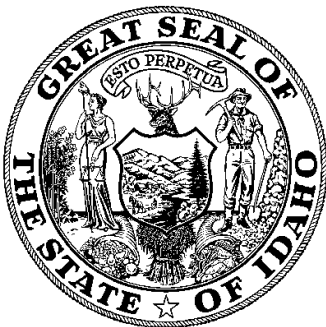


General Fund Revenue Book

- Economic Forecast
- Revenue Projections
- Tax Structure

Fiscal Year 2015

July 1, 2014 - June 30, 2015



A handwritten signature in black ink, appearing to read "C.L. Butch Otter".

C.L. "Butch" Otter, Governor

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

General Fund Revenue Book

**FY 2015 Executive Budget
January 2014**

- Economic Forecast
- Revenue Projections
- Tax Structure

Prepared by
Idaho Division of Financial Management
Executive Office of the Governor

Costs associated with this publication are available from
the Idaho Division of Financial Management
in accordance with Section 60-202, *Idaho Code*.
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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 Idaho 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 depends upon an 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 respectively 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. 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.

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

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Idaho Economic Forecast

The following tables and text are taken from the
January 2014 *Idaho Economic Forecast*,
a publication produced by the
Idaho Division of Financial Management.

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EXECUTIVE SUMMARY

Idaho's economy continued its gradual climb out of the Great Recession over the last three years, and its recovery is expected to accelerate over the next few years. Housing starts improved to nearly 7,200 units in 2012 and an estimated 9,000 units in 2013. The housing sector is anticipated to continue recovering over the next few years, growing to nearly 16,100 starts by 2017. This level is much higher than in 2011, but still well below its 2005 peak of 23,400 units. The construction sector is a direct beneficiary of the improving housing sector. For the first time in four years, construction employment increased by 2.7% in 2012, followed by an estimated 7.3% growth in 2013. It is expected to expand in each year of the forecast. Private nongoods-producing employment, which includes health care, is expected to have increased 2.25% in 2013. The state's private education and health sector proved to be the most resilient employer over the last few years and should enjoy constant job growth over the forecast period. It is the sole major employment sector that did not suffer job losses during the Great Recession. Of the three major job sectors in Idaho (goods producing, nongoods producing, and government), the government sector is the only one not forecast to show consistent growth over the forecast period. Idaho total nonfarm employment is forecast to climb from 622,200 jobs in 2012 to 720,200 jobs in 2017. Idaho nominal personal income is expected to expand an average of 5.3% per year through 2017. After adjusting for inflation, personal income is projected to increase at a 3.6% annual clip over the forecast period.

After being a drag on the national economy for several years, the US housing sector contributed to real output growth in 2012. It continued to fuel the economy in 2013 as well. Its return to growth is much welcomed, as it drives the recovery in other segments of the economy. Single-family and multi-family housing starts exceeded an annual rate of 1.5 million units in the third quarter, which is expected to have nearly reached a 1.6 million unit annual rate in the fourth quarter. Existing home sales also advanced, growing to a rate of 5.4 million homes per year in the third quarter and an anticipated annual rate of 5.1 million homes in the fourth quarter. Home prices kept pace, with an estimated 11.4% increase in the purchase price of homes over the last four quarters. The consumer spending recovery started a couple of years before the housing renaissance. It, too, enjoyed healthy growth recently. Total US nonfarm payrolls are expected to grow at an annual rate between 1.6% and 1.9% through 2017. The increase in economic activity seems to have convinced the Federal Reserve's Board of Governors to begin to taper the asset purchasing programs that have been in place since September of 2012. The Federal Reserve has also reaffirmed its intention to keep the target federal funds rate at a near zero level as long as the national unemployment rate is above 6.5% and inflation is no more than a half percentage point above the committee's 2-percent long-run goal. The US economy is expected to continue to grow throughout the forecast period as the labor markets and consumption continue to improve. Real gross domestic product is anticipated to have grown 1.7% in 2013, and it is projected to increase another 2.5% in 2014, 3.1% in 2015, 3.3% in 2016, and 3.1% in 2017.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JANUARY 2014

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| U.S. GDP (BILLIONS) | | | | | | | | | | | |
| Current \$ | 14,480 | 14,720 | 14,418 | 14,958 | 15,534 | 16,245 | 16,755 | 17,435 | 18,291 | 19,220 | 20,150 |
| % Ch | 4.5% | 1.7% | -2.1% | 3.7% | 3.8% | 4.6% | 3.1% | 4.1% | 4.9% | 5.1% | 4.8% |
| 2009 Chain-Weighted | 14,877 | 14,834 | 14,418 | 14,779 | 15,052 | 15,471 | 15,728 | 16,116 | 16,619 | 17,161 | 17,689 |
| % Ch | 1.8% | -0.3% | -2.8% | 2.5% | 1.8% | 2.8% | 1.7% | 2.5% | 3.1% | 3.3% | 3.1% |
| PERSONAL INCOME - CURR \$ | | | | | | | | | | | |
| Idaho (Millions) | 49,726 | 50,320 | 49,165 | 50,385 | 52,954 | 55,022 | 56,621 | 59,056 | 62,270 | 65,796 | 69,686 |
| % Ch | 5.7% | 1.2% | -2.3% | 2.5% | 5.1% | 3.9% | 2.9% | 4.3% | 5.4% | 5.7% | 5.9% |
| Idaho Nonfarm (Millions) | 48,184 | 48,543 | 47,842 | 48,849 | 50,694 | 52,665 | 54,456 | 57,269 | 60,505 | 64,033 | 67,923 |
| % Ch | 4.8% | 0.7% | -1.4% | 2.1% | 3.8% | 3.9% | 3.4% | 5.2% | 5.7% | 5.8% | 6.1% |
| U.S. (Billions) | 11,996 | 12,431 | 12,082 | 12,435 | 13,191 | 13,744 | 14,133 | 14,783 | 15,494 | 16,307 | 17,194 |
| % Ch | 5.3% | 3.6% | -2.8% | 2.9% | 6.1% | 4.2% | 2.8% | 4.6% | 4.8% | 5.2% | 5.4% |
| PERSONAL INCOME - 2009 \$ | | | | | | | | | | | |
| Idaho (Millions) | 51,211 | 50,291 | 49,167 | 49,563 | 50,875 | 51,901 | 52,823 | 54,393 | 56,460 | 58,616 | 60,991 |
| % Ch | 3.2% | -1.8% | -2.2% | 0.8% | 2.6% | 2.0% | 1.8% | 3.0% | 3.8% | 3.8% | 4.1% |
| Idaho Nonfarm (Millions) | 49,623 | 48,514 | 47,845 | 48,052 | 48,704 | 49,678 | 50,803 | 52,746 | 54,860 | 57,045 | 59,448 |
| % Ch | 2.2% | -2.2% | -1.4% | 0.4% | 1.4% | 2.0% | 2.3% | 3.8% | 4.0% | 4.0% | 4.2% |
| U.S. (Billions) | 12,354 | 12,423 | 12,082 | 12,232 | 12,673 | 12,964 | 13,185 | 13,616 | 14,049 | 14,527 | 15,049 |
| % Ch | 2.7% | 0.6% | -2.7% | 1.2% | 3.6% | 2.3% | 1.7% | 3.3% | 3.2% | 3.4% | 3.6% |
| HOUSING STARTS | | | | | | | | | | | |
| Idaho | 14,354 | 7,981 | 5,707 | 5,205 | 4,572 | 7,162 | 8,963 | 11,327 | 13,953 | 15,163 | 16,069 |
| % Ch | -26.5% | -44.4% | -28.5% | -8.8% | -12.2% | 56.7% | 25.1% | 26.4% | 23.2% | 8.7% | 6.0% |
| U.S. (Millions) | 1.342 | 0.900 | 0.554 | 0.586 | 0.612 | 0.783 | 0.913 | 1.139 | 1.472 | 1.618 | 1.612 |
| % Ch | -25.9% | -32.9% | -38.4% | 5.7% | 4.5% | 28.0% | 16.6% | 24.7% | 29.3% | 9.9% | -0.3% |
| TOTAL NONFARM EMPLOYMENT | | | | | | | | | | | |
| Idaho | 656,217 | 649,831 | 610,086 | 603,322 | 610,460 | 622,169 | 639,132 | 656,023 | 678,056 | 699,368 | 720,218 |
| % Ch | 2.7% | -1.0% | -6.1% | -1.1% | 1.2% | 1.9% | 2.7% | 2.6% | 3.4% | 3.1% | 3.0% |
| U.S. (Thousands) | 137,642 | 136,849 | 130,859 | 129,911 | 131,500 | 133,737 | 135,915 | 138,087 | 140,540 | 143,198 | 145,498 |
| % Ch | 1.1% | -0.6% | -4.4% | -0.7% | 1.2% | 1.7% | 1.6% | 1.6% | 1.8% | 1.9% | 1.6% |
| SELECTED INTEREST RATES | | | | | | | | | | | |
| Federal Funds | 5.0% | 1.9% | 0.2% | 0.2% | 0.1% | 0.1% | 0.1% | 0.1% | 0.4% | 2.2% | 3.8% |
| Bank Prime | 8.1% | 5.1% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.4% | 5.2% | 6.8% |
| Existing Home Mortgage | 6.5% | 6.2% | 5.1% | 4.9% | 4.7% | 3.8% | 4.0% | 4.9% | 5.3% | 6.0% | 6.9% |
| INFLATION | | | | | | | | | | | |
| GDP Price Deflator | 2.7% | 1.9% | 0.8% | 1.2% | 2.0% | 1.7% | 1.4% | 1.6% | 1.7% | 1.8% | 1.7% |
| Personal Cons Deflator | 2.5% | 3.1% | -0.1% | 1.7% | 2.4% | 1.8% | 1.1% | 1.3% | 1.6% | 1.8% | 1.8% |
| Consumer Price Index | 2.9% | 3.8% | -0.3% | 1.6% | 3.1% | 2.1% | 1.4% | 1.4% | 1.7% | 1.9% | 1.9% |

