor force retreated. Expectations were whipsawed the following month. Most economists were anticipating total (private and government) nonfarm payrolls to grow by well over a 100,000 jobs in November. Unfortunately, the economy failed to deliver. Instead, it managed to eke out just 39,000 jobs in November, and the unemployment rate increased to 9.8%. One of the biggest surprises was the 28,000-job decline in retail employment at a time when establishments were expected

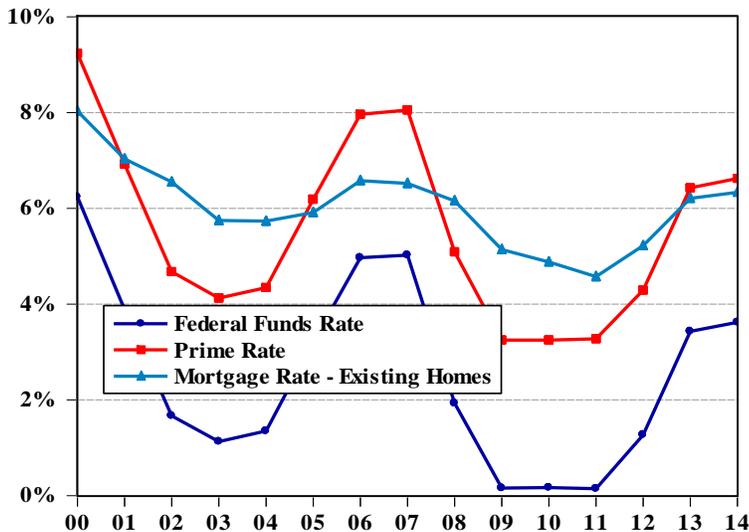
U.S. Civilian Unemployment Rate



Source: IHS Global Insight

to be hiring for the holiday shopping season. While some have tried to put a positive spin on the labor situation, November's report reinforces the outlook for a drawn out job recovery. National nonfarm employment is expected to expand 1.0% in 2011 and 1.8% in each of the remaining years of the forecast. At this clip, nonfarm employment does not surpass its previous peak until early 2014 and the unemployment rate takes even longer to recover. It is expected to be 7.6% at the end of 2014, which is over 2.5 percentage points higher than it was at the start of the recession and well above the threshold consistent with full employment. Due to the gradual labor recovery, employment costs will grow slowly over the forecast period.

Selected U.S. Interest Rates



Source: IHS Global Insight

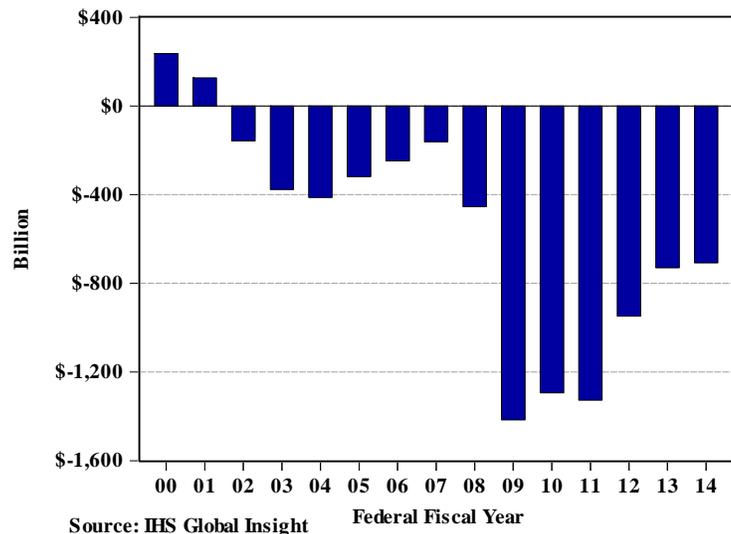
Financial Markets: The economic growth outlook is worse than the Federal Reserve has been assuming, and the deflation risks are greater. In response, the Fed launched a new \$600-billion program of Treasury purchases at its November meeting. This move had been largely anticipated. The biggest effects of this second round of quantitative easing—driving down long-term interest rates and the dollar—are probably already in the market, so it is not expected to give a major boost to growth. But it is, at present, the only policy game in town. Chairman Bernanke's plan goes as follows. Purchase \$600 billion worth of longer term Treasury bills by raising the reserves of member banks. This move drives the price of these financial

instruments. Since prices and interest rates move in opposite directions, longer term interest rates should decline. Ordinarily such a move would fuel inflationary pressures because banks would lend the increased reserves and this would increase aggregate demand. However, there are several reasons Chairman Bernanke believes inflation will not be a problem. First, banks have been sitting on reserves, not lending them. According to the Federal Reserve Bank of New York, member banks have nearly a trillion dollars in excess reserves. Second, there is enough idle capacity in the economy available to supply any increase in demand. Third, the Federal Reserve can tolerate a little inflation because it would help regain the use of other policy tools. For example, the federal funds rate is virtually zero, so it cannot be lowered further to help the economy. Higher inflation would allow more room to move this bellwether short-term rate. Indeed, this forecast assumes the central bank will not move interest rates until March 2012. Fourth, with inflation low and the economy soft, the Federal Reserve is worried about deflation. Fifth, the central bank believes it has the tools necessary to contain inflation if it does start to heat up.

Government: As the November 2010 national economic forecast was being prepared, Congress had not dealt decisively with the expiring provisions of the *Economic Growth and Tax Relief Reconciliation Act of 2001*. Several assumptions were made regarding fiscal policy. All of the tax cuts would be extended on a temporary basis. It was assumed tax increases for high earners would be delayed until 2012. On December 17, 2010, President Obama signed the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* into law. The bill contained some of the following provisions: a two-year

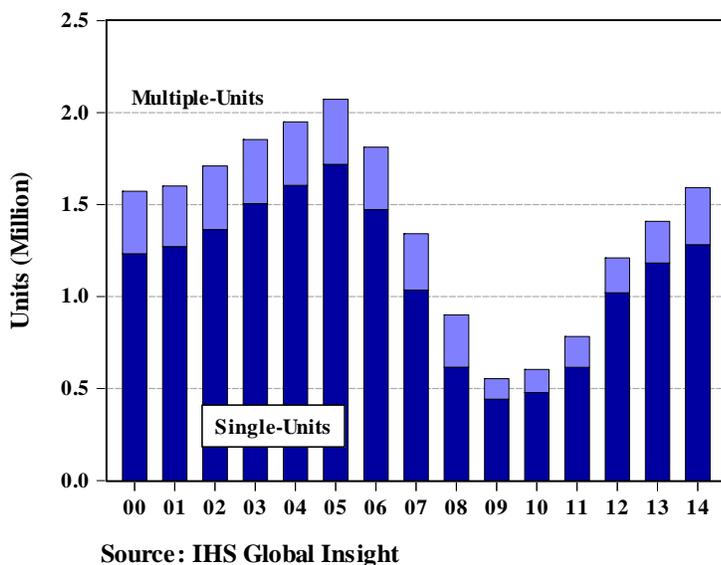
extension of the Bush-era individual income tax cuts; a temporary fix to the Alternative Minimum Tax; an extension of the research and development credit; and an expanded incentive for business investment in the form of 100% upfront depreciation in 2011 for equipment and software. The “Making Work Pay” tax credit expired in 2010. However, there is a one-year reduction in the employee Social Security contribution rate of two percentage points. In the state and local government sector, tax revenues are down sharply, but beginning to stabilize. Federal support for current spending has been extended through \$26 billion in additional aid, and support from the initial ARRA is still coming through. The outlook for the state and local government sector calls for roughly flat spending and future employment declines.

U.S. Federal Government Surplus Unified Basis



Housing: Conditions in the housing market remain poor. Housing starts fell to their lowest level in 18 months in October, as multi-family starts plunged. The news on permits was not as bad as for starts. Single-family housing permits—perhaps the best indicator of housing activity—edged slightly higher after six straight declines. Multi-family permits were essentially flat. Existing home sales improved in August and September, but this market remains extremely weak. The Pending Home Sales Index slipped 1.8% in September, while the Mortgage Bankers Association’s Purchases Index has remained flat since May, indicating that existing home sales are unlikely to have improved in October and November. New home sales were also stuck near the bottom in September. Real spending on residential fixed investment,

U.S. Housing Starts

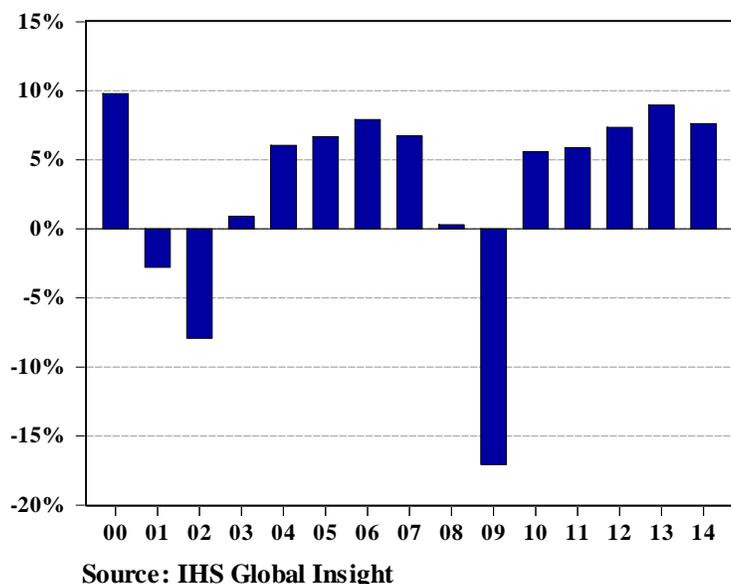


boosted by the homebuyers’ tax credit, jumped 26% in the second quarter. But in the third quarter, it gave these gains back, tumbling 29% to its lowest level since the first quarter of 1983. As a share of GDP, it fell to a postwar low. Home prices fell in nearly half of U.S. metropolitan areas during the third quarter, according to the National Association of Realtors, more evidence that the market is losing steam without government tax credits. The seasonally adjusted homeownership rate slipped 0.2 percentage point, to 66.7%—its lowest reading since the second quarter of 1999. The key for housing going forward is employment growth. New jobs will require that new homes be built nearby. More important, the household

formation rate will pick up once job growth takes off. Increases in the household formation rate will then reduce the housing glut, which will stimulate new construction. Overall, the economy is expected to add about 900,000 jobs during 2010, followed by 1.8-million more in 2011 and 2.6-million more in 2012. These jobs will help housing starts bounce back from a postwar low of 554,000 units in 2009 to 604,000 units in 2010, 783,000 units in 2011, and 1.21 million in 2012. Housing prices are projected to drop further because the foreclosure rate is still rising and the housing glut remains near a record high. The Federal Housing Finance Agency house price index (purchase only) should fall another 9% from its second-quarter 2010 level, hitting bottom in the first half of 2011. The 30-year fixed interest mortgage rate is expected to remain low by historical standards for quite a while. It should stay below 5.0% until the second half of 2012. Also, this forecast assumes that the recent freeze on foreclosures by some banks reduces sales by about 200,000 units (annual rate) in the fourth quarter, but raises sales by a corresponding amount in the first half of 2011, as banks lift the freeze.

Business Investment: The forecast for overall business investment masks big differences in the outlooks for its components. Real nonresidential fixed investment is expected to increase 5.9% this year, 7.3% next year, 9.0% in 2013, and 7.6% in 2014. However, a closer look reveals how growth will vary by sector. Healthy corporate balance sheets, low financing costs, order backlogs, and the need to replace aging equipment should keep equipment and software (E&S) investment humming for a while. However, since some categories such as agricultural and construction equipment have been climbing at unsustainable rates, and because demand for high-technology equipment appears to be slowing, growth is expected to be moderate. The forecast is for broad-based, double-digit growth in E&S investment during 2010 and 2011, but “only” 9% growth in 2012, adding about 0.8 percentage point to GDP growth on average during these three years. The composition of spending is anticipated to change. Spending on information equipment and software, which accounted for 60% of E&S investment at the end of 2009, should account for about 51% by the end of 2013. Transportation equipment’s share, on the other hand, is projected to nearly double during these years, from 8% in 2009 to 15.5% in 2013. The future for structures is not as bright. The outlook for nonresidential structures is for another year of painful declines. Spending on nonresidential structures is expected to hit bottom in the fourth quarter of 2011. The decline is broad-based and deep. Manufacturing should plummet 31% in 2010 and 20% in 2011. Commercial and healthcare is projected to drop 26% in 2010. “Other structures” (which includes education, recreation, religious, and lodging structures) should also drop 26% in 2010. Real spending declines in structures moderate from 13.8% in 2010 to 6.7% in 2011.

Real Business Investment



IDAHO FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2010 through the Fourth Quarter of 2014

The outlook for Idaho's economy has changed little since October 2010. Namely, after suffering a weak year in 2010, the economy should take small steps toward a recovery in 2011. Growth should accelerate after that year, but it is not expected to gallop. Idaho nonfarm employment shrank 1.3% in 2010. It is forecast to grow 1.0% this year. It is then expected to grow about 2.7% through 2014. At that pace, it finally clears its 2007 peak by about 2,600 jobs in 2014.

Once it is under way, the state's employment recovery should be balanced. Leading the charge will be the services and trade sectors. Their return to growth is especially important because these sectors combined are the largest share of the state's economy. Services employment is expected to grow about 2.0% this year followed by about 3.0% annual growth through 2014. Trade employment will grow more slowly, about 2.4% in each year of the forecast. The combined services and trade sectors are expected to make a disproportionately positive impact on employment. Although they account for about two-thirds of existing nonfarm jobs, they will account for over 80% of the jobs created over the forecast period.

Goods-producing employment is anticipated to be a mixed bag. Manufacturing employment is forecast to expand in every year beginning with 2011. Over the next few years it will add nearly 7,000 jobs. While this is a welcome change from recent losses, it will fall short of its 2007 peak of 68,100 jobs. It should be noted that the state's high-tech sector's employment is projected to remain stable over the next few years, which is a vast improvement from the declines it experienced through the first decade of the new millennium. Mining should also advance over the forecast period. Actually, it has already started. It added about 100 jobs in 2010. There should be about 2,700 mining jobs in 2014, which is much more than the recent low of 2,200 jobs in 2009.

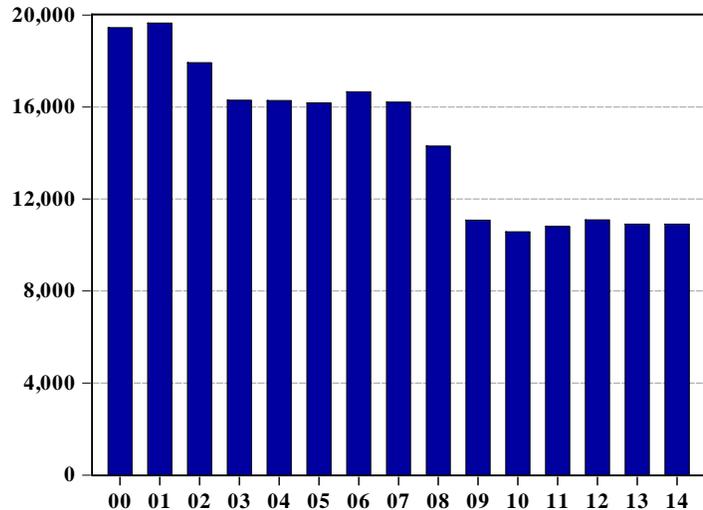
Two exceptions worth noting are housing and construction. In the previous forecast, it was predicted that Idaho housing starts would begin recovering in the second half of 2010. Specifically, they would bounce from 5,700 annual units in the second quarter to 6,900 annual units in the third quarter. New data show this did not occur. Housing starts actually dropped to 3,600 annual units in the third quarter—their lowest level since the first quarter of 1989. Because of this decline, the forecast for housing starts has been lowered from the previous forecast. The construction employment forecast has also been reduced. Instead of averaging 3.3% annual growth through 2014, construction employment grows 2.9% per year. As a result, there are 1,100 fewer jobs in 2014 in the current forecast compared to the previous one.

Idaho nominal personal income also expands gradually over the forecast period. Last year's employment decline held personal income growth to an estimated 3.0%. Recovering employment should help income growth accelerate over the forecast period. Specifically, it increases 3.1% in 2011, 4.4% in 2012, 5.1% in 2013, and 6.1% in 2014. Idaho real personal income grows 1.7% in 2011, 2.7% in 2012, 3.3% in 2013, and 4.0% in 2014 in this forecast.

SELECTED IDAHO ECONOMIC INDICATORS

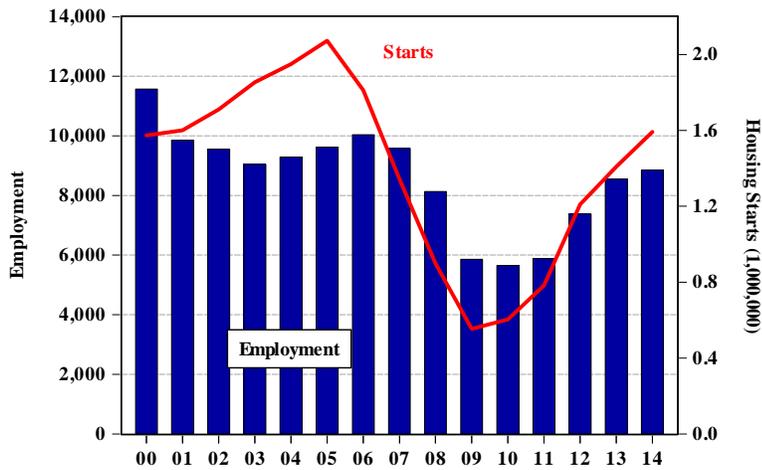
Computer and Electronics: Idaho computer and electronics employment has been whipsawed over the last two decades. During the 1990s, this sector was one of Idaho's strongest and most consistent job engines. Over the period from 1991 to 2000, this sector's employment increased an average of 7% annually, which far exceeded the 4% pace for total nonfarm employment. Thanks to this growth, the sector became the Gem State's largest manufacturing employer in 1997 and in 2000 it accounted for 3.5% of the state's total job base. Employment peaked at 19,700 jobs in 2001. It was knocked off this perch by the high-tech implosion; employment fell by 9% in both 2002 and 2003. But these declines were just the start. This sector shed jobs in six of the next seven years, with the most severe declines coming in 2008 (11.8%) and 2009 (22.5%). After the dust had settled there were about as many jobs at the end of 2009 as there were in 1991. It returned the title of the state's largest manufacturing employer to the food processing sector in 2008. And its share of total employment had shrunk from a peak of 3.5% at the decade's start to 1.8% in 2010. But it appears the worst is behind this sector. There are several reasons for guarded optimism about this sector's outlook. First, Micron Technology is once again in the black. The company has also made moves to diversify, which should make it less vulnerable to future downturns. For example, the company beefed up its product line by acquiring Numonyx. This Swiss company produces NOR memory which is used in the fast growing mobile devices markets. The company has also diversified its business by leveraging its decades of manufacturing expertise in developing new solar power technology with Australian-based Origin Energy. The new company, Transform Solar, already employs 70 workers and plans to add another 50. Other high-tech companies are also making positive changes. Hewlett-Packard announced it is lifting its freeze on raises. ON Semiconductor employs 630 workers in Pocatello. It recently announced it was undertaking an \$11 million expansion that should bring more jobs to the Gateway City. Idaho is also participating in the green energy movement. Inovus Solar is a Boise-based renewable outdoor lighting company. It is a pioneer in the manufacturing of LED (light-emitting diode) lighting. The Ridgeline Energy and BP Wind Energy Goshen North Wind Farm is completed. Its 83 400-foot turbines are producing enough electricity for 37,000 homes. Exergy Development Group, GE Energy Financial Services, and Reunion Power are partners in the \$500-million Idaho Winds Project. The project is expected to employ 175 temporary construction employees and permanent workers. After several years of declines, Idaho computer and electronics sector employment is forecast to hover near 11,000 jobs through 2014.

Idaho Computer and Electronic Products Employment



Logging and Wood Products: Gem State logging and wood products employment is forecast to expand beginning this year, after suffering several years of decline. Fueling this turnaround is the expected demand for wood products from the recovering national housing sector. Housing starts are expected to increase nearly 30% this year, 55% next year, 16.4% in 2013, and 13.0% in 2014. In order to meet this

Idaho Wood Product Employment and U.S. Housing Starts

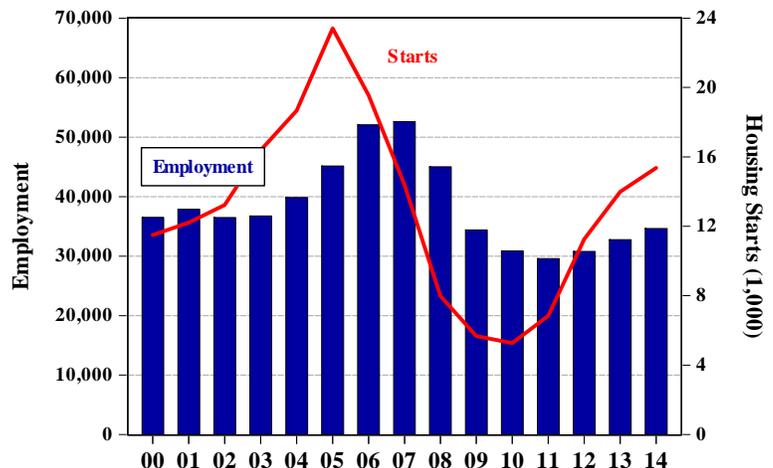


recovering demand, wood production is projected to increase 3.7% in 2011, 20.0% in 2012, 9.6% in 2013, and 3.0% in 2014. This anticipated strong demand will act as a countervailing force to supply factors that have exerted relentless downward pressures on logging and wood products employment. They include the dwindling supply of logs from national forests. According to the U.S. Forest Service, the timber harvest from Idaho national forests dropped from 172.0 million board feet in 1999 to 121.2 million board feet in 2008. The June 2008 edition of *Random Lengths Yardstick* reported there are about half as many mills in

the inland region as there were 20 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. Idaho lumber and wood products employment hit a trough of 5,700 jobs in 2010, which was about 40% below its 2006 peak of 10,000 jobs. It is projected to grow in each year of the forecast, but it is not fast enough to top its previous peak.