**National Variables Forecast by IHS Global Insight
Forecast Begins the THIRD Quarter of 2013**

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2014

| | 2013 | | | | 2014 | | | | 2015 | | | |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| U.S. GDP (BILLIONS) | | | | | | | | | | | | |
| Current \$ | 16,535 | 16,661 | 16,858 | 16,966 | 17,142 | 17,336 | 17,531 | 17,733 | 17,958 | 18,177 | 18,405 | 18,622 |
| % Ch | 2.8% | 3.1% | 4.8% | 2.6% | 4.2% | 4.6% | 4.6% | 4.7% | 5.2% | 5.1% | 4.8% | 4.8% |
| 2009 Chain-Weighted | 15,584 | 15,680 | 15,790 | 15,859 | 15,955 | 16,057 | 16,165 | 16,287 | 16,417 | 16,551 | 16,688 | 16,818 |
| % Ch | 1.1% | 2.5% | 2.8% | 1.7% | 2.5% | 2.6% | 2.7% | 3.1% | 3.2% | 3.3% | 3.4% | 3.1% |
| PERSONAL INCOME - CURR \$ | | | | | | | | | | | | |
| Idaho (Millions) | 56,194 | 56,409 | 56,726 | 57,153 | 58,068 | 58,628 | 59,378 | 60,151 | 61,108 | 61,894 | 62,651 | 63,425 |
| % Ch | -0.6% | 1.5% | 2.3% | 3.0% | 6.6% | 3.9% | 5.2% | 5.3% | 6.5% | 5.2% | 5.0% | 5.0% |
| Idaho Nonfarm (Millions) | 53,629 | 54,229 | 54,689 | 55,279 | 56,185 | 56,861 | 57,619 | 58,411 | 59,333 | 60,140 | 60,886 | 61,661 |
| % Ch | -1.9% | 4.5% | 3.4% | 4.4% | 6.7% | 4.9% | 5.4% | 5.6% | 6.5% | 5.6% | 5.0% | 5.2% |
| U.S. (Billions) | 13,926 | 14,065 | 14,198 | 14,343 | 14,542 | 14,696 | 14,864 | 15,031 | 15,238 | 15,407 | 15,576 | 15,755 |
| % Ch | -4.1% | 4.1% | 3.8% | 4.2% | 5.7% | 4.3% | 4.7% | 4.6% | 5.6% | 4.5% | 4.5% | 4.7% |
| PERSONAL INCOME - 2009 \$ | | | | | | | | | | | | |
| Idaho (Millions) | 52,563 | 52,779 | 52,822 | 53,129 | 53,800 | 54,095 | 54,580 | 55,096 | 55,749 | 56,248 | 56,694 | 57,150 |
| % Ch | -1.6% | 1.7% | 0.3% | 2.3% | 5.1% | 2.2% | 3.6% | 3.8% | 4.8% | 3.6% | 3.2% | 3.3% |
| Idaho Nonfarm (Millions) | 50,163 | 50,739 | 50,925 | 51,387 | 52,056 | 52,464 | 52,963 | 53,502 | 54,131 | 54,654 | 55,096 | 55,560 |
| % Ch | -3.0% | 4.7% | 1.5% | 3.7% | 5.3% | 3.2% | 3.9% | 4.1% | 4.8% | 3.9% | 3.3% | 3.4% |
| U.S. (Billions) | 13,026 | 13,160 | 13,221 | 13,333 | 13,473 | 13,559 | 13,663 | 13,768 | 13,902 | 14,001 | 14,095 | 14,196 |
| % Ch | -5.1% | 4.2% | 1.9% | 3.4% | 4.3% | 2.6% | 3.1% | 3.1% | 4.0% | 2.9% | 2.7% | 2.9% |
| HOUSING STARTS | | | | | | | | | | | | |
| Idaho | 8,294 | 8,880 | 9,108 | 9,568 | 10,258 | 10,724 | 11,628 | 12,697 | 13,373 | 13,880 | 14,245 | 14,314 |
| % Ch | 25.9% | 31.5% | 10.6% | 21.8% | 32.1% | 19.4% | 38.2% | 42.1% | 23.1% | 16.1% | 10.9% | 2.0% |
| U.S. (Millions) | 0.957 | 0.869 | 0.894 | 0.934 | 1.010 | 1.107 | 1.180 | 1.258 | 1.345 | 1.437 | 1.533 | 1.572 |
| % Ch | 30.1% | -32.2% | 12.0% | 19.2% | 36.7% | 44.6% | 29.0% | 29.1% | 30.7% | 30.5% | 29.5% | 10.5% |
| TOTAL NONFARM EMPLOYMENT | | | | | | | | | | | | |
| Idaho | 633,040 | 638,505 | 640,561 | 644,422 | 648,815 | 653,409 | 658,354 | 663,513 | 669,472 | 675,400 | 681,043 | 686,311 |
| % Ch | 3.3% | 3.5% | 1.3% | 2.4% | 2.8% | 2.9% | 3.1% | 3.2% | 3.6% | 3.6% | 3.4% | 3.1% |
| U.S. (Thousands) | 135,108 | 135,687 | 136,162 | 136,703 | 137,238 | 137,803 | 138,360 | 138,948 | 139,596 | 140,202 | 140,833 | 141,530 |
| % Ch | 1.9% | 1.7% | 1.4% | 1.6% | 1.6% | 1.7% | 1.6% | 1.7% | 1.9% | 1.7% | 1.8% | 2.0% |
| SELECTED INTEREST RATES | | | | | | | | | | | | |
| Federal Funds | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.3% | 0.9% |
| Bank Prime | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.9% |
| Existing Home Mortgage | 3.6% | 3.6% | 4.4% | 4.3% | 4.5% | 4.9% | 5.0% | 5.1% | 5.2% | 5.2% | 5.3% | 5.5% |
| INFLATION | | | | | | | | | | | | |
| GDP Price Deflator | 1.3% | 0.6% | 1.9% | 1.2% | 1.7% | 2.0% | 1.8% | 1.6% | 1.9% | 1.6% | 1.7% | 1.6% |
| Personal Cons Deflator | 1.1% | -0.1% | 1.9% | 0.7% | 1.3% | 1.7% | 1.5% | 1.4% | 1.6% | 1.6% | 1.7% | 1.7% |
| Consumer Price Index | 1.4% | 0.0% | 2.6% | 0.4% | 1.4% | 2.0% | 1.7% | 1.6% | 1.7% | 1.7% | 1.9% | 1.9% |

National Variables Forecast by IHS Global Insight
Forecast Begins the THIRD Quarter of 2013

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NATIONAL FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2013 through the Fourth Quarter of 2017

The second half of 2013 was not without incident, but ultimately continued the trend of national recovery. The US housing market has been the economic frontrunner over the past two years, and has been a catalyst for economic recovery in other segments of the economy. As home prices and construction have accelerated, consumer confidence and spending have been on the rebound, also advancing US employment. Fortunately, the increased economic activity has not put much upward pressure on inflation, giving the Federal Reserve plenty of latitude in continuing forward with expansionary monetary policies. Although this recovery seems to be gaining strength, it became apparent that it is still rather fragile as stalemates on Capitol Hill in October led to a federal government shutdown and near default on federal debts that could have launched the US into another recession.

Troubles in the nation's capital had some short-term impacts on consumer spending and consumer's perceptions about the health of the economy. The unease was short-lived and consumers began to re-engage in spending, lifting the consumption portion of the GDP to a growth rate of 2.8% in the third quarter and an estimated 1.7% in the fourth quarter. The housing sector continued to flourish, with single-family and multi-family housing starts exceeding a rate of 1.5 million units per year in the third quarter, which is expected to have nearly reached a 1.6 million unit annual rate in the fourth quarter. Existing home sales also advanced, growing to a rate of 5.4 million homes per year in the third quarter and an anticipated annual rate of 5.1 million homes in the fourth quarter. Home prices kept pace, with an estimated 11.4% increase in the purchase price of homes over the last four quarters.

Higher employment levels both contribute to and are elevated by the recovery in consumer spending. US nonfarm payrolls decreased by nearly 6% between 2007 and 2010, but have shown growth in each year since. Private employment increased by an estimated 2.0% in 2013, boosted by strong payroll growth in sectors such as employment services, mining, and leisure and hospitality. Manufacturing payrolls had a modest increase of 0.5% in 2013, with employment growth expected to accelerate to 1.9% in 2014. Still finding sure footing in the recovery, the government sector was the underdog in 2013, with an estimated decrease of 0.3% in payrolls. Total nonfarm payrolls in the US are expected to grow at an annual rate between 1.6% and 1.9% through 2017.

This increase in economic activity seems to have convinced the Federal Reserve's Board of Governors to begin to taper the asset purchasing programs that have been in place since September of 2012. At the time of this forecast the Federal Reserve's Federal Open Market Committee had stated that although recent data suggests that economic activity is continuing to expand at a moderate pace, indicators in the labor market show some further improvement is necessary before tapering can safely begin. The Committee has also reaffirmed its intention to keep the target federal funds rate at a near zero level as long as the national unemployment rate is above 6.5% and inflation is no more than a half percentage point above the Committee's 2-percent long-run goal.

The US economy is expected to continue to grow throughout the forecast period as the labor markets and consumption continue to improve. Real gross domestic product is anticipated to have grown 1.7% in 2013, and it is anticipated to grow another 2.5% in 2014, 3.1% in 2015, 3.3% in 2016, and 3.1% in 2017.

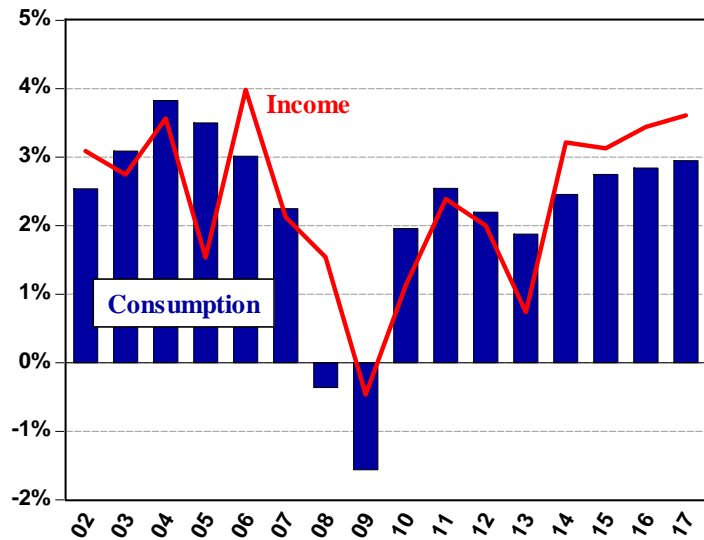
SELECTED NATIONAL ECONOMIC INDICATORS

Consumer Spending: Federal policy uncertainty in the third quarter of 2013 prompted a drop in consumer sentiment that likely extended into the fourth quarter. Although declines were present in the Reuters/University of Michigan Consumer Sentiment Index, which measures consumer opinions on both present conditions and expectations for the future, the Bloomberg Consumer Comfort Index, which only tracks perceptions on the current state of the economy and personal finances, rebounded in early November. The rebound might indicate that consumers are beginning to push past the turbulence created by the federal government shutdown that occurred this fall, though the optimism has only been extended to short-term variables until consumers can begin to see longer-term progress. One

factor that should assist in solidifying some optimism is the growth in real personal income in the US, which advanced at an annual rate of 3.6% in the third quarter and is expected to have accelerated to a rate of 4.1% in the fourth quarter. Even in the environment of mixed consumer sentiment, real consumer spending extended its growth streak in the third quarter of 2013, increasing at an annual rate of 1.5%, and is expected to edge up to a rate of 2.2% in the fourth quarter. This spending growth was particularly strong in information processing equipment such as computers and peripheral equipment, which grew at an estimated rate of 16.1% in the fourth quarter. Continued growth in real personal income should fuel future consumer spending. Real personal income is expected to have grown 2.8% in 2013, and should pick up speed in each year of the forecast, with growth of 4.7% in 2014, 4.9% in 2015, 5.2% in 2016, and 5.4% in 2017. For all of 2013 consumer spending increased by an estimated 1.9%, and it is expected to increase by 2.5% in 2014, 2.7% in 2015, 2.8% in 2016, and 3.0% in 2017.

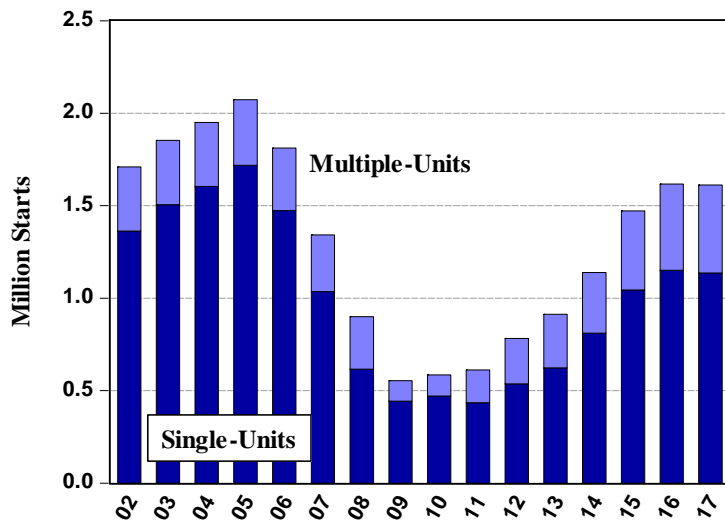
Housing: The US housing market continues its upward trajectory, advancing sales of new and existing homes and home prices in the fourth quarter of 2013, but the pace of home price growth may begin to cool off in the coming years with increasing mortgage rates. Fourth quarter housing starts held a pace of roughly 900,000 homes per year, elevating the number of starts for all of 2013 to around 913,000. Starts are expected to grow over much of the forecast period, although a return to prerecession levels is not anticipated. By 2017 housing starts are expected to be north of 1.6 million per year. At a seasonally adjusted annual rate, existing home sales in the fourth quarter are expected to be slightly lower than in the third quarter, with a rate of 5.1 million versus 5.4 million in the third quarter. A small retreat in the growth rate of home sales is not surprising as the purchase price of homes continues to grow at a rapid pace. The Federal Housing Finance Agency's Purchase Only Index of home prices increased by 11.4% in the fourth quarter of 2013, the largest quarterly increase since before the recession. The Purchase Only Index is based on more than 6 million repeat sales transactions on the same single-family properties, and uses only the actual purchase price of homes, eliminating homes listed at appraisal values. The Purchase Only Index eliminates bias by only including the prices of homes that have sold.