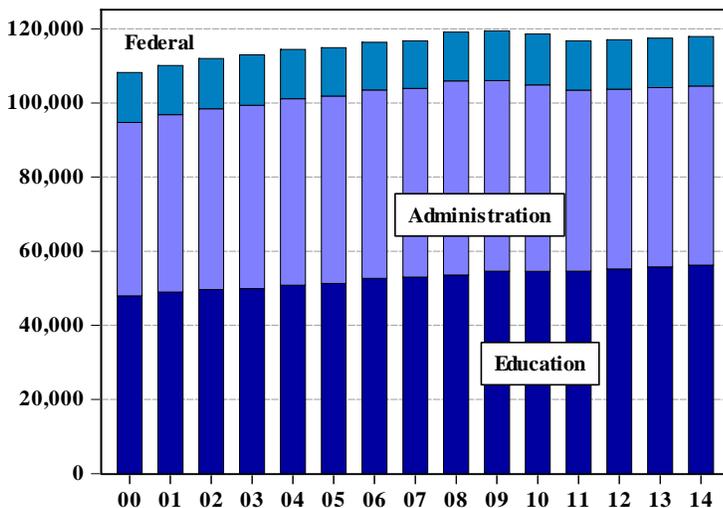
Construction: The construction sector is expected to be a latecomer to the state’s economic recovery. While manufacturing and mining are forecast to experience employment gains this year, construction is forecast to shed another 1,300 jobs in 2011. This year marks the fourth straight year its employment has dropped. These declines follow five consecutive years of strong growth. A look back at over the last few years provides a perspective of how high employment has grown and how much it has fallen. Housing starts heated up from 11,500 units in 2000 to a peak of 23,400 units in 2005. Construction employment had a longer fuse, but exploded from 36,700 jobs in 2003 to its peak of 52,100 jobs in 2007—an annual increase of 9.4%. At its peak, construction accounted for one of every twelve Idaho nonfarm jobs, up from one of every sixteen jobs in 2002. The construction sector’s decline has been steeper than its climb. It gained about 16,100 jobs in five years from its trough to peak, but lost more than 21,400 jobs just three years after the peak. It is expected to shrink another 1,300 jobs in 2011. After this year, construction employment is projected to gradually expand to 34,600 jobs by 2014. Again, some perspective is in order. Despite its

Idaho Construction Employment and Housing Starts



anticipated growth, construction employment comes nowhere close to regaining its previous peak. Instead, there are about as many jobs in 2014 as there were in 2009. Alternately, construction employment accounts for one out of every twenty jobs in 2014. The reason for this subdued performance is the housing sector recovery starts from an extremely low level. Idaho housing starts are forecast to bottom out at 5,300 units in 2010—its lowest annual level since 1989. Over the forecast period, housing starts will claw back to 15,400 units in 2014, which is slightly above where they were in 2007. It should be noted this outlook is slightly weaker than the one that presented in the previous forecast. It is lower because the housing recovery starts later and is not as strong as in the previous forecast. In October 2010, it was forecast housing starts would begin growing in the second half of 2010 and climb to 14,300 units by 2013. Recent data show that instead of rising in the third quarter of 2010, Idaho housing starts sank to 3,600 units, which were about 2,500 fewer units than was expected in October 2010. The third quarter’s drop has both lowered the starting point and trajectory of the housing forecast. There are projected to be 14,000 units in 2013, or 300 fewer than projected earlier.

Idaho Government Employment



Government: Slower population growth and tighter budgets caused Idaho state and local government employment to fall in 2010. And the negative impacts from these two factors are expected to linger long into the near future. State and local government employment is forecast to drop again in 2011 and remain flat in the forecast’s remaining years. The positive correlation between population and government employment growth is well established. This relationship exists because growing populations put more demands on government services, such as public schools and police protection. In Idaho, the largest swings in population come from net migration. For example, the state’s population increased 2.6% in

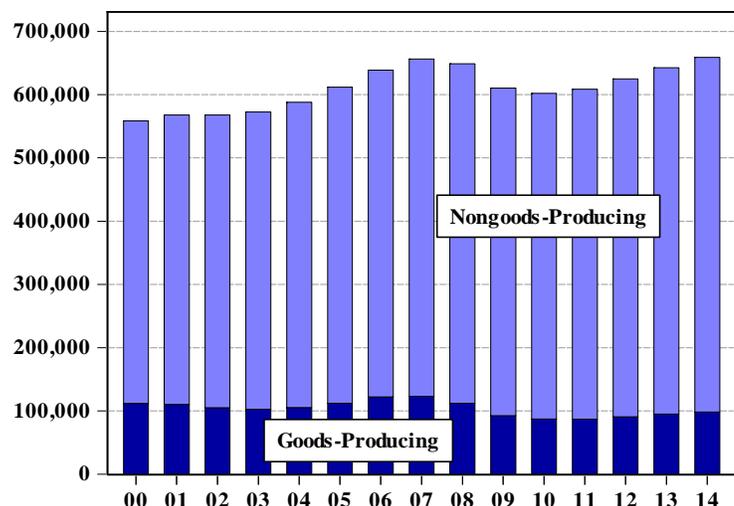
2006—its strongest annual gain for the decade. Nearly two-thirds of the increase came from net migration. The remainder was the amount of natural population growth, the amount of births over deaths. It is estimated the state’s population grew just 1.3% in 2010. In this slow-growth year, migration accounted for just about a quarter of all new Idahoans and natural population made up the remainder. Migration tapered off last year for two primary reasons. The first is the widespread economic downturn. One reason people move is to seek better opportunities. In the past, Idaho’s strong economy was a draw for newcomers. However, the Gem State’s economy was not spared the impact from the Great Recession, so it was less attractive to job seekers than in the past. Second, the housing crises prevented homeowners from moving because they could not sell their houses, even if jobs were available elsewhere. But weaker population growth was not the only reason for last year’s drop in state and local government employment. The drop also reflected the impact of falling government revenues. For example, the state’s General Fund revenues plunged 15.2% in FY 2009 and by another 8.2% in FY 2010. The pain from weak collections extends beyond state government because Idaho cities and counties participate in revenue sharing from the state sales tax. While there has been plenty of fiscal pain to go around, its impact was not uniform. Hardest hit was the noneducation sector whose job base shrank about 2% for the second year in a row in 2010. Education employment declined just 0.1%. Over

the forecast period, education employment is expected to fare better than noneducation employment. Specifically, education employment should gain about 1,700 jobs by 2014, while the noneducation sector's payroll is forecast to shed another 2,000 jobs. Thanks to the needs for the U.S. census, federal employment in Idaho actually grew last year by 2.1%. Hiring for this once-a-decade project bulged to a peak of 2,600 jobs in May 2010, which pushed total federal government employment in Idaho above 16,000 jobs. With the census now completed, federal employment is expected to have dropped to 13,500 jobs by the end of 2010. It should remain near this level over the forecast period.

Other Goods-Producing Sectors: Most of the state's other manufacturing sectors should see their employment start expanding again over the next two years. Food processing is the Gem State's largest manufacturing employer. This cornerstone industry shed about 450 jobs over the last two years. However, its job count is expected to grow in every year of the forecast. Its recovery will be slow at first, with a gain of 140 jobs in 2011. However, it should shift into higher gear after that year, growing by about 400 jobs in both 2012 and 2013 and by 300 jobs in 2014. Machinery employment took big hits in both 2009 and 2010. It is forecast to start expanding again this year, but it is not expected to regain its previous peak. Specifically, after four years of growth, there is expected to be about 2,600 jobs in this sector, or about 500 fewer jobs than in 2008. Instead of falling in 2010, Idaho metal fabrication employment was flat. It is forecast to expand faster than the machinery sector, so that by 2014 its employment is 5,300 jobs—or about 600 more jobs than in 2008. Not all sectors will expand, however. The ebb and flow of the economy should leave other nondurable manufacturing employment in 2014 about where it was in 2008. The printing sector is expected to continue shedding jobs over the next few years, so that by 2014 it has over 600 fewer jobs than in 2008. Chemical employment is also slated to decline, but its drop will not be as steep as the printing one. It will lose about 200 jobs over the same period. Mining employment got a head start on most sectors by increasing 4.0% in 2010. It is scheduled to continue posting consistent gains through 2014, so it tops 2,700 jobs—which is about 100 more jobs than in 2008.

Services and Trade: After suffering declines in 2009 and 2010, the state's largest private employment sector, nongoods, is expected to be one of Idaho's growth engines over the forecast period. This sector's return to growth is especially important because it is the largest private employer in the state. It can be divided into its services and trade categories. Combined, these two categories accounted for two-thirds of the Idaho's total nonfarm payroll in 2010. 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. This category recently received some much-welcomed good news. After sitting idle since early 2010, Dell Computer's former Twin Falls call center has a new resident. C3 is a Miami-based company that could bring up to 1,200 jobs to the site. Convergys is in the process of filling 200 full- and part-time positions at its Pocatello call center. In late October, Allstate Insurance Company announced

Idaho Nonfarm Employment



it was building a \$22 million customer information center in the Pocatello-Chubbuck area. It is expected to be completed in about a year and will employ 500 to 600 workers. In Lewiston, Regence Blue Shield is filling about 45 positions. The hiring will restore about half the jobs lost during the recession. Unfortunately, not all the recent news has been positive. For example, Supervalu (formerly Albertsons) has laid off 60 people at its Boise administrative offices. However, on net, the gains should offset the losses. Services employment is expected to advance 2.3% this year, 3.2% next year and in 2013, and 3.0% in 2014. The trade category is split between its retail and wholesale components. The former is the larger of the two, with almost a 75% share of total trade employment. Like the services sector, the trade sector fell on hard times recently. In fact, it began losing jobs one year before the services sector. From its peak in 2007 to 2010, this sector has shed over 10,500 jobs, or 9.5% of its employment base. These declines are not expected to continue. Trade employment is forecast to increase 1.5% in 2011, 2.4% in 2012, 2.7% in 2013, and 2.9% in 2014. Retail trade is expected to grow slightly faster than wholesale trade over this period. The combined services and trade sectors are expected to make a disproportionately positive impact on employment. Although they account for about two-thirds of existing nonfarm jobs, they will account for over 80% of the jobs created over the forecast period.

ALTERNATIVE FORECASTS

IHS Global Insight has assigned a 65% probability of occurrence to its November 2010 baseline forecast of the U.S. economy. The major features of this forecast include:

- Real GDP expands 2.7% in 2010, 2.3% in 2011, 2.9% in 2012, 2.7% in 2013, and 3.1% in 2014;
- U.S. nonfarm employment drops 0.5% in 2010, grows 1.0% in 2011, increases 1.8% in 2012, rises 1.8% in 2013, and grows 1.8% in 2014;
- After peaking at 10% at the end of 2009, the annual U.S. civilian unemployment rate falls gradually to 7.6% by the end of 2014;
- consumer inflation is 1.7% this year, 1.5% next year, 1.9% in 2012, 2.0% in 2013, and 2.2% in 2014;
- the current account deficit is \$495 billion in 2010, \$486 billion in 2011, \$496 billion in 2012, \$528 billion in 2013, and \$520 billion in 2014; and
- the federal unified budget deficit is \$1.29 trillion in 2010, \$1.33 trillion in 2011, \$948 billion in 2012, \$730 billion in 2013, and \$708 billion in 2014.

OPTIMISTIC SCENARIO

IHS Global Insight's *Optimistic Scenario* has been assigned a 15% probability of occurrence. In this scenario, the private-sector recovery at last springs to life. The plus from more monetary stimulus offsets the drag from waning fiscal stimulus (and less push from inventory building) as 2009 stimulus dollars run out. The improved economic environment does not rely on any extra stimulus above that in the baseline, but instead on a revival in private-sector confidence. In addition, the standard optimistic scenario assumption of stronger total factor productivity growth is also in place. Higher productivity supports lower inflation and stronger income growth over the long term—but in the short term, a more vigorous recovery means that prices push higher than in the baseline particularly for commodities such as oil. With credit channels functioning more normally, business fixed investment rebounds 11.0% in 2011 (versus 5.9% in the baseline). The recovery in residential investment is also stronger in the optimistic scenario, with housing starts rising to 911,000 units in 2011 (versus 783,000 units in the baseline). The *Optimistic Scenario* also assumes a faster growth rate for global GDP, along with a dollar that is initially weaker than its baseline value. Exports increase 11.7% in 2011, compared with 8.2% in the baseline. Looking further ahead, the robust U.S. growth eventually boosts the dollar above its baseline value by the third quarter of 2012. Compared with the baseline, the *Optimistic Scenario* initially assumes higher energy prices through 2011, due to stronger global demand, but subsequently assumes lower prices in 2012 and beyond due to a more optimistic assumption about supply.

On net, these national assumptions produce a much brighter economic outlook than in the baseline. Real GDP accelerates to 4.0% in the fourth quarter of 2010, and then remains at or above that rate through the end of 2011. Real growth averages 2.8% in 2010 and 3.8% in 2011. The unemployment rate begins dropping almost immediately, falling half of a percentage point from its October level of 9.6% in just six months, a full percentage point over the next twelve months, and two percentage points over the next two years. Inflation implications of the stronger growth in the *Optimistic Scenario* are modest. Initially, consumer prices do rebound more sharply than in the baseline, but lower oil prices and improved productivity growth bring the CPI's year-on-year inflation rate below its baseline pace by the second half of 2012. In short, the *Optimistic Scenario* sees a stronger and more-stable growth profile than the baseline, but without adverse consequences for the long-term inflation outlook.

IDAHO ECONOMIC FORECAST
BASELINE AND ALTERNATIVE FORECASTS
JANUARY 2011

	BASELINE				OPTIMISTIC				PESSIMISTIC			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
U.S. GDP (BILLIONS)												
Current \$	15,172	15,831	16,527	17,364	15,457	16,334	17,068	17,887	14,745	15,081	15,742	16,573
% Ch	3.6%	4.3%	4.4%	5.1%	5.4%	5.7%	4.5%	4.8%	0.8%	2.3%	4.4%	5.3%
2005 Chain-Weighted	13,532	13,921	14,298	14,742	13,744	14,257	14,694	15,200	13,201	13,371	13,700	14,088
% Ch	2.3%	2.9%	2.7%	3.1%	3.8%	3.7%	3.1%	3.4%	-0.1%	1.3%	2.5%	2.8%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	51,957	54,223	56,969	60,423	52,484	55,975	59,400	63,130	51,118	51,424	53,161	56,425
% Ch	3.1%	4.4%	5.1%	6.1%	4.1%	6.7%	6.1%	6.3%	1.5%	0.6%	3.4%	6.1%
U.S. (Billions)	12,900	13,409	13,999	14,787	13,074	13,804	14,426	15,175	12,665	12,827	13,369	14,230
% Ch	3.2%	3.9%	4.4%	5.6%	4.5%	5.6%	4.5%	5.2%	1.4%	1.3%	4.2%	6.4%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	46,116	47,380	48,921	50,863	46,272	48,667	51,142	53,588	45,714	45,131	45,537	47,160
% Ch	1.7%	2.7%	3.3%	4.0%	2.1%	5.2%	5.1%	4.8%	0.8%	-1.3%	0.9%	3.6%
U.S. (Billions)	11,450	11,717	12,022	12,447	11,526	12,002	12,420	12,882	11,326	11,257	11,451	11,894
% Ch	1.8%	2.3%	2.6%	3.5%	2.5%	4.1%	3.5%	3.7%	0.7%	-0.6%	1.7%	3.9%
TOTAL NONFARM EMPLOYMENT												
Idaho	608,472	624,890	642,419	658,847	610,914	636,634	665,035	689,211	603,306	603,445	604,192	613,129
% Ch	1.0%	2.7%	2.8%	2.6%	1.4%	4.2%	4.5%	3.6%	0.2%	0.0%	0.1%	1.5%
U.S. (Thousands)	131,551	133,981	136,458	138,946	132,794	136,305	139,210	141,722	129,998	130,502	132,300	134,758
% Ch	1.0%	1.8%	1.8%	1.8%	1.9%	2.6%	2.1%	1.8%	-0.2%	0.4%	1.4%	1.9%
GOODS-PRODUCING SECTOR												
Idaho	86,823	90,932	95,162	98,305	88,815	94,889	100,046	104,592	83,504	83,273	85,519	86,948
% Ch	-0.4%	4.7%	4.7%	3.3%	1.8%	6.8%	5.4%	4.5%	-4.1%	-0.3%	2.7%	1.7%
U.S. (Thousands)	18,113	18,561	19,390	20,080	18,506	19,233	20,074	20,745	17,644	17,518	18,302	19,175
% Ch	0.7%	2.5%	4.5%	3.6%	2.8%	3.9%	4.4%	3.3%	-1.9%	-0.7%	4.5%	4.8%
NONGOODS-PRODUCING SECTOR												
Idaho	521,649	533,958	547,257	560,542	522,098	541,745	564,990	584,619	519,802	520,171	518,674	526,181
% Ch	1.3%	2.4%	2.5%	2.4%	1.4%	3.8%	4.3%	3.5%	0.9%	0.1%	-0.3%	1.4%
U.S. (Thousands)	113,438	115,420	117,068	118,866	114,288	117,071	119,136	120,977	112,354	112,984	113,999	115,583
% Ch	1.1%	1.7%	1.4%	1.5%	1.8%	2.4%	1.8%	1.5%	0.1%	0.6%	0.9%	1.4%
SELECTED INTEREST RATES												
Federal Funds	0.1%	1.3%	3.4%	3.6%	1.1%	2.7%	3.3%	3.4%	0.1%	0.4%	3.7%	5.3%
Bank Prime	3.3%	4.3%	6.4%	6.6%	4.2%	5.8%	6.3%	6.4%	3.3%	3.4%	6.7%	8.3%
Existing Home Mortgage	4.6%	5.2%	6.2%	6.3%	5.7%	5.9%	5.9%	5.9%	4.2%	5.4%	7.0%	7.8%
INFLATION												
GDP Price Deflator	1.3%	1.4%	1.6%	1.9%	1.6%	1.9%	1.4%	1.3%	0.9%	1.0%	1.9%	2.4%
Personal Cons Deflator	1.3%	1.6%	1.8%	2.0%	2.0%	1.4%	1.0%	1.4%	0.6%	1.9%	2.5%	2.5%
Consumer Price Index	1.5%	1.9%	2.0%	2.2%	2.2%	1.7%	1.2%	1.6%	0.7%	2.3%	2.8%	2.7%

Forecast Begins the **THIRD** Quarter of 2010

The stronger national forecast lifts the Idaho economic outlook above what was expected in the *Baseline Scenario*. Idaho nonfarm employment grows faster in each year. As a result, there are about 30,000 more jobs in 2014 than in the *Baseline Scenario*. This improvement is spread between both the goods- and nongoods-producing sectors of the economy. The former is up by 6,300 jobs in 2014 and the latter has 24,100 more positions. Not surprisingly, Idaho nominal personal income also grows faster in this scenario. Specifically, from 2011 to 2014 it increases an average of 5.8% annually compared to the 4.6% annual clip in the *Baseline Scenario*. The faster pace results in personal income being \$2.7 billion higher in 2014 in the *Optimistic Scenario*.

PESSIMISTIC SCENARIO

The *Pessimistic Scenario* has been assigned a 20% probability of occurrence. The recovery is short-lived in this scenario, as underlying worries from the financial crisis re-emerge with a vengeance. Despite the additional round of monetary easing (QEII), banks continue to write off large amounts of debt and hoard reserves as a means of protection. With little access to credit and fading fiscal stimulus, the private sector is unable to sustain the expansion. For businesses facing low demand, layoffs, furloughs, and wage freezes become the norm. As the employment situation worsens, the housing market suffers another reverse. The weakness in housing further undermines consumer confidence. This, along with the drop in wealth associated with falling home prices and slowing job growth, causes consumers to retrench sharply. In Europe, sovereign debt problems flare up again, pushing stock markets lower and driving the euro back down against the dollar. The U.S. market once again becomes a safe haven and investors seek refuge in U.S. Treasury securities, thereby pushing the dollar upwards. The stronger dollar reduces U.S. export competitiveness, and acts as an additional drag on growth.

Going into 2011, the combination of negative growth, lower oil prices due to weaker world demand, and a stronger dollar create deflationary pressures in the United States: core inflation falls 0.5 percentage point below the baseline rate by the end of 2011. In light of the low inflation readings and the high unemployment rate, the Federal Reserve increases its balance sheet through still more quantitative easing and keeps interest rates in the 0.0%-0.25% target range until the end of 2012. When the economy eventually recovers from the back-to-back recessions, inflation rises faster than in the baseline. The Federal Reserve reacts by rapidly raising interest rates and exiting from its quantitative easing programs. But its response is too late, and inflation continues to climb. Real GDP slips 0.1% in 2011, compared with 2.3% growth in the baseline. Growth slows to only 0.7% in the fourth quarter of 2010, and turns negative during the following three quarters, reaching a trough of minus 1.4% in the second quarter of 2011. Over the longer term, GDP growth remains weaker than in the baseline, mainly because productivity advances only 1.3% on average over the next decade, compared with 1.6% in the baseline.

The double-dip recession exacts a heavy toll on Idaho. Instead of improving, nonfarm employment is flat through 2013, hovering well below 605,000 jobs. The goods-producing sector takes its biggest hit in 2011 when its payroll shrinks by 4.1%. In contrast, it shrinks just 0.4% in the *Baseline Scenario*. By 2014, there are 11,300 fewer goods-producing jobs in Idaho. The nongoods-producing sector manages to grow 0.9% in 2011, but it then stalls. In 2014 it trails its baseline counterpart by 34,400 jobs. Idaho income is also hit hard. Nominal personal income is \$4.0 billion lower than in the *Baseline Scenario* in 2014.

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 93% of General Fund revenue as of fiscal year (FY) 2010. 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 2011 *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 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
INDIVIDUAL INCOME TAX	\$559.17	\$596.46	\$650.85	\$704.82	\$776.19	\$841.87	\$960.16	\$1,023.97	\$835.85
% CHANGE	10.1%	6.7%	9.1%	8.3%	10.1%	8.5%	14.1%	6.6%	-18.4%
CORPORATE INCOME TAX	\$87.63	\$131.64	\$151.98	\$122.36	\$117.29	\$95.44	\$124.87	\$141.53	\$76.30
% CHANGE	25.2%	50.2%	15.5%	-19.5%	-4.1%	-18.6%	30.8%	13.3%	-46.1%
SALES TAX	\$452.68	\$481.57	\$463.00	\$476.73	\$496.81	\$588.80	\$627.50	\$647.29	\$657.12
% CHANGE	12.4%	6.4%	-3.9%	3.0%	4.2%	18.5%	6.6%	3.2%	1.5%
CIGARETTE TAX	\$7.61	\$7.25	\$7.48	\$7.49	\$7.48	\$7.23	\$7.30	\$7.98	\$8.00
TOBACCO PRODUCTS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4.06	\$4.31
BEER TAX	\$1.71	\$1.65	\$1.62	\$1.63	\$1.62	\$1.68	\$1.75	\$1.82	\$1.88
WINE TAX	\$0.81	\$1.14	\$1.52	\$1.66	\$1.80	\$1.90	\$1.96	\$1.90	\$1.88
LIQUOR SURCHARGE	<u>\$4.95</u>								
PRODUCT TAXES	\$15.07	\$14.99	\$15.57	\$15.73	\$15.84	\$15.76	\$15.96	\$20.70	\$21.02
% CHANGE	4.7%	-0.6%	3.9%	1.0%	0.7%	-0.5%	1.2%	29.7%	1.5%
KILOWATT-HOUR TAX	\$2.09	\$1.69	\$2.89	\$2.97	\$3.24	\$2.89	\$2.77	\$1.80	\$1.79
MINE LICENSE TAX	\$0.47	\$0.29	\$0.80	\$0.66	\$0.96	\$1.98	(\$0.66)	\$0.12	\$0.82
INTEREST EARNINGS	\$10.61	\$15.00	\$18.54	\$18.24	\$17.93	\$18.69	\$21.56	\$22.30	\$11.33
COURT FEES AND FINES	\$3.72	\$3.89	\$4.24	\$4.71	\$5.02	\$5.13	\$5.31	\$5.49	\$5.19
INSURANCE PREMIUM TAX	\$33.19	\$34.93	\$36.13	\$40.26	\$42.85	\$45.47	\$46.43	\$55.88	\$55.37
ALCOHOLIC BEVERAGE LICENSES	\$1.04	\$1.07	\$1.05	\$1.14	\$1.15	\$1.16	\$1.30	\$1.22	\$1.36
UCC FILINGS	\$0.78	\$0.85	\$0.94	\$0.03	\$0.03	\$0.01	\$0.02	\$2.01	\$2.03
UNCLAIMED PROPERTY	\$1.71	\$2.09	\$1.39	\$0.83	\$1.17	\$1.59	\$2.31	\$5.81	\$0.88
LANDS	\$0.22	\$0.24	\$0.24	\$0.24	\$0.27	\$0.32	\$0.70	\$0.34	\$0.35
ONE-TIME TRANSFERS	\$3.42	\$0.00	\$0.15	\$0.00	\$0.00	\$0.43	\$4.42	\$11.19	\$7.11
ESTATE TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$35.81	\$7.59
OTHER DEPTS & TRANSFERS	<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>	<u>\$16.31</u>
MISC. REVENUE	\$58.52	\$63.46	\$69.55	\$72.23	\$76.01	\$82.57	\$92.46	\$151.15	\$110.14
% CHANGE	21.3%	8.4%	9.6%	3.9%	5.2%	8.6%	12.0%	63.5%	-27.1%
TOTAL GENERAL FUND*	\$1,173.07	\$1,288.10	\$1,350.94	\$1,391.86	\$1,482.14	\$1,624.43	\$1,820.96	\$1,984.64	\$1,700.43
% CHANGE	12.4%	9.8%	4.9%	3.0%	6.5%	9.6%	12.1%	9.0%	-14.3%