US Real Consumption and Disposable Personal Income Growth



Source: IHS Global Insight

US Housing Starts



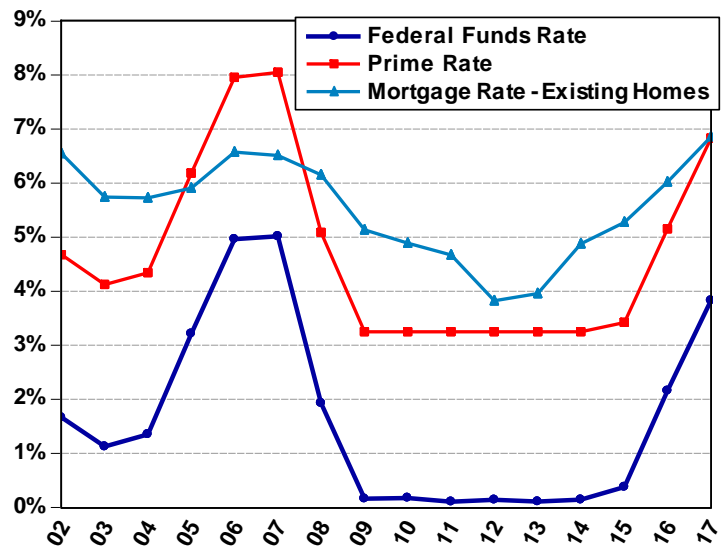
Source: IHS Global Insight

Purchase prices are expected to have grown by 8.5% in 2013 and are anticipated to grow by another 8.5% in 2014. Prices are forecast to have a small withdraw in 2015, decreasing by 0.1%, before growing 0.8% in 2016 and 1.7% in 2017. The cool down in price growth in the outer years can be partially attributed to the expected increase in mortgage rates. Conventional 30-year fixed mortgage rates averaged roughly 3.7% in 2012, but are expected to grow throughout the forecast period, reaching more than 6.5% by 2017. This is expected to have an impact on the sale of existing homes as well as prices. Existing home sales are forecast to grow from just over 5.1 million in 2013 to more than 5.7 million in 2014, and

then retreat back to less than 5.4 million in 2017. Total housing starts are expected to have exceeded 900,000 in 2013 and are anticipated to grow to 1.1 million in 2014, 1.5 million in 2015, and 1.6 million in both 2016 and 2017.

Monetary Policy: When the Federal Reserve's Open Market Committee (FOMC) met at the end of September they acknowledged that economic conditions were improving and that inflation remained low and stable, but there was enough concern about the relatively high unemployment rate to further postpone any tapering of current monetary policy. The dual mandate of the Committee is to foster maximum employment and price stability. With inflation below the set goal of 2%, the Committee has targeted maximum employment by using certain tools. In September of 2012 the Federal Reserve announced a program in which mortgage-backed securities would be purchased at a rate of \$40 billion each month until the labor market improved. In December of 2012 this program was expanded to include an additional \$45 billion of long-term Treasury securities. The Committee believes that these actions will put downward pressure on long-term interest rates and help alleviate financial conditions and support the mortgage markets. There is some disagreement about the continued use of these tools within the Committee, as some believe that the effectiveness of the tools has diminished. IHS Global Insight assumes that the Committee began tapering these asset purchases in late December of 2013. The Federal Reserve also uses the federal funds rate as a tool to control the short-term interest rates. The federal funds

Selected US Interest Rates

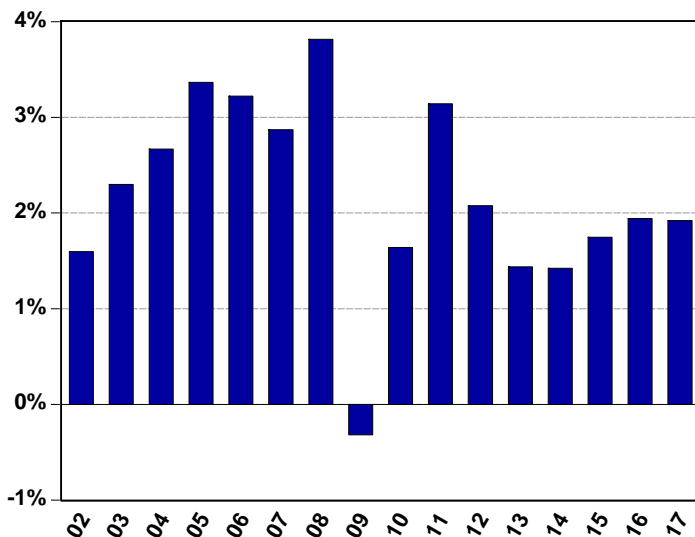


Source: IHS Global Insight

rate is the rate at which depository institutions lend reserve balances to other depository institutions overnight. In an attempt to spur economic activity during the recession the Federal Reserve began to lower their target federal funds rate in 2007. By December of 2008 the Federal Reserve had a target of 0.0% to 0.25% for the federal funds rate. The FOMC has suggested that the rate will remain in this range as long as long-term inflation remains below 2.0% and until the national unemployment rate falls below 6.5%. These conditions are expected to be met in the second quarter of 2015. The federal funds rate is expected to have averaged 0.11% in 2013, but should grow to 0.14% in 2014, 0.37% in 2015, 2.15% in 2016, and 3.83% in 2017.

Inflation: National inflation has been relatively low for the last five years, and it is expected to stay below the 2.0% annual growth level for the foreseeable future. In 2006, before the most recent recession, annual consumer inflation averaged about 3.2%. That rate decreased slightly in 2007 to 2.9%, and then it increased again in 2008 to 3.8%. Price levels even grew at a rate of as high as 6.3% in the third quarter of 2008 as energy commodity prices soared. By 2009 the impacts of the recession were paying a toll on aggregate demand in the country and prices dropped, leading to price deflation of 0.3% in that year. Aggregate prices grew by 1.6% in 2010, followed by 3.1% in 2011, and 2.1% in 2012. Inflation is expected to have been more modest in 2013, with growth of around 1.4%, where it is expected to stay for the next year before starting to slowly edge up. Consumer prices are estimated to have been fairly flat in the fourth quarter of 2013, growing at an annualized rate of 0.4% as energy commodity prices

US Consumer Price Inflation



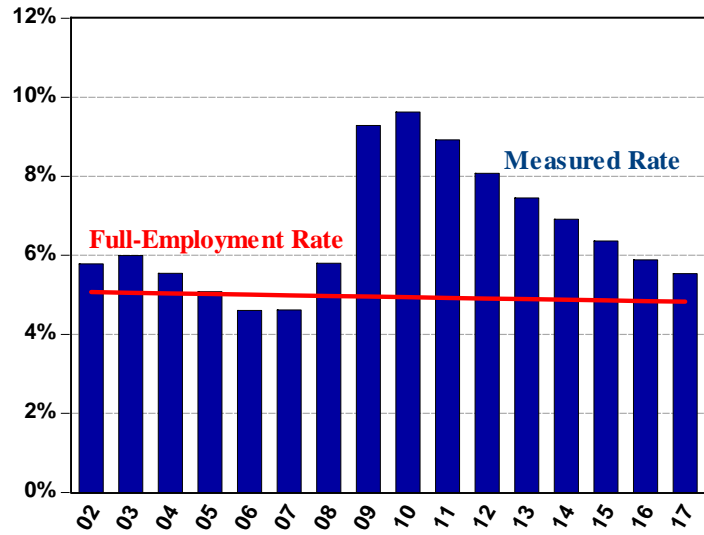
Source: IHS Global Insight

posted a decrease of 13.6%. Core consumer prices, which exclude the more volatile energy and food categories, grew at a rate of 1.4% during the same quarter. One reason that core consumer inflation is expected to remain tame is that employment costs should remain bridled during the recovering job market. Employment costs for civilian workers rose an estimated 1.9% in 2013, as the cost of providing benefits grew just 2.0%. Producer's inputs have also stayed low and even decreased at an annualized rate of 0.1% in the fourth quarter. Producer price growth should also remain low, coming in at 0.7% in 2014, 1.1% in 2015, 1.6% in 2016, and 1.3% in 2017. Core consumer prices are expected to have grown by 1.8% in 2013, and they should increase about 2.0% per year over the forecast period.

Employment: The US job market continued to improve in the third quarter of 2013 and is forecasted to have extended these gains into the fourth quarter. Nonfarm payroll employment advanced at a rate of 1.4% in the third quarter and an accelerated rate of 1.6% is expected in the fourth quarter. Fourth quarter employment growth included some high-performing sectors. For example, the logging sector's payroll expanded 25.4% in response to increased demand from recovering residential and commercial construction. The boost in logging employment in the fourth quarter was enough to more than offset the 2.3% decrease in the third quarter, elevating overall employment growth in the logging category to an estimated annual rate of 2.0% for 2013. Some professional and business services categories, such as administrative and support services, also showed improvement in the third quarter. The manufacturing

portion of the labor market did not fare as well, decreasing at a 0.4% annual rate in the third quarter. This decline in manufacturing employment is expected to have reversed in the fourth quarter of 2013. Government employment losses extended into the third quarter, declining at an annual rate of 0.1%. Losses were completely contained in the federal portion of the government employment sector, which decreased at a clip of 4.4%. Partially due to the federal government shutdown in October, government employment growth is expected to be flat in the fourth quarter and decrease by 0.3% for all of 2013, followed by growth of 0.5% in 2014, 0.6% in both 2015 and 2016, and 0.8% in 2017. Total US nonfarm employment is expected to have increased by 1.6% in 2013 and will likely keep pace in 2014, followed by employment growth of 1.8% in 2015, 1.9% in 2016, and 1.6% in 2017. The unemployment rate is anticipated to decline over the forecast period, dropping to a rate of 5.5% by 2017.

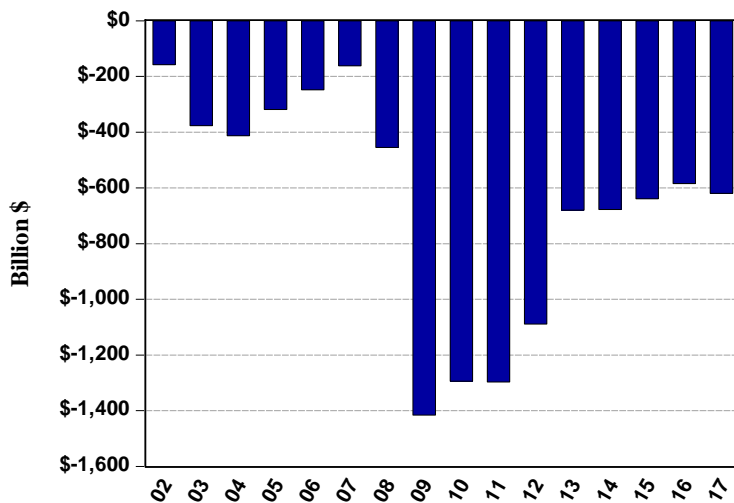
US Civilian Unemployment Rate



Source: IHS Global Insight

Government: Federal government policy inaction in the fall was one of the biggest threats to the nation’s economic recovery. Congress’ failure to develop a budget or pass a continuing resolution led to a partial federal government shutdown for the first two weeks in October. During the shutdown an initial 770,000 federal employees that were considered to be “non-essential” or “non-emergency” were furloughed without pay. Nearly half of these employees returned to work the second week of the shutdown. The shutdown had a direct negative impact of roughly \$2.3 billion on fourth-quarter real GDP, which amounts to a decrease of 0.25 percentage point off of fourth-quarter real GDP growth. During this same time the government came perilously close to defaulting on paying its fiscal

Unified Federal Budget Deficit



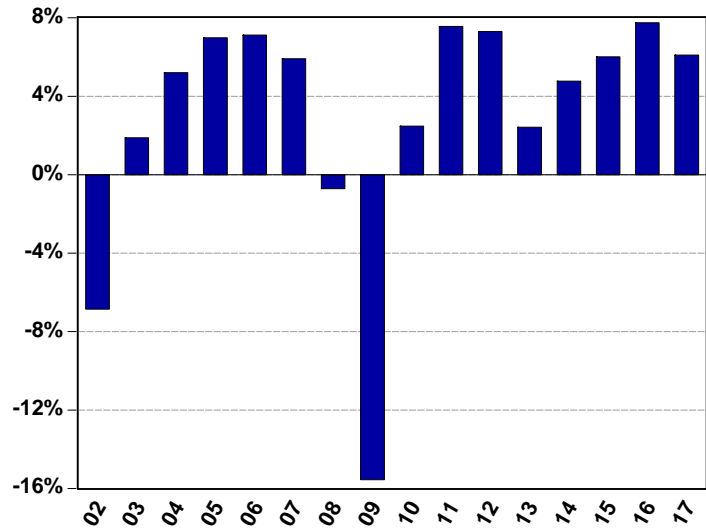
Source: IHS Global Insight

obligations because there was a hesitancy to lift the nation’s debt ceiling. Many experts feared that the failure to raise the debt ceiling would plunge the economy into a recession. Both the government was funded and the debt limit was raised thanks to an eleventh-hour agreement. However, the agreement provided only temporary fixes. It funded government operations only through January 15, 2014 and increased the debt limit to extend into February of 2014. On a positive note, the federal government made significant progress on deficit reduction, ending FY 2013 with a unified budget deficit of \$680.3 billion—the first time it was under \$1.0 trillion since FY 2008. Last

fiscal year's deficit was 4.1% of GDP, down from 6.8% of GDP in FY 2012. After FY 2013, the unified budget deficit is expected to be \$677.6 billion in FY 2014, \$638.7 billion in FY 2015, \$584.2 billion in FY 2016, and \$619.2 billion in FY 2017.

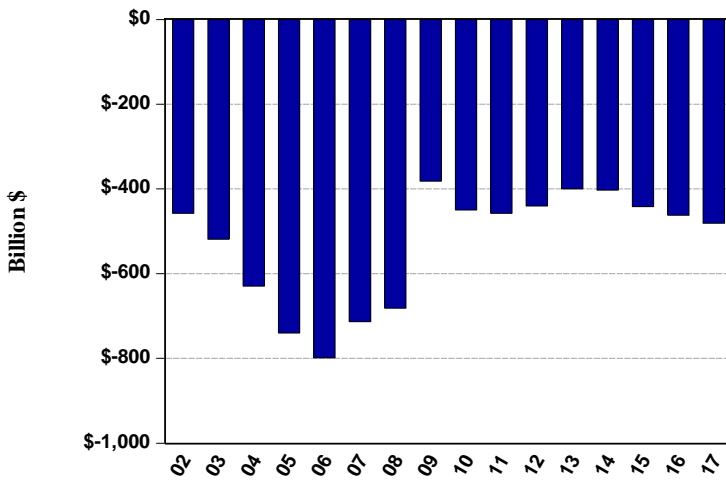
Business Investment: Real business investment has struggled recently, but it is expected to improve in the near future. Shipments of core capital goods, which are nondefense goods excluding aircraft, had a three-month moving average that increased during the first five months of 2013 but has been inching down ever since. Real investment in equipment was also sluggish, having fallen at a rate of 3.7% in the third quarter of 2013. While there was some strength in investment in industrial equipment, which grew at a rate of 17.3% in the third quarter, these gains were more than offset by decreases in other investment categories, such as information (-3.8%), transportation (-4.1%), and “other” equipment (-19.1%). On the other hand, business investment in nonresidential structures accelerated at a rate of 12.3% in the third quarter. Real spending on manufacturing structures grew at a clip of 38.0% in the third quarter, followed by investment in power and communication structures, which grew at a rate of 17.2%. Also helping to offset weakness in equipment spending was increased investing in intellectual property products, which grew at a rate of 2.2% in the third quarter. Equipment spending should get a temporary yearend surge, as businesses make purchases before the expiration of the 50% bonus depreciation. Equipment investment is expected to grow at a 9.8% annual pace in the fourth quarter of 2013. Total real business investments are expected to advance 4.8% in 2014, 6.0% in 2015, 7.7% in 2016, and 6.1% in 2017.

Real US Business Investment Growth



Source: IHS Global Insight

US Current Account Trade Deficit



Source: IHS Global Insight

International: The trade deficit for real US net exports narrowed to a seasonally adjusted annualized rate of \$413 billion in the third quarter, from a rate of \$424 billion in the second quarter of 2013. The slight reduction in the deficit is due to a 4.6% boost in US exports in the third quarter. Foods, feeds, and beverage exports were particularly strong, growing at a rate of 42.3% in the third quarter, up from a decrease of 27.4% in the second quarter. Domestic imports of goods and services also grew in the third quarter, but at a slightly lower rate of 1.8%. The largest growth category for US imports was vehicles and parts, which grew at an annual rate of 15.2% in the third quarter.

Both imports and exports are expected to have extended these gains into the fourth quarter, with exports growing at a rate of 3.3% and imports growing at a rate of 5.0%. Trade is influenced by exchange rates, but a lack of significant movements in the rates between the US and its major trading partners has largely made them a nonissue over the last year. The exchange rates between the US dollar and America's major trade partners has been fairly flat over the last several quarters and is not expected to show any major fluctuations in the foreseeable future. The real net export deficit is expected to have hit \$421.5 billion in 2013. It is anticipated to increase to \$450.0 billion in 2014, \$481.7 billion in 2015, and then to narrow to \$465.6 billion in 2016 and to \$419.4 billion in 2017.

IDAHO FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2013 through the Fourth Quarter of 2017

Idaho's economy continued its gradual climb out of the Great Recession over the last three years and its recovery is expected to accelerate over the next few years. After declining for three years, Idaho nonfarm employment grew in 2011 by 1.2%. This turnaround was followed by an even stronger showing in 2012, when employment advanced nearly 2.0%. This streak continued in 2013, as the state's job count expanded by an estimated 2.7%. The recent performances of other measures tell a similar story. After dropping to \$49.2 billion in 2009, Idaho nominal personal income has grown in every year since then and was an estimated \$56.6 billion in 2013. Housing starts hit a near three-decade low of 4,600 units in 2011. However, starts improved to 7,200 units in 2012 and an estimated 9,000 units in 2013.

The construction sector is a direct beneficiary of the improving housing sector. After racing to a peak of nearly 53,000 jobs in 2007, this job creating engine sputtered, shedding nearly 22,000 jobs from 2007 to 2011, which is roughly 42% of its workforce. It returned to growth in 2012 when the housing market began to turn around. Total Idaho housing starts grew by 56.7% that year as the inventory of existing homes retreated and many prospective home buyers turned to new construction as another option. For the first time in four years, construction employment increased by 2.7% in 2012. It is expected to grow in each year of the forecast. Construction payrolls are forecast to grow to 43,800 jobs in 2017.

The state's private education and health sector proved to be the most resilient employer over the last few years and should enjoy constant job growth over the forecast period. It is the sole major employment sector that did not suffer job losses during the Great Recession. In fact, from 2007 to 2011 it added 12,000 jobs. There are a couple reasons for this expansion. One, health care demand is driven more by demographics than economics. Thus, the aging population is a major driver of health care employment. It should also be pointed out that given its nature, it is much harder to postpone purchasing health care than other goods or services. Second, many unemployed or underemployed workers return to school in order to learn new job skills or enhance existing skills to be more competitive in the tight job market. This demand increases the need for teachers, trainers, and administrators.

Two of the three major Idaho job sectors, goods producing and nongoods producing, are expected to recover and even grow past prerecession levels in the coming years. The goods-producing sector, which includes construction, is forecast to expand at a 4.0% average annual rate over the next four years. At this pace, employment will be nearly 113,900 jobs in 2017, which is about where it was at the Great Recession's start. Private nongoods-producing employment, which includes health care, is expected to increase at an average annual rate of 2.9% over the same period. The remaining major employment sector, government, is not forecast to show consistent growth. Idaho total nonfarm employment is forecast to climb from 639,000 jobs in 2013 to 720,000 jobs in 2017.

Idaho nominal personal income is expected to expand at an average rate of 5.3% per year through 2017. After adjusting for inflation, personal income is projected to increase at a 3.6% annual clip over the forecast period. The housing sector is anticipated to continue recovering over the next few years, growing to nearly 16,100 starts by 2017. This level is much higher than in 2011, but still well below its 2005 peak of 23,400 units.

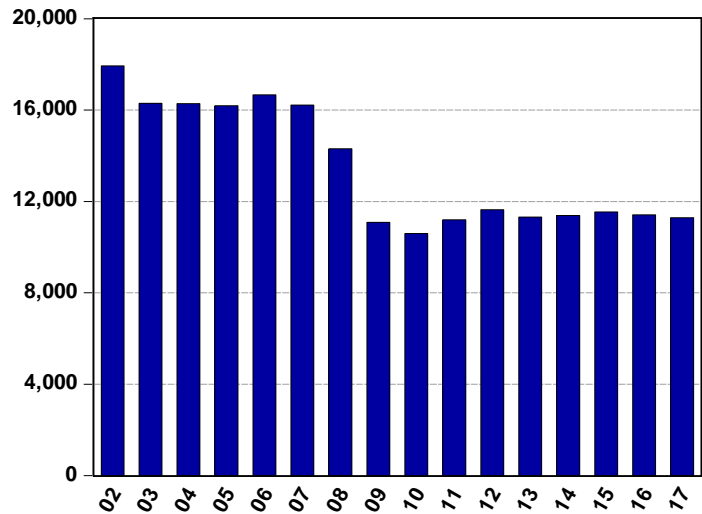
SELECTED IDAHO ECONOMIC INDICATORS

Computer and Electronics

Manufacturing: Through much of the 1990s Idaho transformed into a technology manufacturing hub. Micron Technology, a manufacturer of computer memory, had been operating in Idaho since the late 1970s but had expanded enough to open a second assembly plant in 1990. Between the largest computer and electronics manufacturers, Micron Technology and Hewlett-Packard, and a few smaller companies, Idaho’s employment in the sector had grown to roughly 10,000 jobs by 1991, and employment continued increasing to almost 20,000 jobs over the next ten years. However, this sector was hit hard with the high-tech bubble burst and the recession in 2001. Following the recession employment shrank by about

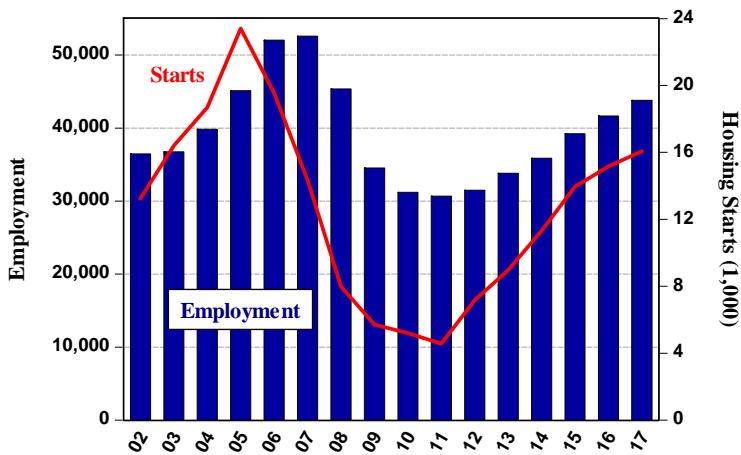
9.0% in both 2002 and 2003. Payrolls then expanded by 3.0% in 2006 but decreased by 2.7% in 2007 and another 11.8% in 2008. The following year was also difficult, with payrolls shrinking by 22.5%, under pressures from a global recession and the collapse in memory prices. Losses persisted through 2010, when computer and electronics manufacturing payrolls bottomed out at roughly 10,600 jobs, which is nearly the same level as two decades earlier. Computer and electronics manufacturing jobs grew with the recovering economy in 2011 and 2012, but layoffs at Hewlett-Packard and Micron Technology contributed to a payroll decrease of 2.7% in 2013. The sector has attempted to diversify and expand into new territory over the last couple of years. Attempts were made at breaking into solar panel manufacturing by a couple of Idaho companies. One of these companies, Transform Solar of Nampa, Idaho, was unable to remain solvent due to retreating solar panel prices. Another company, Inovus Solar of Boise, Idaho, has found some traction in the manufacturing of net-zero commercial lighting that generates enough energy from solar panels to offset energy used in lighting. Some Idaho computer and electronic manufacturing companies have shifted their local operations from manufacturing to research and development, which should help insulate them from future downturns in the business cycle. Computer and electronics manufacturing employment in Idaho was at an estimated level of 11,318 jobs in 2013, and is expected to grow to 11,386 jobs in 2014, 11,534 in 2015, and then to ease back to 11,416 in 2016, and 11,284 in 2017.