* Totals may not add due to rounding.

GENERAL FUND REVENUE
(\$ MILLION)

SOURCE	ACTUAL								FORECAST	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
INDIVIDUAL INCOME TAX	\$837.80	\$902.13	\$1,035.54	\$1,216.49	\$1,400.16	\$1,429.74	\$1,167.89	\$1,061.88	\$1,127.00	\$1,204.62
% CHANGE	0.2%	7.7%	14.8%	17.5%	15.1%	2.1%	-18.3%	-9.1%	6.1%	6.9%
CORPORATE INCOME TAX	\$93.13	\$103.02	\$139.56	\$194.13	\$190.22	\$189.28	\$141.03	\$97.02	\$123.08	\$136.17
% CHANGE	22.1%	10.6%	35.5%	39.1%	-2.0%	-0.5%	-25.5%	-31.2%	26.9%	10.6%
SALES TAX	\$700.24	\$886.08	\$950.83	\$880.77	\$1,077.46	\$1,141.44	\$1,022.20	\$955.91	\$965.10	\$1,043.83
% CHANGE	6.6%	26.5%	7.3%	-7.4%	22.3%	5.9%	-10.4%	-6.5%	1.0%	8.2%
CIGARETTE TAX	\$8.26	\$30.04	\$7.81	\$7.98	\$1.00	\$6.54	\$7.77	\$16.90	\$14.40	\$11.40
TOBACCO PRODUCTS	\$4.67	\$5.49	\$5.75	\$6.16	\$6.55	\$7.20	\$7.36	\$7.82	\$8.30	\$8.29
BEER TAX	\$1.91	\$1.96	\$1.95	\$1.99	\$2.13	\$2.15	\$2.04	\$2.07	\$2.05	\$2.09
WINE TAX	\$1.97	\$2.14	\$2.33	\$2.43	\$2.48	\$2.58	\$3.28	\$3.00	\$3.20	\$3.33
LIQUOR SURCHARGE	\$4.95	\$4.95	\$4.95	\$4.95	\$10.24	\$8.38	\$9.29	\$11.39	\$14.76	\$15.39
PRODUCT TAXES	\$21.75	\$44.57	\$22.79	\$23.50	\$22.41	\$26.84	\$29.74	\$41.18	\$42.71	\$40.50
% CHANGE	3.5%	104.9%	-48.9%	3.1%	-4.6%	19.8%	10.8%	38.5%	3.7%	-5.2%
KILOWATT-HOUR TAX	\$1.80	\$1.83	\$1.53	\$2.29	\$2.26	\$1.60	\$2.02	\$2.14	\$2.20	\$2.20
MINE LICENSE TAX	\$0.04	\$0.07	\$0.03	\$0.27	\$2.35	\$2.52	\$0.94	\$1.80	\$1.00	\$1.25
INTEREST EARNINGS	\$2.98	\$4.97	\$8.92	\$18.12	\$17.17	\$11.37	\$0.76	(\$1.32)	(\$0.90)	\$0.70
COURT FEES AND FINES	\$5.29	\$4.98	\$4.66	\$4.79	\$5.04	\$5.33	\$5.35	\$5.38	\$5.37	\$5.46
INSURANCE PREMIUM TAX	\$59.49	\$62.77	\$60.85	\$60.38	\$59.78	\$56.34	\$55.48	\$53.63	\$51.65	\$52.21
ALCOHOLIC BEVERAGE LICENSES	\$1.39	\$1.61	\$1.64	\$1.72	\$1.81	\$1.92	\$1.61	\$1.47	\$1.48	\$1.51
UCC FILINGS	\$2.14	\$2.39	\$2.69	\$3.02	\$3.00	\$2.82	\$2.42	\$2.42	\$2.44	\$2.48
UNCLAIMED PROPERTY	\$3.76	\$3.69	\$9.83	\$1.99	\$3.31	\$5.63	\$1.78	\$8.22	\$4.00	\$3.00
LANDS	\$0.36	\$0.33	\$0.53	\$0.33	\$0.47	\$0.69	\$0.98	\$0.65	\$0.55	\$0.59
ONE-TIME TRANSFERS	\$5.46	\$51.40	\$0.86	\$0.54	\$1.54	\$2.24	\$1.43	\$1.54	\$3.00	\$0.00
ESTATE TAX	\$13.65	\$4.43	\$3.30	\$1.11	\$0.12	\$0.03	\$0.24	(\$0.17)	\$0.00	\$2.50
OTHER DEPTS & TRANSFERS	\$14.67	\$22.84	\$24.14	\$21.89	\$25.40	\$30.18	\$31.70	\$32.71	\$30.49	\$24.45
MISC. REVENUE	\$111.02	\$161.31	\$118.98	\$116.43	\$122.25	\$120.67	\$104.71	\$108.47	\$101.29	\$96.35
% CHANGE	0.8%	45.3%	-26.2%	-2.1%	5.0%	-1.3%	-13.2%	3.6%	-6.6%	-4.9%
TOTAL GENERAL FUND*	\$1,763.95	\$2,097.10	\$2,267.69	\$2,431.31	\$2,812.49	\$2,907.98	\$2,465.57	\$2,264.46	\$2,359.19	\$2,521.46
% CHANGE	3.7%	18.9%	8.1%	7.2%	15.7%	3.4%	-15.2%	-8.2%	4.2%	6.9%

* 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%
2000	\$0-1022	\$1023-2044	\$2045-3066	\$3067-4088	\$4089-5110	\$5111-7666	\$7667-20,442	\$20443+	
	1.9%	3.9%	4.4%	5.4%	6.4%	7.4%	7.7%	8.1%	
2001	\$0-1056	\$1057-2113	\$2114-3169	\$3170-4226	\$4227-5282	\$5283-7923	\$7924-21129	\$21130+	
	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+	
2010	\$0-1315	\$1316-2631	\$2632-3947	\$3948-5263	\$5264-6579	\$6580-9869	\$9870-26319	\$26320+	

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 taxable income (ATI). For Idaho residents, income from all sources 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 sources is taxable during the period of Idaho residency, while only income earned in Idaho is subjected to Idaho income tax during the period of non-residency.

Although Idaho conforms to most of the federal income tax provisions for determining taxable income, a number of differences exist. Idaho's definition of taxable income excludes 100% of social security income,

60% of certain capital gains, and 100% of interest earned on U.S. government securities. For a complete delineation of Idaho's income tax structure, refer to the Tax Structure section of this publication.

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

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

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

A separate filing tax of \$10 per income tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961, when their distribution was changed to the Permanent Building Fund. The income tax return form includes a variety of other "check offs" that can be used by the taxpayer to donate various amounts (usually from refunds) to special funds such as nongame wildlife, veterans' support, etc.

Basis of Projection:

The projections of General Fund revenue from the individual income tax for FY 2011 and FY 2012 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	Actual	1,370,681.4	301,304.4	1,061,875.2	6,064.8	1,437.0
FY11	Projection	1,421,917.7	287,238.7	1,126,999.0	6,143.7	1,536.4
FY12	Projection	1,509,863.7	297,467.4	1,204,616.0	6,229.7	1,550.6

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

2. Includes impact from a single large lottery winner.

CORPORATE INCOME TAX

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

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

CORPORATE INCOME TAX RATE HISTORY

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

Since its enactment in 1931, all net tax liability, interest, and penalties associated with the corporate income tax have been distributed to the General Fund. An amount equal to 20% of the corporate income taxes collected by the State Tax Commission and deposited with the State Treasurer is required by statute to be deposited in the State Income Tax Refund Fund. Any balance exceeding \$1,500,000 in the State Income Tax Refund Fund at the end of the year is transferred to the General Fund on June 30. An additional filing tax of \$10 per tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961, when their distribution was changed to the Permanent Building Fund.

Basis of Projection:

Projections of the General Fund revenue from the corporate income tax are based on a combination of econometric analysis 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	Actual	136,835.2	38,507.9	97,021.0	490.3	816.0
FY11	Projection	143,237.9	19,066.0	123,081.9	490.0	600.0
FY12	Projection	158,357.5	21,092.1	136,165.4	500.0	600.0

SALES TAX

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

Idaho's sales tax rate was 5% from April 1986 to April 2003. The sales tax rate was raised to 6% in May 2003 and remained at that level through 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%				<u>3,5</u>
Jul-1976	3.0%	Bal.	\$500		20.0%				3,5
Jul-1977	3.0%	Bal.	\$500		20.0%				<u>3,4,5</u>
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			<u>4,5,6</u>
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	<u>4,5,6,8</u>

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 1, 1996.