Idaho Computer and Electronic Products Employment



Construction: Idaho’s construction sector was a particularly large part of the economic boom of the early 2000s and one of the hardest hit by the Great Recession of the late 2000s. During the early 2000s there was a strong thirst for new residential and commercial construction. Between 2002 and 2007 employment in the construction industry grew more than twice as fast as the employment growth rate for all of Idaho, and housing starts nearly doubled from 13,231 in 2002 to 23,409 in 2005. By 2007 Idaho had nearly 53,000 construction jobs, but housing starts had declined to 14,354 units as the overgrown housing market began to fall apart. As the housing market bubble burst, home prices quickly deflated and residential and commercial construction slowed. In 2008, Idaho construction employment decreased by 13.7%, followed by 23.9% in 2009, 9.7% in 2010, and 1.7% in 2011 when housing starts came in at just 4,572 for the year. In a few short years Idaho’s construction payrolls had dropped from almost

Idaho Construction Employment and Housing Starts

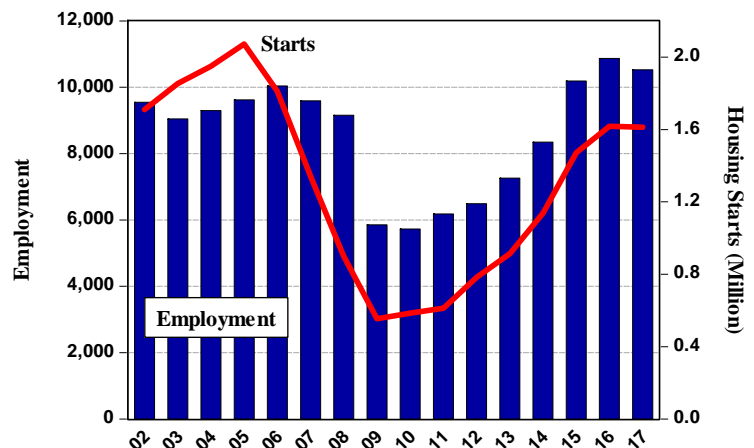


53,000 to fewer than 31,000 and Idaho homes had lost more than 30% of their value. This decrease in construction employment had serious long-term impacts in Idaho. Many small construction businesses were forced to close and many Idahoans, unable to find construction employment in the state, were forced to leave the state for comparable work. As the housing market began to show signs of recovery early in 2012, the stock of existing homes for sale quickly decreased. With a lack of existing homes to choose from, many homebuyers turned to new home construction as an alternative. By the end of 2012 home prices and housing

starts had shown noticeable improvement. Construction employment also improved that year, growing by 2.7%. The jobs recovery accelerated through 2013, with construction payroll growth estimated at 7.3%. Construction employment is anticipated to continue to grow over the forecast period, ending in 2017 with an estimated 43,800 jobs, which is still lower than its 2007 peak. Construction starts should also grow in each year of the forecast, with 16,069 housing starts expected in 2017.

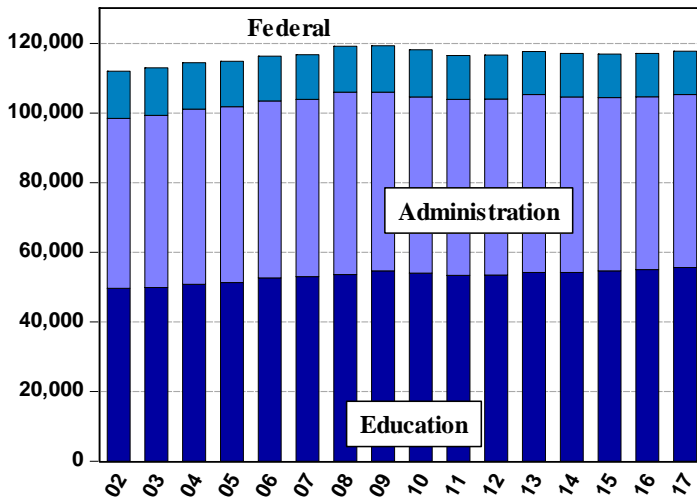
Logging and Wood Products: The logging and wood products sector is relatively small, but it has a significant impact on many of Idaho’s forested counties. Employment in this sector had a growth spurt in the mid-1990s, increasing about 20% between 1992 and 1996. By 1996 the sector accounted for 2.4% of Idaho’s nonfarm employment, with payrolls topping 12,000. This peak was short lived, though, and the sector shed more than 500 jobs over the next two years as the industry began to automate more processes. Employment gains were realized again in 1999 and persisted into 2000, leaving the state with just over 11,500 logging and wood product jobs that year. The 2001 recession that was partially caused by a collapse in some technology sectors was far reaching, and had an indirect impact on the logging and wood products sector, causing employment to decline by 14.9% in 2001, followed by two more years of declines. By 2003 the sector had declined to just over 9,000 jobs. Although the recession ended at the end of 2001, logging and wood product employment did not begin to recover until 2004 when payrolls grew by 2.8% thanks to increased demand due to a boom in US construction. Employment gains continued through 2006, as the sector regained around 400 of the jobs that were lost during the previous years. Unfortunately, an even larger and deeper recession hit the US in 2007, and it had a greater impact on the wood industry, as the construction industry nearly came to a standstill. The sector contracted 4.5% in both 2007 and 2008, 36.0% in 2009, and 2.3% in 2010 before the sector reached the bottom

Idaho Wood Product Employment and US Housing Starts



with statewide payrolls at less than 6,000 jobs. The sector has grown each year since 2010 and is expected to have topped 7,262 jobs in 2013. Employment is expected to grow through most of the forecast, reaching a peak of 10,876 jobs in 2016 before settling back down to 10,526 jobs in 2017, as supply issues persist and the US housing recovery cools.

Idaho Government Employment

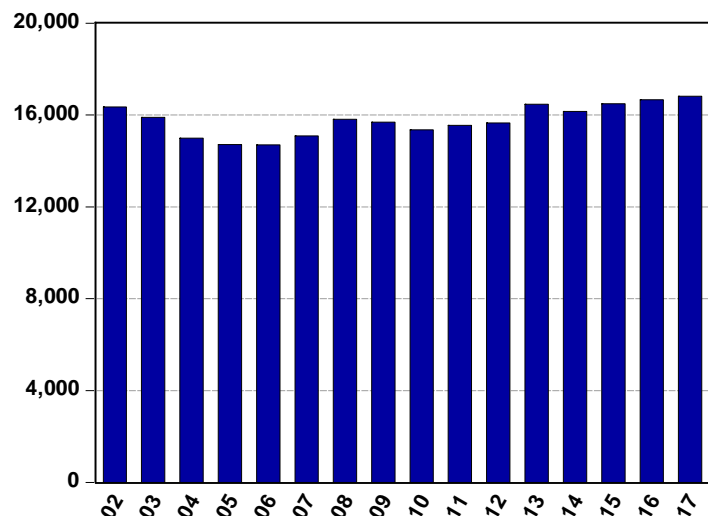


Government: The combination of slower population growth and soft tax collections caused Idaho government employment to swoon and stall in recent years. State and local government employment grew at an average annual pace of about 1.3% through the 2000s, even realizing gains through the recession of 2007 to 2009. State and local government employment growth is closely tied to population growth, as a rise in population increases the demand for government services. Net migration can cause large swings. Net migration exceeded 25,000 in 2006, but it began to decline in 2007 as the economy cooled. The pains of the recession caught up with the public sector in 2010 as payrolls declined by 1.3% followed by another 0.7% in 2011 when net

migration nearly hit zero for the year. State and local government employment rebounded in 2012 and is expected to have grown by 1.2% in 2013. Federal government employment in Idaho has been more volatile over the last few years, staying within a range of 12,600 and 13,500 employees. Specifically, federal government employment in Idaho was flat in 2012, but declined by an estimated 1.9% in 2013. Federal payrolls in the state are expected to increase by 0.7% in 2014, show no growth in 2015, and decline by 0.2% in both 2016 and 2017. State and local government employment is expected to fall by 0.6% in 2014, drop 0.2% in 2015, and then increase by 0.2% in 2016 and 0.6% in 2017.

Food Processing: Its proximity to major transportation hubs and access to agricultural inputs has made Idaho one of the top choices for food processing. This sector accounts for about a quarter of all manufacturing jobs in Idaho, making it the largest manufacturing category by number of employees. The Gem State is also a major producer of several agricultural commodities. According to Idaho’s Department of Agriculture, in 2012 Idaho produced about 143.2 million Cwt of potatoes, or about 31% of the potatoes produced in the US. Also in 2012, Idaho’s 580,000 dairy cows produced 13.6 billion pounds of milk, or about 7% of total US milk production. Idaho also produces 24% of the nation’s barley, 18% of the sugar

Idaho Food Processing Employment

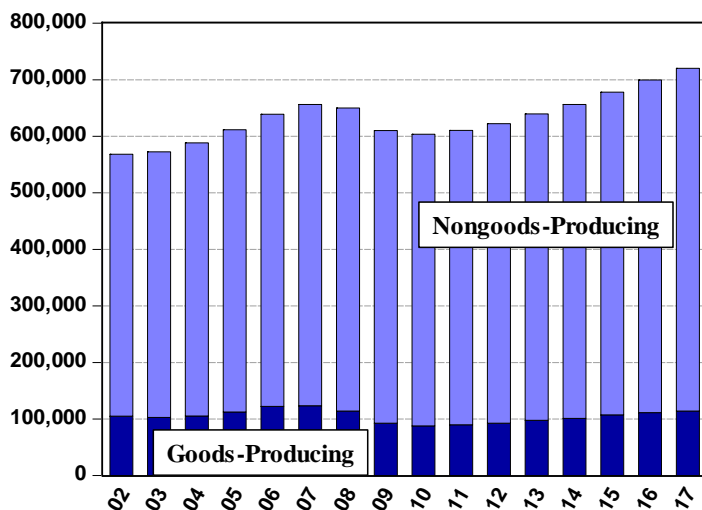


beets, and 20% of the fresh plums. It is the access to agricultural inputs such as these that have played a role in enticing several food manufacturers to relocate or expand in Idaho in recent years. Among these companies are Agro Farma’s Chobani, Inc.; Sorrento Lactalis Inc.; Frulact Group; and Glanbia Foods, Inc. One of the larger recent announcements came from Clif Bar, which will build a new bakery in Twin Falls. The new facility will be built on a 90-acre site and will employ roughly 250 persons, with potential to expand to 450 jobs in the coming years. Three potato production facilities owned by J. R. Simplot Company in Nampa, Caldwell, and Aberdeen are being shuttered. Up to 800 workers are expected to be affected by the closures. A state-of-the-art facility will be built in Caldwell to replace the older facilities. That plant is expected to hire around 250 workers when it opens in 2015. The increased activity in this industry was sufficient to grow the food processing sector employment by an estimated 5.2% in 2013. The Simplot closures will impact the sector in 2014, decreasing payrolls by 1.9%. Clif bar and Frulact Group should begin to hire in 2015, and payrolls are expected to grow by 2.1% that year, followed by 1.1% growth in 2016 and 0.9% in 2017.

Nongoods Producing: Nongoods-producing jobs account for roughly 85% of Idaho’s nonfarm payrolls, making this sector vital to the future of the state’s economy. The nongoods-producing sector consists of two major categories: services and trade. Of the two categories, the services category is much larger with an employment ratio of nearly 3 to 1 over the trade category. Every service industry in Idaho is expected to have experienced growth in 2013. Gains in the services category were driven by strength in some of the larger service industries. For example, the education and health sector increased by more than 2,600 jobs in 2013, a 3.0% gain over 2012 levels. Leisure and hospitality added almost 2,400 jobs (3.9% growth), and the professional and business services sector grew by more than 1,800 jobs (2.4% growth). Professional and business service payrolls have grown as some companies have relocated customer service call centers into the state. Maximus, a federal customer service call center company,

began hiring in July of 2013. The company has announced that it will hire up to 1,800 permanent and seasonal staff for its operation out of Boise, Idaho. Although the trade category is the smaller portion of the nongoods-producing sector, it also has experienced a strong revival. Retail trade employment expanded an estimated 1.8% in 2013, while wholesale trade grew at a rate of 4.1% over the same period. The trade sector employment is expected to continue to grow in each year of the forecast period with additional growth of 3.2% in 2014, 3.6% in 2015, 3.7% in 2016, and 3.5% in 2017. Services employment is also expected to continue its momentum with payroll growth of 3.3% in 2014, 3.6% in 2015, and 3.8% in both 2016 and 2017.

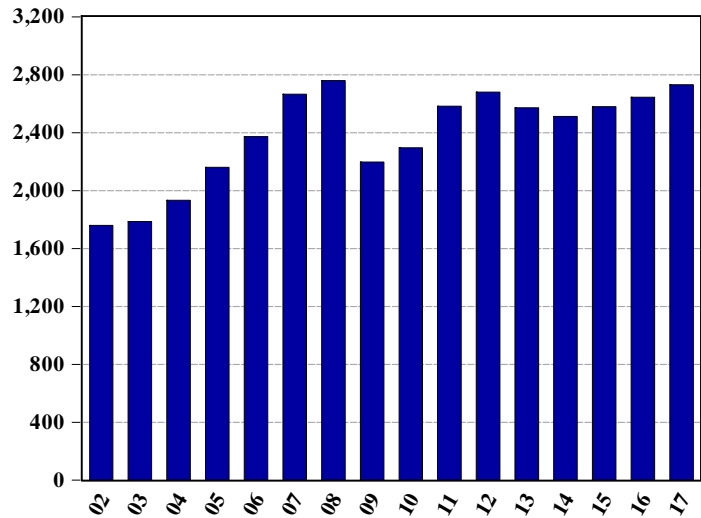
Idaho Nonfarm Employment



Mining: Over the last decade Idaho’s mining sector has had several fluctuations caused by volatile metal prices and changes in demand for quarry products. Recent decreases in the price of many of Idaho-sourced metals have left some mining companies looking to reduce costs. Silver prices exceeded \$45 per ounce in mid-2011, but have since fallen to a price near \$19 per ounce in December of 2013. Molybdenum prices have also lost some ground, dropping from roughly \$13 per pound in mid-2012 to

less than \$10 per pound in July of 2013. Some mines have turned to workforce reduction to offset these low prices. The Galena Mine near Wallace, Idaho, recently announced a payroll reduction of 126 hourly staff and salaried employees. Fortunately, some of the impact of falling metal prices are being offset by the increased demand for nonmetallic mineral mining and quarrying (sand, gravel, stone, etc.) thanks to increased construction activity, which accounted for roughly 39% of Idaho's mining employment in 2012. However, the increased activity in the nonmetallic mineral mining and quarrying will not be enough to offset losses in the metallic mining portion of the mining sector. Mining employment in Idaho decreased by an estimated 4.0% in 2013 and is expected to decrease by 2.3% in 2014. Employment is then expected to begin to grow again, with payrolls forecast to advance 2.7% in 2015, 2.5% in 2016, and 3.3% in 2017.

Idaho Mining Employment



Other Manufacturing Sectors: Idaho's other manufacturing sectors are typically comprised of smaller, individual businesses that in aggregate are a significant part of the state's economy. According to the US Small Business Administration, 57.7% of Idaho's total private-sector employment in 2010 was with companies that have 500 or fewer employees. Idaho's other manufacturing sector took relatively large employment losses during the recession, but it has been recovering with growth rates that are among the highest in the state's economy. Other durable manufacturing businesses shed over a quarter of their workforce between 2007 and 2010 but have grown at an average annual rate of 3.7% between 2010 and 2013. Other durable manufacturing employment is expected to have grown by 3.2% in 2013, and it is forecast to grow 2.3% in 2014, 3.6% in 2015, 4.2% in 2016, and 3.1% in 2017. Other nondurable manufacturing payrolls tell a similar story. Fairly strong growth in the mid-2000s was derailed in 2008, when employment fell by 0.4%. Payrolls declined another 6.8% in 2009 before recovery began to set in in 2010. Since 2010 other nondurable manufacturing employment has grown at an average annual rate of 5.2%, with estimated year-over-year growth of 11.1% in 2013 alone. Other nondurable manufacturing employment is forecast to grow 2.3% in 2014, 1.5% in 2015, 1.8% in 2016, and 1.9% in 2017.

ALTERNATIVE FORECASTS

IHS Global Insight has assigned a 60% probability of occurrence to its November 2013 baseline macroeconomic scenario, which is unchanged from the previous forecast. The probabilities of the two alternative scenarios also remain unchanged from the October 2013 forecast as well, with both having a 20% likelihood of occurring.

The major features of the *Baseline Scenario* include:

- Real GDP expands 1.7% in 2013, 2.5% in 2014, 3.1% in 2015, 3.3% in 2016, and 3.1% in 2017.
- US nonfarm employment increases about 1.7% annually through 2017.
- The US civilian unemployment rate falls from 7.5% in 2013 to 5.5% in 2017.
- Consumer inflation rises slowly from 1.4% in 2013, but remains under 2.0%.
- The unified federal budget deficit shrinks from about \$700 billion in 2013 to \$584 billion in 2016, but it then expands to \$619 billion in 2017.
- The current account deficit rises from \$400 billion in 2013 to \$481 billion in 2017.
- Housing starts grow from just under 1.0 million units in 2013 to just over 1.6 million units in 2017.

PESSIMISTIC SCENARIO

In the pessimistic scenario, the combination of fiscal tightening and a bleak global outlook combine to stall US economic growth. Federal policymakers interpret weak growth and depressed private-sector confidence as signs that further fiscal tightening is warranted. They therefore decide to impose further cuts on discretionary spending in 2014. But instead of relieving economic anxieties, fiscal tightening causes private-sector confidence to sink, stock prices plunge, and the US economy takes another tumble. Consumer spending increases only 1.3% in 2014, compared to 2.5% in the baseline. With businesses unwilling to expand further in a time of such major policy confusion, nonresidential fixed investment growth slows. Light-vehicle sales turn down again, falling back to 14.6 million units in 2014, versus 15.9 million units in the baseline. Simultaneously, the global outlook falters, reducing the appetite for US exports. As sovereign debt worries reemerge in the southern periphery of the European Union (EU), the EU Commission imposes fiscal-tightening programs and Europe returns to recession. The double squeeze from weak domestic sales and slow exports weakens US businesses and puts them in the undesirable position of having to cut payrolls. In turn, this leads to depressed wages, low profits, and declining employment, which drives the unemployment rate back toward 8.0%. The depressed employment and weak wage gains produce a housing-sector relapse. In this scenario, real GDP stalls at the end of 2013 and recedes at the start of 2014. It then grows marginally throughout the remaining quarters of this year.

The Federal Reserve does what it can to support the economy, expanding the size of its third quantitative easing (QE3) program and keeping the federal funds rate in the 0.00% to 0.25% range until late 2017. Weak global demand for energy pushes the Brent crude oil price below the baseline in the short run, resulting in lower inflation. However, when the US economy finally starts recovering and pent-up demand is released, tight production capacity and weak productivity lead to production bottlenecks that put upward pressure on prices. This causes higher inflation. In addition the US dollar is weaker due to worries about fiscal debt and weak growth. In response, the Federal Reserve decides to finally raise the federal funds rate in the third quarter of 2017, which is too late to prevent a higher inflation rate from becoming entrenched.

**IDAHO ECONOMIC FORECAST
BASELINE AND ALTERNATIVE FORECASTS
JANUARY 2014**

| | BASELINE | | | | | OPTIMISTIC | | | | | PESSIMISTIC | | | | |
|----------------------------------|----------|---------|---------|---------|---------|------------|---------|---------|---------|---------|-------------|---------|---------|---------|---------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2013 | 2014 | 2015 | 2016 | 2017 | 2013 | 2014 | 2015 | 2016 | 2017 |
| U.S. GDP (BILLIONS) | | | | | | | | | | | | | | | |
| Current \$ | 16,755 | 17,435 | 18,291 | 19,220 | 20,150 | 16,780 | 17,784 | 18,888 | 19,922 | 20,963 | 16,728 | 16,968 | 17,526 | 18,332 | 19,198 |
| % Ch | 3.1% | 4.1% | 4.9% | 5.1% | 4.8% | 3.3% | 6.0% | 6.2% | 5.5% | 5.2% | 3.0% | 1.4% | 3.3% | 4.6% | 4.7% |
| 2009 Chain-Weighted | 15,728 | 16,116 | 16,619 | 17,161 | 17,689 | 15,748 | 16,399 | 17,062 | 17,691 | 18,329 | 15,711 | 15,805 | 16,093 | 16,495 | 16,891 |
| % Ch | 1.7% | 2.5% | 3.1% | 3.3% | 3.1% | 1.8% | 4.1% | 4.0% | 3.7% | 3.6% | 1.6% | 0.6% | 1.8% | 2.5% | 2.4% |
| PERSONAL INCOME - CURR \$ | | | | | | | | | | | | | | | |
| Idaho (Millions) | 56,621 | 59,056 | 62,270 | 65,796 | 69,686 | 56,651 | 59,425 | 63,256 | 67,338 | 71,733 | 56,597 | 58,433 | 61,094 | 63,863 | 66,876 |
| % Ch | 2.9% | 4.3% | 5.4% | 5.7% | 5.9% | 3.0% | 4.9% | 6.4% | 6.5% | 6.5% | 2.9% | 3.2% | 4.6% | 4.5% | 4.7% |
| U.S. (Billions) | 14,133 | 14,783 | 15,494 | 16,307 | 17,194 | 14,145 | 14,991 | 15,996 | 16,934 | 17,873 | 14,120 | 14,489 | 14,930 | 15,596 | 16,404 |
| % Ch | 2.8% | 4.6% | 4.8% | 5.2% | 5.4% | 2.9% | 6.0% | 6.7% | 5.9% | 5.5% | 2.7% | 2.6% | 3.0% | 4.5% | 5.2% |
| PERSONAL INCOME - 2009 \$ | | | | | | | | | | | | | | | |
| Idaho (Millions) | 52,823 | 54,393 | 56,460 | 58,616 | 60,991 | 52,823 | 54,409 | 57,077 | 59,998 | 62,981 | 52,832 | 54,154 | 55,649 | 56,810 | 58,112 |
| % Ch | 1.8% | 3.0% | 3.8% | 3.8% | 4.1% | 1.8% | 3.0% | 4.9% | 5.1% | 5.0% | 1.8% | 2.5% | 2.8% | 2.1% | 2.3% |
| U.S. (Billions) | 13,185 | 13,616 | 14,049 | 14,527 | 15,049 | 13,189 | 13,726 | 14,434 | 15,089 | 15,693 | 13,181 | 13,428 | 13,599 | 13,874 | 14,254 |
| % Ch | 1.7% | 3.3% | 3.2% | 3.4% | 3.6% | 1.7% | 4.1% | 5.2% | 4.5% | 4.0% | 1.7% | 1.9% | 1.3% | 2.0% | 2.7% |
| TOTAL NONFARM EMPLOYMENT | | | | | | | | | | | | | | | |
| Idaho | 639,132 | 656,023 | 678,056 | 699,368 | 720,218 | 639,182 | 658,247 | 683,667 | 709,269 | 735,677 | 639,128 | 653,500 | 671,676 | 686,676 | 698,708 |
| % Ch | 2.7% | 2.6% | 3.4% | 3.1% | 3.0% | 2.7% | 3.0% | 3.9% | 3.7% | 3.7% | 2.7% | 2.2% | 2.8% | 2.2% | 1.8% |
| U.S. (Thousands) | 135,915 | 138,087 | 140,540 | 143,198 | 145,498 | 135,964 | 139,314 | 142,931 | 146,066 | 148,556 | 135,884 | 136,930 | 137,953 | 139,751 | 141,678 |
| % Ch | 1.6% | 1.6% | 1.8% | 1.9% | 1.6% | 1.7% | 2.5% | 2.6% | 2.2% | 1.7% | 1.6% | 0.8% | 0.7% | 1.3% | 1.4% |
| GOODS-PRODUCING SECTOR | | | | | | | | | | | | | | | |
| Idaho | 97,419 | 100,881 | 107,272 | 111,325 | 113,889 | 97,456 | 102,746 | 109,803 | 112,703 | 115,651 | 97,408 | 99,596 | 105,457 | 109,386 | 111,263 |
| % Ch | 5.5% | 3.6% | 6.3% | 3.8% | 2.3% | 5.5% | 5.4% | 6.9% | 2.6% | 2.6% | 5.5% | 2.2% | 5.9% | 3.7% | 1.7% |
| U.S. (Thousands) | 18,661 | 19,163 | 19,950 | 20,767 | 21,275 | 18,678 | 19,607 | 20,715 | 21,462 | 21,961 | 18,660 | 18,817 | 19,052 | 19,703 | 20,249 |
| % Ch | 1.3% | 2.7% | 4.1% | 4.1% | 2.4% | 1.4% | 5.0% | 5.7% | 3.6% | 2.3% | 1.3% | 0.8% | 1.2% | 3.4% | 2.8% |
| NONGOODS-PRODUCING SECTOR | | | | | | | | | | | | | | | |
| Idaho | 541,713 | 555,142 | 570,784 | 588,043 | 606,329 | 541,726 | 555,502 | 573,864 | 596,566 | 620,026 | 541,720 | 553,904 | 566,218 | 577,290 | 587,446 |
| % Ch | 2.2% | 2.5% | 2.8% | 3.0% | 3.1% | 2.2% | 2.5% | 3.3% | 4.0% | 3.9% | 2.2% | 2.2% | 2.2% | 2.0% | 1.8% |
| U.S. (Thousands) | 117,254 | 118,925 | 120,590 | 122,431 | 124,222 | 117,286 | 119,707 | 122,216 | 124,604 | 126,594 | 117,224 | 118,113 | 118,902 | 120,048 | 121,429 |
| % Ch | 1.7% | 1.4% | 1.4% | 1.5% | 1.5% | 1.7% | 2.1% | 2.1% | 2.0% | 1.6% | 1.6% | 0.8% | 0.7% | 1.0% | 1.2% |
| SELECTED INTEREST RATES | | | | | | | | | | | | | | | |
| Federal Funds | 0.1% | 0.1% | 0.4% | 2.2% | 3.8% | 0.1% | 0.8% | 3.0% | 4.0% | 4.0% | 0.1% | 0.1% | 0.1% | 0.1% | 0.5% |
| Bank Prime | 3.3% | 3.3% | 3.4% | 5.2% | 6.8% | 3.3% | 3.9% | 6.0% | 7.0% | 7.0% | 3.3% | 3.3% | 3.3% | 3.3% | 3.5% |
| Existing Home Mortgage | 4.0% | 4.9% | 5.3% | 6.0% | 6.9% | 3.9% | 5.3% | 6.5% | 6.8% | 6.9% | 4.0% | 4.7% | 5.1% | 6.0% | 6.9% |
| INFLATION | | | | | | | | | | | | | | | |
| GDP Price Deflator | 1.4% | 1.6% | 1.7% | 1.8% | 1.7% | 1.4% | 1.8% | 2.1% | 1.7% | 1.6% | 1.3% | 0.9% | 1.4% | 2.0% | 2.3% |
| Personal Cons Deflator | 1.1% | 1.3% | 1.6% | 1.8% | 1.8% | 1.2% | 1.8% | 1.5% | 1.3% | 1.5% | 1.1% | 0.7% | 1.7% | 2.4% | 2.4% |
| Consumer Price Index | 1.4% | 1.4% | 1.7% | 1.9% | 1.9% | 1.5% | 2.1% | 1.6% | 1.4% | 1.6% | 1.4% | 0.8% | 2.0% | 2.7% | 2.5% |