Basis of Projection:

The projections of FY 2011 and FY 2012 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	Water Pollution Control	Circuit Breaker	Property Tax Relief	Agricultural Equipment Prop. Tax		Misc. Dist.
FY70	Actual	\$41,678.2	\$61.6	\$33,055.0	\$500.0		\$4,161.7					\$3,899.9	1,2
FY71	Actual	45,368.6	101.9	34,076.7	500.0		6,790.0					3,900.0	1,2
FY72	Actual	51,704.1	81.1	36,967.1	500.0		10,324.6					3,831.3	1,2
FY73	Actual	60,999.6	70.3	43,281.3	500.0		12,186.1					4,961.9	1,2
FY74	Actual	69,833.3	340.7	49,250.0	500.0		13,898.5					5,844.1	1,2
FY75	Actual	79,108.7	100.4	57,022.8	500.0		15,801.7					5,683.8	1
FY76	Actual	88,874.0	137.5	63,650.6	500.0		17,747.3					6,838.6	1
FY77	Actual	103,859.6	219.2	73,594.5	500.0		20,728.1					8,817.8	1
FY78	Actual	118,866.2	157.0	84,107.4	500.0		23,741.8					10,360.0	1
FY79	Actual	129,906.4	205.9	91,463.6	500.0		25,940.1					11,796.8	1
FY80	Actual	137,113.9	264.5	95,984.6	500.0		27,369.9					12,994.9	1
FY81	Actual	145,008.0	220.5	97,679.3	500.0		14,476.0					32,132.2	1,2
FY82	Actual	146,206.9	311.8	98,720.2	500.0		14,607.4					32,067.5	1,2
FY83	Actual	165,441.1	181.2	115,407.0	500.0		15,266.3					34,086.6	1,2
FY84	Actual	241,838.4	596.2	188,422.1	500.0		16,192.2					36,127.9	1,2
FY85	Actual	238,544.3	449.7	200,026.6	500.0	\$14,876.1	17,851.5	\$4,800.0				40.4	3
FY86	Actual	250,490.1	516.8	211,564.2	500.0	15,036.7	18,044.1	4,800.0				28.3	3
FY87	Actual	297,892.0	538.4	259,358.6	500.0	14,853.3	17,827.1	4,800.0				14.6	3
FY88	Actual	311,391.2	672.5	258,770.8	500.0	24,084.4	18,637.1	4,800.0	\$3,890.1			36.2	3
FY89	Actual	346,682.3	882.4	288,780.3	500.0	26,785.4	20,737.1	4,800.0	4,171.7			25.4	3
FY90	Actual	383,096.0	1,664.0	319,290.7	500.0	29,540.7	22,870.2	4,800.0	4,335.5			94.9	3
FY91	Actual	404,146.4	3,403.1	335,739.5	500.0	31,036.1	24,028.3	4,800.0	4,491.1			148.3	3
FY92	Actual	435,715.5	1,799.1	364,323.0	500.0	33,612.2	26,022.6	4,800.0	4,606.1			52.5	3
FY93	Actual	481,357.9	1,163.9	402,819.5	500.0	37,195.6	28,796.9	4,800.0	6,031.2			50.8	3
FY94	Actual	541,503.6	1,739.0	452,684.8	500.0	41,789.3	32,353.2	4,800.0	7,504.3			132.9	3
FY95	Actual	575,751.5	1,767.4	481,568.8	500.0	44,455.1	34,435.8	4,800.0	8,241.1			-16.6	3
FY96	Actual	602,573.0	2,114.2	462,999.7	500.0	46,554.3	36,023.2	4,800.0	8,807.0	\$40,757.1		17.6	3
FY97	Actual	624,631.8	2,109.4	476,726.1	500.0	48,240.6	37,347.6	4,800.0	9,609.0	45,238.4		60.7	3
FY98	Actual	655,182.6	2,023.6	496,807.8	500.0	50,572.4	39,152.8	4,800.0	10,331.1	50,400.4		594.5	3
FY99	Actual	704,734.8	2,784.7	588,796.7	500.0	54,237.7	41,979.4	4,800.0	10,891.7	0.0		744.6	3
FY00	Actual	750,125.9	2,741.7	627,503.0	500.0	57,852.8	44,754.6	4,800.0	11,481.2	0.0		492.7	3
FY01	Actual	778,886.9	3,464.1	647,293.8	5,000.0	106,024.7	0.0	4,800.0	11,711.3	0.0		593.0	3
FY02	Actual	791,623.6	4,103.4	657,119.2	5,000.0	108,500.4	0.0	4,800.0	11,983.5	0.0		117.0	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	Actual	1,123,885.3	3,088.4	955,908.7	5,000.0	128,496.0	0.0	4,800.0	15,706.9	0.0	8,487.1	2,398.2	3,5
FY11	Projection	1,135,816.5	5,996.7	965,103.5	5,000.0	129,929.3	0.0	4,800.0	15,300.0	0.0	8,487.1	1,200.0	3,5
FY12	Projection	1,225,385.3	6,498.1	1,043,828.1	5,000.0	140,172.0	0.0	4,800.0	15,400.0	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%; and 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 <u>\$40,000</u>	0.00050	<u>\$0.00050</u>		
Jul-1974	0.004550			<u>Balance</u>	<u>1.099%</u> to <u>\$40,000</u>	<u>10.989%</u>	<u>10.989%</u>		
Jul-1975	0.004550			Balance	1.099% to <u>\$55,000</u>	10.989%	10.989%		
Jul-1978	0.004550			Balance	1.099% to <u>\$70,000</u>	10.989%	10.989%		
Jul-1979	0.004550			Balance	1.099% to \$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%	1.000%	<u>Balance</u>
Jul-2006	0.028500	0.002587	0.002587	<u>Bond Levy Equalization Appropriation</u>	0.400%	17.300%	0.000%	1.000%	
						<u>+ Balance</u>			
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>			
Jul-2010	0.028500	0.002587	0.002587	<u>Bond Levy Equalization Appropriation of \$14.4 million.</u>	0.400%	17.300%	0.000%	1.000%	
						<u>+ Balance</u>			
Jul-2011	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 2011 and FY 2012 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	Actual	39,697.2	16,900.0	5,563.3	9,244.4	39.4	0.0	321.6	128.6	3,749.9	3,749.9			0.0	
FY11	Projection	39,769.6	14,400.0	5,572.6	11,788.1	90.7	0.0	322.1	128.8	3,733.6	3,733.6			0.0	
FY12	Projection	38,855.9	11,400.0	5,444.2	14,184.8	90.7	0.0	314.7	125.9	3,647.8	3,647.8			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 2011 and FY 2012 are based on a subjective assessment of recent collections history and national tobacco expenditures.

Historical Data:

TOBACCO TAX

\$ THOUSANDS

Year		Gross Collections	Distributions				
			Gen. Fund	Refunds	Water Pollution Fund	Public School Income Fund	County Juvenile Probation 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	\$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	Actual	8,961.9	7,819.0	25.9	0.0	558.5	558.5
FY11	Projection	9,508.9	8,300.0	20.3	0.0	594.3	594.3
FY12	Projection	9,494.0	8,286.9	20.3	0.0	593.4	593.4

BEER TAX

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

A total tax of \$4.65 per 31-gallon barrel, or its equivalent, is levied on beer sold in Idaho. Beer containing more than 4% alcohol by weight is considered to be wine for tax purposes. Of the total beer tax, 20% is distributed to the 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 2011 and FY 2012 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	Actual	4,404.2	2,069.7	1,453.2	0.5	0.0	880.7
FY11	Projection	4,364.3	2,050.0	1,439.4	2.6	0.0	872.3
FY12	Projection	4,449.4	2,090.0	1,467.4	2.6	0.0	889.4

WINE TAX

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

A tax of 45 cents 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	Idaho	\$0.15 to GF; \$0.05 to ATF.
	\$0.45	Non-Idaho	\$0.40 to GF; \$0.05 to ATF.
Jul-1986	\$0.20	Idaho	88% to GF; 12% to ATF.
	\$0.45	Non-Idaho	88% to GF; 12% to ATF.
Jul-1988	\$0.45	All	88% to GF; 12% to ATF.
Jul-1994	\$0.45	All	83% to GF; 12% to ATF; 5% to Idaho Grape Growers & Wine Producers Commission Fund.
Jul-2007	\$0.45	All	83% to GF; 12% to Substance Abuse Treatment Fund (SATF); 5% to Idaho Grape Growers & Wine Producers Commission Fund.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2011 and FY 2012 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 Fund
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	Actual	3,636.2	3,000.2	21.5	0.0	433.8	180.7
FY11	Projection	3,862.5	3,200.0	7.1	0.0	462.7	192.8
FY12	Projection	4,019.2	3,330.0	7.1	0.0	481.4	200.6

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. Electricity 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 2011 and FY 2012 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	Actual	2,138.2	0.0	2,138.2
FY11	Projection	2,200.0	0.0	2,200.0
FY12	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 2011 and FY 2012 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	Actual	2,723.3	0.5	0.0	1,797.1
FY11	Projection	1,532.1	17.0	0.0	1,000.0
FY12	Projection	1,910.9	17.0	0.0	1,250.0

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 *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 transfer tax collected gradually disappears. However, the relevant estate provisions of the *Economic Growth and Tax Relief Reconciliation Act of 2001* expired at the end of 2010. Upon their termination, they are scheduled to revert to their pre-2001 levels.

ESTATE AND TRANSFER TAX DISTRIBUTION HISTORY

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

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

Basis of Projection:

The FY 2011 and FY 2012 General Fund revenue projection for this source is based on a trend analysis of past collections, the impacts of the *Economic Growth and Tax Relief 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	Actual	57.1	-173.4	224.7	5.7	0.0	0.0
FY11	Projection	0.0	0.0	0.0	0.0	0.0	0.0
FY12	Projection	2,777.8	2,500.0	0.0	277.8	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 Division. 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 Division's net profits were distributed to cities and counties. The remaining 40% of net profits were 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 changed beginning with FY 2010. Over the five-year period covering FY 2010 to FY 2014, the cities and counties 60% share of net profits will drop by two-percentage points per year to 50%. The other 40% share of profits rises annually in two-percentage point increments to 50% over this same period. This portion of the total net profits will be distributed as follows: \$2.08 million to the Substance Abuse Treatment Fund; \$0.6 million to the Community College Fund; \$1.2 million to the Public School Income Fund; \$0.65 million to the Cooperative Welfare Fund; \$0.68 million to the Drug Court, Mental Health Court and Family Court Services Fund; \$0.44 million to the Drug and Mental Health Court Supervision Fund; and the remainder of this portion to the General Fund.

Historical Data:

LIQUOR SURCHARGE

(\$ THOUSANDS)

Year		Gross Distribu.	Distributions													
			General Fund	Alcohol Treat. Fund	Community College Fund	Coop. Welfare Fund	Public School Fund	Budget Reserve Fund	Permanent Building Fund	Drug Cr., Mental Health Cr. & Family Cr. Srvs Fund	Water Res. Rev. Dev. Fund	Warehouse Remodel Fund	Substance Abuse Treat. Fund	Drug & Mental Health Cr. Super. Fund	Cities & Counties	
FY70	Actual	\$7,116.0	\$1,910.4													
FY71	Actual	8,228.1	2,005.5													
FY72	Actual	8,686.9	2,401.0													
FY73	Actual	10,497.1	2,814.7													
FY74	Actual	10,739.6	2,961.7													
FY75	Actual	9,445.4	2,517.4													
FY76	Actual	11,371.8	2,786.1													
FY77	Actual	10,569.5	2,883.4													
FY78	Actual	11,241.4	3,192.7													
FY79	Actual	12,138.3	3,369.9													
FY80	Actual	13,490.0	3,529.6													
FY81	Actual	14,378.7	3,741.8													
FY82	Actual	12,914.8	3,948.1													
FY83	Actual	15,487.2	3,700.0													
FY84	Actual	15,170.2	3,820.0													
FY85	Actual	12,780.1	4,945.0	\$1,200.0	\$300.0	\$650.0	\$1,200.0									\$4,485.1
FY86	Actual	12,294.5	4,945.0	1,200.0	300.0	650.0	1,200.0									3,999.5
FY87	Actual	12,294.8	4,945.0	1,200.0	300.0	650.0	1,200.0									3,999.8
FY88	Actual	10,795.0	4,945.0	1,200.0	300.0	650.0	1,200.0									2,500.0
FY89	Actual	11,377.9	4,945.0	1,200.0	300.0	650.0	1,200.0									3,082.9
FY90	Actual	12,425.0	4,945.0	1,200.0	300.0	650.0	1,200.0									4,130.0
FY91	Actual	12,268.3	4,945.0	1,200.0	300.0	650.0	1,200.0									3,973.3
FY92	Actual	12,999.1	4,945.0	1,200.0	300.0	650.0	1,200.0									4,704.1
FY93	Actual	12,802.8	4,945.0	1,200.0	300.0	650.0	1,200.0									4,507.8
FY94	Actual	26,149.3	4,945.0	1,200.0	300.0	650.0	1,200.0	\$6,255.8								11,178.5
FY95	Actual	18,449.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0								10,154.3
FY96	Actual	16,578.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0								8,283.1
FY97	Actual	17,417.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0								9,122.3
FY98	Actual	16,605.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0								8,310.7
FY99	Actual	18,584.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0								10,289.1
FY00	Actual	19,891.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	\$1,000.0							10,596.7
FY01	Actual	20,293.9	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0							11,998.9
FY02	Actual	21,100.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0							12,805.7
FY03	Actual	23,163.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0							14,868.0
FY04	Actual	27,775.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0	\$2,050.0						17,430.0
FY05	Actual	33,826.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0	1,811.0	\$7,200.0					16,520.0
FY06	Actual	29,737.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0	2,082.1	0.0	\$2,000.0				17,360.0
FY07	Actual	42,512.6	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	44,475.7	9,294.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,315.7	0.0	0.0	2,080.0		440.0	26,896.0
FY10	Actual	44,091.4	11,394.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,301.4	0.0	0.0	2,080.0		440.0	24,426.0
FY11	Projection	49,635.8	14,761.4	0.0	600.0	650.0	1,200.0	0.0	0.0	3,353.8	0.0	0.0	2,080.0		440.0	26,550.6
FY12	Projection	48,479.0	15,392.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,416.0	0.0	0.0	2,080.0		440.0	24,702.0