Forecast Begins the THIRD Quarter of 2013

Idaho's economic outlook is softened by the nation's subdued prospects. In the baseline case Idaho nonfarm employment grows by at least 3.0% per year after 2014, but it fails to top this threshold in the *Pessimistic Scenario*. This slower pace results in 21,500 fewer jobs in 2017 compared to the *Baseline Scenario*. Idaho nominal personal income is also lower in 2017 than in the *Baseline Scenario*. Specifically, it is \$66.9 billion, which is \$2.8 billion lower than the baseline's \$69.7 billion. Adjusted for inflation, this gap is \$2.9 billion.

OPTIMISTIC SCENARIO

The private-sector recovery continues in the *Optimistic Scenario*, while policymakers avoid imposing excessive fiscal restraint on the economy. On the policy front, Congress agrees upon a credible long-term deficit-reduction plan, replacing the automatic cuts, passing a budget, and raising the debt ceiling in advance of the critical deadlines. The stronger outlook and less fiscal uncertainty cause consumer and business confidence to rise sharply. Strong holiday sales help boost consumer spending growth to a 4.3% annual rate in the fourth quarter, compared with 2.3% in the baseline. Already a bright spot in the recovery, light-vehicle sales nearly eclipse 16 million units by the end of 2013 and exceed 17 million units by mid-2014. The labor market continues to pick up steam and by mid-2014 the economy is adding about 325,000 jobs per month; in the baseline, payroll growth is not consistently above 200,000 jobs per month until early 2015. The unemployment rate drops below 7.0% in the fourth quarter of 2014, two quarters before the baseline. The strong employment growth helps fuel the housing recovery and US housing starts climb to nearly 1.9 million units in 2017. Across the Atlantic, European policymakers develop a credible pro-growth plan to tackle sovereign-debt issues and prevent a financial meltdown. Under these conditions, real GDP increases by about 4.0% in both 2014 and 2015.

In response to the much stronger growth in output and sharp, sustained improvements in the labor market, the Federal Reserve tapers its bond-buying activity earlier than in the baseline, deciding that its aggressive policies have achieved their objective of boosting growth and lowering unemployment. It then raises the federal funds rate in the second quarter of 2014, six quarters sooner than in the baseline. Financial markets take the monetary tightening in stride; in fact, they welcome it as an appropriate and timely response to a much stronger economy. The Federal Reserve's tightening helps to keep inflation benign. Lower inflation in the long term allows the nation's central bank to reduce interest rates below baseline levels just after the end of the decade. Real GDP rises by just under 4.0% in both 2016 and 2017.

The stronger national economy helps shift Idaho's economy into higher gear. For example, Gem State nonfarm employment expands 3.0% in 2014, 3.9% in 2015, and 3.7% in both 2016 and 2017. This is noticeably stronger than in the *Baseline Scenario* where employment is forecast to rise 2.6% this year, 3.4% next year, and about 3.0% in 2016 and 2017. As a result of the faster growth, by 2017 there are nearly 15,500 more jobs in the *Optimistic Scenario* than in its baseline counterpart. The nongoods-producing sector accounts for most of the difference, with 13,700 more jobs compared to the baseline case. Goods-producing employment is about 1,800 jobs above the baseline amount. Idaho personal income also grows faster in this scenario. In the baseline case, nominal Idaho personal income growth is forecast to gradually accelerate from 4.3% in 2014 to a high of 5.9%. In the *Optimistic Scenario*, its growth rate jumps from 4.9% in 2014 to nearly 6.5% in 2015 and maintains that pace over the remaining years of the forecast. This faster clip results in personal income of \$71.7 billion in 2017, which is about \$2.0 billion more than in the baseline case. Real Idaho personal income is also about \$2.0 billion higher than in the *Baseline Scenario*.

Idaho General Fund Revenue

History and Projections

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

The three largest revenue categories (individual income tax, corporate income tax, and sales tax) typically account for more than 90% of Idaho's General Fund revenue. These three revenue sources are forecast using a combination of econometric methods and judgment. The econometric method employed is multiple regression, using variables contained in the Idaho Economic Model (IEM). Exogenous forecast data are obtained from the January 2014 *Idaho Economic Forecast*. Both are products of the Idaho 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 by the Department of Insurance, using a simulation model to account for relevant variables and parameters that affect the cash flow into the General Fund.

GENERAL FUND REVENUE
(\$ MILLION)

| SOURCE | ACTUAL | | | | | | | | | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 |
| INDIVIDUAL INCOME TAX | \$704.82 | \$776.19 | \$841.87 | \$960.16 | \$1,023.97 | \$835.85 | \$837.80 | \$902.13 | \$1,035.54 | \$1,216.49 |
| % CHANGE | 8.3% | 10.1% | 8.5% | 14.1% | 6.6% | -18.4% | 0.2% | 7.7% | 14.8% | 17.5% |
| CORPORATE INCOME TAX | \$122.36 | \$117.29 | \$95.44 | \$124.87 | \$141.53 | \$76.30 | \$93.13 | \$103.02 | \$139.56 | \$194.13 |
| % CHANGE | -19.5% | -4.1% | -18.6% | 30.8% | 13.3% | -46.1% | 22.1% | 10.6% | 35.5% | 39.1% |
| SALES TAX | \$476.73 | \$496.81 | \$588.80 | \$627.50 | \$647.29 | \$657.12 | \$700.24 | \$886.08 | \$950.83 | \$880.77 |
| % CHANGE | 3.0% | 4.2% | 18.5% | 6.6% | 3.2% | 1.5% | 6.6% | 26.5% | 7.3% | -7.4% |
| CIGARETTE TAX | \$7.49 | \$7.48 | \$7.23 | \$7.30 | \$7.98 | \$8.00 | \$8.26 | \$30.04 | \$7.81 | \$7.98 |
| TOBACCO PRODUCTS | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$4.06 | \$4.31 | \$4.67 | \$5.49 | \$5.75 | \$6.16 |
| BEER TAX | \$1.63 | \$1.62 | \$1.68 | \$1.75 | \$1.82 | \$1.88 | \$1.91 | \$1.96 | \$1.95 | \$1.99 |
| WINE TAX | \$1.66 | \$1.80 | \$1.90 | \$1.96 | \$1.90 | \$1.88 | \$1.97 | \$2.14 | \$2.33 | \$2.43 |
| LIQUOR SURCHARGE | <u>\$4.95</u> | <u>\$4.95</u> | <u>\$4.95</u> | <u>\$4.95</u> | <u>\$4.95</u> | <u>\$4.95</u> | <u>\$4.95</u> | <u>\$4.95</u> | <u>\$4.95</u> | <u>\$4.95</u> |
| PRODUCT TAXES | \$15.73 | \$15.84 | \$15.76 | \$15.96 | \$20.70 | \$21.02 | \$21.75 | \$44.57 | \$22.79 | \$23.50 |
| % CHANGE | 1.0% | 0.7% | -0.5% | 1.2% | 29.7% | 1.5% | 3.5% | 104.9% | -48.9% | 3.1% |
| KILOWATT-HOUR TAX | \$2.97 | \$3.24 | \$2.89 | \$2.77 | \$1.80 | \$1.79 | \$1.80 | \$1.83 | \$1.53 | \$2.29 |
| MINE LICENSE TAX | \$0.66 | \$0.96 | \$1.98 | (\$0.66) | \$0.12 | \$0.82 | \$0.04 | \$0.07 | \$0.03 | \$0.27 |
| INTEREST EARNINGS | \$18.24 | \$17.93 | \$18.69 | \$21.56 | \$22.30 | \$11.33 | \$2.98 | \$4.97 | \$8.92 | \$18.12 |
| COURT FEES AND FINES | \$4.71 | \$5.02 | \$5.13 | \$5.31 | \$5.49 | \$5.19 | \$5.29 | \$4.98 | \$4.66 | \$4.79 |
| INSURANCE PREMIUM TAX | \$40.26 | \$42.85 | \$45.47 | \$46.43 | \$55.88 | \$55.37 | \$59.49 | \$62.77 | \$60.85 | \$60.38 |
| ALCOHOLIC BEVERAGE LICENSES | \$1.14 | \$1.15 | \$1.16 | \$1.30 | \$1.22 | \$1.36 | \$1.39 | \$1.61 | \$1.64 | \$1.72 |
| UCC FILINGS | \$0.03 | \$0.03 | \$0.01 | \$0.02 | \$2.01 | \$2.03 | \$2.14 | \$2.39 | \$2.69 | \$3.02 |
| UNCLAIMED PROPERTY | \$0.83 | \$1.17 | \$1.59 | \$2.31 | \$5.81 | \$0.88 | \$3.76 | \$3.69 | \$9.83 | \$1.99 |
| LANDS | \$0.24 | \$0.27 | \$0.32 | \$0.70 | \$0.34 | \$0.35 | \$0.36 | \$0.33 | \$0.53 | \$0.33 |
| ONE-TIME TRANSFERS | \$0.00 | \$0.00 | \$0.43 | \$4.42 | \$11.19 | \$7.11 | \$5.46 | \$51.40 | \$0.86 | \$0.54 |
| ESTATE TAX | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$35.81 | \$7.59 | \$13.65 | \$4.43 | \$3.30 | \$1.11 |
| OTHER DEPTS & TRANSFERS | <u>\$3.14</u> | <u>\$3.40</u> | <u>\$4.91</u> | <u>\$8.31</u> | <u>\$9.18</u> | <u>\$16.31</u> | <u>\$14.67</u> | <u>\$22.84</u> | <u>\$24.14</u> | <u>\$21.89</u> |
| MISC. REVENUE | \$72.23 | \$76.01 | \$82.57 | \$92.46 | \$151.15 | \$110.14 | \$111.02 | \$161.31 | \$118.98 | \$116.43 |
| % CHANGE | 3.9% | 5.2% | 8.6% | 12.0% | 63.5% | -27.1% | 0.8% | 45.3% | -26.2% | -2.1% |
| TOTAL GENERAL FUND* | \$1,391.86 | \$1,482.14 | \$1,624.43 | \$1,820.96 | \$1,984.64 | \$1,700.43 | \$1,763.95 | \$2,097.10 | \$2,267.69 | \$2,431.31 |
| % CHANGE | 3.0% | 6.5% | 9.6% | 12.1% | 9.0% | -14.3% | 3.7% | 18.9% | 8.1% | 7.2% |

* Totals may not add due to rounding.