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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 2011 and FY 2012 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2011 projection includes approximately \$18,485 of net earnings by the Treasurer from the issuance of a tax anticipation note. The FY 2012 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 2011 and FY 2012 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% 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 million is paid to the Idaho High Risk Individual Reinsurance Pool. Twenty-five percent of the tax in excess of \$55 million 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 2011 and FY 2012 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 2011 and FY 2012 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. Administration of unclaimed property was transferred from the Idaho Tax Commission to the Office of the Idaho State Treasurer in FY 2011.

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 personnel from the Idaho State Treasurer's Office.

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 2011 and FY 2012 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	5,332.0	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	Actual	-173.4	-1,318.1	5,383.9	53,631.7	1,469.2	8,224.8	2,419.1	647.0	1,543.7	32,705.8
FY11	Projection	0.0	-897.9	5,365.0	51,654.9	1,484.0	4,000.0	2,440.0	550.0	3,000.0	30,494.9
FY12	Projection	2,500.0	697.3	5,461.0	52,207.3	1,510.9	3,000.0	2,480.0	590.0	0.0	24,451.8

1. Includes a one-time transfer of \$9,337,000 from the Water Pollution Control Fund.
2. Includes a one-time reversion of \$204,400 from the University of Idaho.
3. Includes offsetting transfers of \$2.0 million from and to the Water Pollution Control Fund; and \$300,000 borrowed and repaid by the Lottery Commission.
4. Includes off-setting transfer of \$1,000,000 borrowed and repaid by the Lottery Commission.
5. Includes on-time transfer of \$125,000 from the Department of Insurance and \$200,000 from the Parks Land Trust.
6. Includes \$513,894 in one-time transfer from State Treasurer's interagency billing and receipts fund in FY 1992.
7. Transfers of: \$3,000,000 from Budget Reserve Fund; \$420,000 from Liquor Fund; and approximately \$350,000 from Department of Finance.
8. Includes a \$1,858,000 transfer from the Department of Finance.
9. Includes a \$1,517,000 transfer from the Department of Finance and a \$145,000 transfer from the Secretary of State.
10. Includes a \$1,117,000 transfer from the Department of Finance.
11. Includes a \$1,567,000 transfer from the Department of Finance.
12. Includes a \$1,245,700 transfer from the Department of Finance, a \$428,000 transfer from the Secretary of State, a \$1,102,395 recovery of cost allocation expenses.
13. Includes a \$1,694,300 transfer from the Department of Finance, a \$574,800 transfer from the Secretary of State, a \$1,203,400 recovery of cost allocation expenses.
14. Includes a \$2,241,970 transfer from the Department of Finance, a \$2,575,000 transfer from the Secretary of State, a \$1,407,407 recovery of cost allocation expenses, a \$5,000,000 transfer from the Department of Environmental Quality, and a \$500,000 transfer from the Department of Lands.
15. Includes a \$2,363,362 transfer from the Department of Finance, a \$1,150,900 recovery of cost allocation expenses, a \$1,046,600 transfer from the Department of Environmental Quality, and a \$7,049,200 transfer for Attorney General fees.
16. Includes a \$1,150,000 recovery of cost allocation expenses and a \$7,300,000 transfer for Attorney General fees.
17. Includes one-time \$50 million transfer from federal government.
18. Includes \$0.77 million one-time water loan interest payment.

Idaho's Tax Structure

Exemptions, Credits, Exclusions, and Deductions

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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 costs of the tax expenditures. 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 versus 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 tax expenditures that increase 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 taxable 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 (Sunset 2002)
Broadband Investment Credit
County Incentive Investment Tax Credit (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 (Sunsets 2020)
Small Employer Real Property Improvement Credit (Sunsets 2020)
Small Employer New Jobs Credit (Sunsets 2020)
Live Organ Donation Expenses Credit
Biofuel Investment Tax Credit (Sunsets 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 Nonretailers (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

	CY2007	CY2008	CY2009	CY2010	CY2011	CY2012
1 Income Tax Expenditures (Calendar Year Basis)						
1.1 Uses of Income Not Taxed						
1.1.01 Investment Tax Credit	\$44,614	\$31,481	\$26,536	\$29,985	\$33,292	\$36,259
1.1.02 Other States Tax Credit	\$70,213	\$62,074	\$60,809	\$62,621	\$64,552	\$67,367
1.1.03 Elderly Dependent Credit	\$613	\$637	\$653	\$668	\$687	\$717
1.1.04 Youth and Rehabilitation Credit	\$9,071	\$8,846	\$8,331	\$8,404	\$8,485	\$8,755
1.1.05 Schools, Libraries, and Museums Credit	\$4,497	\$4,207	\$4,087	\$4,219	\$9,349	\$9,757
1.1.06 Grocery Credit	\$29,933	\$50,111	\$64,311	\$78,769	\$93,777	\$109,649
1.1.07 Recycling Equipment Credit	\$116	\$31	\$28	\$28	\$28	\$28
1.1.08 Technological Equipment Deduction	\$50	\$59	\$62	\$63	\$65	\$68
1.1.09 Long-Term Care Insurance Deduction	\$1,123	\$1,089	\$1,112	\$1,141	\$1,165	\$1,188
1.1.10 Alternative Energy Device Deduction	\$355	\$385	\$372	\$383	\$395	\$411
1.1.11 Insulation Deduction	\$769	\$789	\$762	\$785	\$809	\$843
1.1.12 Workers' Compensation Premium Deduction	\$400	\$400	\$400	\$400	\$400	\$400
1.1.13 Child Care Deduction	\$4,182	\$4,196	\$4,211	\$4,249	\$4,301	\$4,363
1.1.14 College Savings Deduction	\$1,561	\$1,410	\$1,456	\$1,480	\$1,504	\$1,528
1.1.15 Health Insurance Deduction	\$12,711	\$12,605	\$13,133	\$13,669	\$14,234	\$14,829
1.1.16 Elderly and Developmental Disability Deduction	\$9	\$9	\$9	\$9	\$9	\$9
1.1.17 Adoption Expense Deduction	\$46	\$49	\$48	\$48	\$48	\$48
1.1.18 Medical Savings Account Deduction	\$1,007	\$916	\$885	\$911	\$939	\$978
1.1.19 New Employees Credit	\$0	\$0	\$0	\$0	\$0	\$0
1.1.20 Riparian Land Improvements Credit	Sunset	Sunset	Sunset	Sunset	Sunset	Sunset
1.1.21 Broadband Investment Credit	\$744	\$495	\$418	\$472	\$524	\$571
1.1.22 County Incentive Investment Tax Credit	\$200	\$526	Sunset	Sunset	Sunset	Sunset
1.1.23 Research Activity Credit	\$1,612	\$746	\$629	\$710	\$789	\$859
1.1.24 Promoter Sponsored Events Credit	\$0	\$1	\$4	\$4	\$4	\$4
1.1.25 Corporate Headquarters Investment Credit	\$0	Repealed	Repealed	Repealed	Repealed	Repealed
1.1.26 Corporate Headquarters Real Property Improvement Credit	\$0	Repealed	Repealed	Repealed	Repealed	Repealed
1.1.27 Corporate Headquarters New Jobs Credit	\$0	Repealed	Repealed	Repealed	Repealed	Repealed
1.1.28 Small Employer Capital Investment Credit	\$453	\$90	\$118	\$147	\$176	\$204
1.1.29 Small Employer Real Property Improvement Credit	\$0	\$1	\$29	\$58	\$87	\$116
1.1.30 Small Employer New Jobs Credit	\$179	\$40	\$68	\$97	\$126	\$154
1.1.31 Live Organ Donation Expenses Credit	\$40	\$32	\$36	\$36	\$36	\$36
1.1.32 Biofuel Investment Tax Credit	\$0	\$1	\$38	\$38	\$38	Sunset
1.2 Sources of Income Not Taxed						
1.2.01 Capital Gains Exclusion	\$47,508	\$27,330	\$26,508	\$27,298	\$28,137	\$29,345
1.2.02 Government Interest Exclusion	\$6,677	\$3,941	\$3,701	\$3,734	\$3,770	\$3,884
1.2.03 Social Security Exclusion	\$46,179	\$45,075	\$51,450	\$55,086	\$56,975	\$58,455
1.2.04 Railroad Retirement Exclusion						
1.2.05 Retirement Benefit Exclusion	\$6,189	\$5,717	\$6,502	\$6,961	\$7,200	\$7,377
1.2.06 Idaho Lottery Winnings Exclusion	\$4,542	\$4,618	\$4,696	\$4,775	\$4,856	\$4,939
1.2.07 Indian Earnings on Reservation Exclusion	\$558	\$572	\$556	\$573	\$590	\$616
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

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
2 Sales Tax Expenditures (Fiscal Year Basis)						
2.1 Specific Uses Not Taxed						
2.1.01 Production Exemption - Equipment	\$69,548	\$60,570	\$59,526	\$67,948	\$74,243	\$80,629
2.1.02 Production Exemption - Supplies	\$52,648	\$45,852	\$45,062	\$51,437	\$56,202	\$61,036
2.1.03 Irrigation Equipment and Supplies	\$3,551	\$3,640	\$3,731	\$3,824	\$3,920	\$4,018
2.1.04 Pollution Control Equipment	\$12,420	\$11,816	\$8,795	\$8,293	\$7,982	\$8,720
2.1.05 Broadcast Equipment and Supplies	\$2,514	\$2,190	\$2,152	\$2,457	\$2,684	\$2,915
2.1.06 Publishing Equipment and Supplies	\$161	\$140	\$138	\$157	\$172	\$187
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	\$6,351	\$5,120	\$5,467	\$5,776	\$6,677	\$7,208
2.1.10 Out-of-State Contracts	\$4,191	\$3,650	\$3,587	\$4,094	\$4,474	\$4,859
2.1.11 Trade-in Value	\$27,114	\$21,857	\$23,341	\$24,659	\$28,504	\$30,772
2.1.12 Sale or Lease of Businesses or Business Assets	\$1,989	\$1,732	\$1,702	\$1,943	\$2,123	\$2,306
2.1.13 Food Stamps/WIC	\$8,136	\$13,278	\$13,480	\$14,033	\$14,553	\$14,945
2.1.14 Motor Vehicles Used Outside of Idaho	\$15,145	\$12,208	\$13,037	\$13,773	\$15,921	\$17,188
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	\$75	\$73	\$76	\$79	\$82	\$85
2.1.19 School Lunches and Senior Citizen Meals	\$3,595	\$3,897	\$3,932	\$4,042	\$4,171	\$4,303
2.1.20 Drivers Education Automobiles	\$38	\$38	\$37	\$39	\$40	\$41
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	\$200	\$1,000	\$300	\$900	Sunset	Sunset
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	Repealed	Repealed	Repealed	Repealed	Repealed
2.1.26 Small Employer Headquarters Construction	\$90	\$115	\$115	\$115	\$115	\$115
2.1.27 Glider Kit Vehicles	\$278	\$224	\$239	\$253	\$292	\$315
2.1.28 Media Production Projects	\$60	\$59	\$61	\$64	\$66	\$68
2.1.29 State Tax Anticipation Revenue	\$0	\$2,600	\$3,300	\$3,300	\$3,300	\$3,300
2.2 Goods Not Taxed						
2.2.01 Motor Fuels	\$180,342	\$145,046	\$150,551	\$157,478	\$166,809	\$174,149
2.2.02 Heating Materials	\$5,573	\$5,369	\$5,188	\$5,232	\$5,368	\$5,499
2.2.03 Utility Sales	\$82,946	\$85,435	\$87,998	\$90,638	\$93,357	\$96,157
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	\$35,617	\$37,327	\$38,959	\$41,261	\$44,419	\$47,799
2.2.07 Funeral Caskets	\$1,244	\$1,281	\$1,320	\$1,359	\$1,400	\$1,442
2.2.08 Containers	\$35	\$34	\$35	\$37	\$38	\$39
2.2.09 Nonprofit Literature	\$127	\$129	\$131	\$133	\$135	\$137
2.2.10 Official Documents	\$63	\$64	\$65	\$66	\$67	\$68
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	\$2,168	\$2,171	\$2,206	\$2,255	\$2,314	\$2,379
2.2.14 Telecommunications Equipment	\$1,164	\$1,280	\$1,409	\$1,549	\$1,704	\$1,875
2.2.15 Personal Property Tax on Rentals	\$0	\$400	\$400	\$400	\$400	\$400

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
2.3 Services Not Taxed						
2.3.01 Construction	\$157,144	\$122,230	\$102,268	\$97,580	\$100,643	\$109,525
2.3.02 Agricultural and Industrial Services	\$3,611	\$3,640	\$3,691	\$3,751	\$3,818	\$3,891
2.3.03 Transportation Services	\$36,009	\$34,617	\$34,129	\$35,701	\$36,927	\$37,930
2.3.04 Information Services	\$83,303	\$84,470	\$85,869	\$86,762	\$88,315	\$89,942
2.3.05 Repairs	\$41,681	\$42,635	\$43,135	\$44,458	\$45,931	\$47,473
2.3.06 Professional Services	\$199,640	\$204,208	\$206,605	\$212,941	\$219,995	\$227,378
2.3.07 Business Services	\$113,939	\$116,546	\$117,913	\$121,530	\$125,555	\$129,769
2.3.08 Personal Services	\$9,273	\$9,485	\$9,596	\$9,891	\$10,218	\$10,561
2.3.09 Health and Medical Services	\$344,321	\$361,527	\$377,692	\$394,251	\$410,103	\$429,514
2.3.10 Social Services	\$57,049	\$59,899	\$62,578	\$65,321	\$67,948	\$71,164
2.3.11 Educational Services	\$31,357	\$32,074	\$32,451	\$33,446	\$34,554	\$35,713
2.3.12 Lottery Tickets and Pari-Mutuel Betting	\$9,610	\$9,351	\$9,705	\$10,073	\$10,456	\$10,854
2.3.13 Media Measurement Services	\$63	\$65	\$66	\$68	\$70	\$73
2.3.14 Miscellaneous Services	\$2,346	\$2,400	\$2,428	\$2,503	\$2,585	\$2,672
2.3.15 Nonprofit Shooting Range Fees	\$32	\$32	\$33	\$34	\$35	\$36
2.4 Specific Entities Not Taxed						
2.4.01 Educational Institution Purchases	\$10,010	\$9,569	\$9,293	\$9,475	\$9,817	\$10,199
2.4.02 Hospital Purchases	\$20,944	\$21,990	\$22,973	\$23,981	\$24,945	\$26,125
2.4.03 Health Entity Purchases	\$373	\$372	\$378	\$392	\$407	\$421
2.4.04 Canal Company Purchases	\$963	\$977	\$989	\$1,002	\$1,017	\$1,034
2.4.05 Forest Protective Association Purchases	\$42	\$43	\$44	\$44	\$45	\$45
2.4.06 Food Bank Purchases	\$267	\$267	\$271	\$281	\$292	\$302
2.4.07 Nonsale Clothier Purchases	\$1	\$1	\$1	\$1	\$1	\$1
2.4.08 Centers for Independent Living	\$5	\$5	\$5	\$5	\$5	\$6
2.4.09 State of Idaho and Local Government Purchases	\$32,054	\$28,551	\$26,823	\$26,678	\$27,056	\$27,706
2.4.10 Ronald McDonald House Rooms	\$1	\$1	\$1	\$1	\$1	\$1
2.4.11 INL Research and Development Purchases	\$5,326	\$4,736	\$4,319	\$4,663	\$5,068	\$5,571
2.4.12 Motor Vehicle Purchases by Family Members	\$1,777	\$1,433	\$1,530	\$1,616	\$1,868	\$2,017
2.4.13 Sales by 4-H and FFA Clubs at Fairs	\$28	\$28	\$28	\$28	\$28	\$28
2.4.14 Sales by Non-Retailers (Yard and Occasional Sales)	\$3,069	\$3,062	\$3,115	\$3,226	\$3,349	\$3,463
2.4.15 Sales by Indian Tribes on Reservations	\$4,839	\$4,724	\$4,856	\$5,078	\$5,273	\$5,436
2.4.16 Sales of Meals by Churches to Members	\$12	\$12	\$12	\$13	\$13	\$13
2.4.17 Sales by Outfitters and Guides	\$16	\$16	\$16	\$16	\$16	\$16
2.4.18 Sales Through Vending Machines	\$2,245	\$2,299	\$2,334	\$2,430	\$2,520	\$2,588
2.4.19 Auto Manufacturer Rebates	\$586	\$473	\$505	\$533	\$616	\$665
2.4.20 Incidental Sales by Churches	\$769	\$767	\$780	\$808	\$839	\$867
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	\$172	\$172	\$175	\$181	\$188	\$195
2.4.25 Senior Citizens Centers	\$41	\$41	\$42	\$43	\$45	\$46
2.4.26 Blind Services Foundation, Inc.	\$7	\$7	\$7	\$8	\$8	\$8
2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault	\$9	\$9	\$9	\$9	\$10	\$10
2.4.28 Free Dental Clinics	\$10	\$10	\$10	\$10	\$11	\$11
2.4.29 Museums	\$189	\$188	\$191	\$198	\$206	\$213

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 nonrefundable, 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 cents to the taxpayer, 35 cents 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 and trusts.

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, nonprofit centers for independent living located within Idaho, Idaho Drug Free Youth, Inc., the Shepherd's Home, Project Safe Place, the Learning Lab, Inc., Project P.A.T.C.H. (Planned Assistance for Troubled Children), or to nonprofit 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.

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 nonprofit 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 income tax liability or \$1,000, whichever is less. Two major changes will be made to this exemption for the five-year period beginning January 1, 2011. First, the credit will apply to donations from a broader range of entities. For the five-year period, the list is expanded to include the Idaho Commission on Hispanic Affairs, Idaho Commission for the Blind and Visually Impaired, Idaho Council on Developmental Disabilities, Idaho State Independent Living Council, and the Idaho Council for the Deaf and Hard of Hearing. Second, the tax credit remains equal to 50% of the contribution, but is limited to 50% of the taxpayer's total Idaho income tax liability. The maximum annual amount of the credit is increased from \$100 (\$200 on a jointly filed return) to \$500 (\$1,000 on a jointly filed return). For corporate taxpayers, the tax credit remains equal to 50% of the contribution and limited to 10% of the corporation's total Idaho income tax liability. The maximum annual credit is increased from \$1,000 to \$5,000.

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. Nonprofit museums were added in 1994. The Idaho State Library was added in 1998. University-related research parks were added in 1999. Beginning in 2011, this credit will limit qualifying contributions to monetary donations less the value of any benefits received.

1.1.06 Grocery Credit *Idaho Code 63-3024A*

Description: Idaho households with no more than \$1,000 of taxable income received 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 started at \$30 in 2008 and increases by \$10 annually until it reaches \$100. All Idahoans who are at least 65 years of age receive an additional \$20 credit. This credit is prorated for food stamp participants, incarcerated persons, and part-year residents.

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 nonseniors. 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 nonrefundable.

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 not already deducted or accounted for in arriving at taxable income.

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% investment tax credit (see 1.1.01), 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 through 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 up to 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 million 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 occurred 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 occurred 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 from January 1, 2006 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, not including employees earning more than \$48.08 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 from January 1, 2006 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, not including employees earning more than \$48.08 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 from January 1, 2006 through December 31, 2020. This credit is limited to 62.5% of the taxpayer’s 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, not including employees earning more than \$48.08 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 up to 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 (ITC) for any Idaho retail fuel dealer or distributor for infrastructure investments to provide biofuels to their customers. The biofuel ITC is in lieu of the regular 3% investment tax credit (see 1.1.01). The amount of credit is limited to 50% of the taxpayer’s 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 clarify pass-through entity holding periods.

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 taxpayer's interest income from the tax-exempt obligations to the taxpayer's total income.

History: This exclusion has been in effect since enactment of the income tax. The offset calculation was modified and moved to 63-3022MM in 1998 and modified in 1999 to correct the calculation of deductible interest expense.

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 retirement system; 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 Administrative Rule 033*

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 has been twice the standard deduction for single filers, which eliminated 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 versus 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; and 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; and 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 the 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 sales 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) from January 1, 2006 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 sales of used manufactured homes from the sales tax.

History: Original 63-3622(u) amended in 1976 to exempt sales of 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 aids, and crutches. It was amended in 1990 to add durable medical equipment, and numerous other prescription items. Amended in 1998 to exempt dental prostheses and other orthodontic appliances, except fillings. 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 versus 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, barber shops, 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, and 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 nonresident schools with Idaho facilities. It was amended in 1993 to add all nonresident schools not otherwise excluded. In 1999, 33-5204 was added to explicitly include charter schools to this exemption. Amended in 2008 to include the 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, nonprofit, nonresidential 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 Nonretailers (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 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, Junior College Dormitory Housing Authority, Production Credit Association, Regional Airport Authority, aircraft flights, and navigable water-based transportation.

History: Varies by statute.

2.4.24 Volunteer Fire Departments and Emergency Medical Service Agencies *Idaho Code 63-3622O(1)(g)*

Description: Exempts purchases by volunteer fire departments and medical service agencies.

History: Enacted in 2002.

2.4.25 Senior Citizens Centers *Idaho Code 63-3622O(1)(h)*

Description: Exempts purchases by senior citizen centers.

History: Enacted in 2002.

2.4.26 Blind Services Foundation, Inc. *Idaho Code 63-3622O(1)(i)*

Description: Exempts purchases by Blind Services Foundation, Inc.

History: Enacted in 2004.

2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault *Idaho Code 63-3622O(1)(j)*

Description: Exempts purchases by Advocates for Survivors of Domestic Violence and Sexual Assault.

History: Enacted in 2006

2.4.28 Free Dental Clinics *Idaho Code 63-3622O(1)(k)*

Description: Exempts purchases by dental clinics providing free dental services to children.

History: Enacted in 2006

2.4.29 Museums *Idaho Code 63-3622O(1)(l)*

Description: Exempts purchases by and admissions to nonprofit museums.

History: Enacted in 2006

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