GENERAL FUND REVENUE
(\$ MILLION)

| SOURCE | ACTUAL | | | | | | | FORECAST | |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
| INDIVIDUAL INCOME TAX | \$1,400.16 | \$1,429.74 | \$1,167.89 | \$1,061.88 | \$1,152.65 | \$1,206.41 | \$1,284.38 | \$1,319.80 | \$1,403.03 |
| % CHANGE | 15.1% | 2.1% | -18.3% | -9.1% | 8.5% | 4.7% | 6.5% | 2.8% | 6.3% |
| CORPORATE INCOME TAX | \$190.22 | \$189.28 | \$141.03 | \$97.02 | \$168.95 | \$187.01 | \$198.66 | \$193.83 | \$206.51 |
| % CHANGE | -2.0% | -0.5% | -25.5% | -31.2% | 74.1% | 10.7% | 6.2% | -2.4% | 6.5% |
| SALES TAX | \$1,077.46 | \$1,141.44 | \$1,022.20 | \$955.91 | \$972.38 | \$1,027.34 | \$1,109.83 | \$1,148.07 | \$1,233.41 |
| % CHANGE | 22.3% | 5.9% | -10.4% | -6.5% | 1.7% | 5.7% | 8.0% | 3.4% | 7.4% |
| CIGARETTE TAX | \$1.00 | \$6.54 | \$7.77 | \$16.90 | \$14.40 | \$11.60 | \$13.08 | \$3.70 | \$3.70 |
| TOBACCO PRODUCTS | \$6.55 | \$7.20 | \$7.36 | \$7.82 | \$8.48 | \$8.93 | \$10.01 | \$9.96 | \$10.03 |
| BEER TAX | \$2.13 | \$2.15 | \$2.04 | \$2.07 | \$1.97 | \$1.94 | \$1.93 | \$1.93 | \$1.98 |
| WINE TAX | \$2.48 | \$2.58 | \$3.28 | \$3.00 | \$3.21 | \$3.45 | \$3.91 | \$4.18 | \$4.32 |
| LIQUOR SURCHARGE | <u>\$10.24</u> | <u>\$8.38</u> | <u>\$9.29</u> | <u>\$11.39</u> | <u>\$14.76</u> | <u>\$17.25</u> | <u>\$20.93</u> | <u>\$24.21</u> | <u>\$23.98</u> |
| PRODUCT TAXES | \$22.41 | \$26.84 | \$29.74 | \$41.18 | \$42.82 | \$43.17 | \$49.85 | \$43.98 | \$44.00 |
| % CHANGE | -4.6% | 19.8% | 10.8% | 38.5% | 4.0% | 0.8% | 15.5% | -11.8% | 0.1% |
| KILOWATT-HOUR TAX | \$2.26 | \$1.60 | \$2.02 | \$2.14 | \$2.43 | \$2.98 | \$1.92 | \$1.90 | \$2.00 |
| MINE LICENSE TAX | \$2.35 | \$2.52 | \$0.94 | \$1.80 | \$1.54 | \$2.02 | \$0.53 | \$0.75 | \$0.85 |
| INTEREST EARNINGS | \$17.17 | \$11.37 | \$0.76 | (\$1.32) | (\$0.43) | (\$0.60) | \$0.36 | (\$1.02) | \$0.26 |
| COURT FEES AND FINES | \$5.04 | \$5.33 | \$5.35 | \$5.38 | \$5.12 | \$4.85 | \$4.59 | \$4.48 | \$4.65 |
| INSURANCE PREMIUM TAX | \$59.78 | \$56.34 | \$55.48 | \$53.63 | \$54.12 | \$56.58 | \$55.62 | \$55.65 | \$56.91 |
| ALCOHOLIC BEVERAGE LICENSES | \$1.81 | \$1.92 | \$1.61 | \$1.47 | \$1.52 | \$1.56 | \$0.13 | \$0.00 | \$0.00 |
| UCC FILINGS | \$3.00 | \$2.82 | \$2.42 | \$2.42 | \$2.41 | \$2.43 | \$2.54 | \$2.68 | \$2.79 |
| UNCLAIMED PROPERTY | \$3.31 | \$5.63 | \$1.78 | \$8.22 | \$4.51 | \$8.89 | \$7.00 | \$6.00 | \$6.10 |
| LANDS | \$0.47 | \$0.69 | \$0.98 | \$0.65 | \$0.62 | \$1.04 | \$0.83 | \$0.80 | \$0.80 |
| ONE-TIME TRANSFERS | \$1.54 | \$2.24 | \$1.43 | \$1.54 | \$4.88 | \$16.16 | \$4.53 | \$4.20 | \$0.00 |
| ESTATE TAX | \$0.12 | \$0.03 | \$0.24 | (\$0.17) | \$0.52 | (\$0.02) | \$0.06 | \$0.30 | \$0.00 |
| OTHER DEPTS & TRANSFERS | <u>\$25.40</u> | <u>\$30.18</u> | <u>\$31.70</u> | <u>\$32.71</u> | <u>\$30.43</u> | <u>\$27.90</u> | <u>\$29.45</u> | <u>\$26.81</u> | <u>\$26.46</u> |
| MISC. REVENUE | \$122.25 | \$120.67 | \$104.71 | \$108.47 | \$107.68 | \$123.78 | \$107.56 | \$102.55 | \$100.82 |
| % CHANGE | 5.0% | -1.3% | -13.2% | 3.6% | -0.7% | 15.0% | -13.1% | -4.7% | -1.7% |
| TOTAL GENERAL FUND* | \$2,812.49 | \$2,907.98 | \$2,465.57 | \$2,264.46 | \$2,444.47 | \$2,587.71 | \$2,750.28 | \$2,808.22 | \$2,987.77 |
| % CHANGE | 15.7% | 3.4% | -15.2% | -8.2% | 7.9% | 5.9% | 6.3% | 2.1% | 6.4% |

* 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. Beginning with tax year 2000, Idaho's income tax brackets have been adjusted annually for inflation. 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+ | |
| 2011 | \$0-1337 | \$1338-2675 | \$2676-4013 | \$4014-5351 | \$5352-6689 | \$6690-10034 | \$10035-26759 | \$26760+ | |
| 2012 | \$0-1380 | \$1381-2760 | \$2761-4140 | \$4141-5520 | \$5521-6900 | \$6901-10349 | \$10350+ | | |
| 2013 | \$0-1409 | \$1410-2818 | \$2819-4227 | \$4228-5636 | \$5637-7045 | \$7046-10568 | \$10569+ | | |
| | 1.6% | 3.6% | 4.1% | 5.1% | 6.1% | 7.1% | 7.4% | | |

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 US government securities. For a complete delineation of Idaho's income tax structure, please 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, please 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 Refund Fund. Any balance exceeding \$1,500,000 in the State Refund Fund at the end of the fiscal year is transferred to the General Fund on June 30.

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

Basis of Projection:

The projections of General Fund revenue from the individual income tax for FY 2014 and FY 2015 are based on a combination of econometric analysis and judgment.

The analysis begins with the IEM, an econometric base model of Idaho's economy that is used to derive employment by industry and income by type. Idaho wage and salary payments data and other factors are used to project withholding collections. Filing collections are estimated using a national equity market index and Idaho personal income from dividends, interest, and rent as the explanatory variables. The sum of withholding collections and filing payments is gross individual income tax collections. Net individual income tax collections are derived by subtracting projected refunds from gross collections. General Fund receipts are net collections less miscellaneous distributions.

All forecasts for the individual income tax components are 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 changes 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 |
| 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 | Actual | 1,454,668.9 | 284,806.4 | 1,152,651.0 | 5,887.6 | 11,324.0 ² |
| FY12 | Actual | 1,514,529.5 | 300,615.5 | 1,206,406.5 | 5,793.3 | 1,714.2 |
| FY13 | Actual | 1,609,389.8 | 316,171.1 | 1,284,383.9 | 6,452.1 | 2,382.7 |
| FY14 | Projection | 1,657,733.9 | 328,897.8 | 1,319,797.1 | 6,523.1 | 2,515.9 |
| FY15 | Projection | 1,759,184.6 | 346,864.3 | 1,403,026.0 | 6,620.9 | 2,673.4 |

1. Includes a \$1.1 million increase in the refund balance.
 2. Includes impact from a single large lottery prize.

CORPORATE INCOME TAX

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

Collections from the corporate income tax are based on a flat rate of 7.4% 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. 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

| Greater Than But Not More Than | Tax Rates on the Portion of Income | | | | | | |
|--------------------------------------|--|--|---------|---------|---------|---------|---------|
| | \$0 | \$1,000 | \$2,000 | \$3,000 | \$4,000 | \$5,000 | \$6,000 |
| | | \$1,000 | \$2,000 | \$3,000 | \$4,000 | \$5,000 | \$6,000 |
| 1931 | 1.0% | 1.0% | 2.0% | 2.0% | 3.0% | 3.0% | 4.0% |
| 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% | | | | | | |
| 2012 | 7.4% | | | | | | |

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 Refund Fund. Any balance exceeding \$1,500,000 in the State 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 Data:**CORPORATE INCOME TAX**

(\$ THOUSANDS)

| Year | | Gross Collections | Distributions | | | |
|------|------------|-------------------|---------------|-----------|---------------------|-------------------------|
| | | | Refunds | Gen. Fund | Perm. Building Fund | Multi-State Tax Compact |
| FY81 | Actual | 50,875.5 | 4,416.2 | 46,288.4 | 127.2 | 43.6 |
| FY82 | Actual | 45,602.0 | 5,418.2 | 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 | 22,945.2 | 190,222.2 | 497.1 | -2,474.6 |
| FY08 | Actual | 212,879.8 | 22,685.5 | 189,283.5 | 471.1 | 439.7 |
| FY09 | Actual | 174,503.0 | 32,262.6 | 141,025.4 | 503.6 | 711.4 |
| FY10 | Actual | 136,835.2 | 38,507.9 | 97,021.0 | 490.3 | 816.0 |
| FY11 | Actual | 191,154.8 | 20,940.6 | 168,949.8 | 455.3 | 809.1 |
| FY12 | Actual | 206,626.7 | 18,037.3 | 187,014.2 | 453.3 | 1,122.0 |
| FY13 | Actual | 223,113.6 | 22,773.4 | 198,659.0 | 543.0 | 1,138.2 |
| FY14 | Projection | 224,033.5 | 28,491.2 | 193,830.8 | 549.0 | 1,162.6 |
| FY15 | Projection | 238,688.6 | 30,355.0 | 206,510.1 | 557.2 | 1,266.3 |

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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. Beginning in FY 2005, the Agricultural Equipment Property Tax Exemption is funded by the sales tax. The sales tax rate returned to 5% on July 1, 2005. The rate was increased to 6% on October 1, 2006. Beginning in FY 2008, payments into the Demonstration Pilot Project Fund are made from sales tax refunds. The sales tax will fund the Personal Property Tax Exemption starting in FY 2014. The rate and distribution history is shown on the following table.

SALES TAX RATE AND DISTRIBUTION HISTORY

| Effective Date | Tax Rate | Gen. Fund | Perm. Building Fund | Revenue Sharing | Alloc. to Counties ¹ | Water Pollution Control Fund | Public School Income Fund | Agricultural Equipment Prop. Tax Exemption | Personal Property Tax Exemption | Misc. Dist. |
|----------------|----------|-----------|---------------------|-----------------|---------------------------------|------------------------------|---------------------------|--|---------------------------------|-------------|
| Jul-1965 | 3.0% | Bal. | \$500,000 | | | | | | | 2,3 |
| Jul-1968 | 3.0% | Bal. | \$500,000 | | 5.0% | | | | | 3 |
| Jul-1969 | 3.0% | Bal. | \$500,000 | | 10.0% | | | | | 3 |
| Jul-1970 | 3.0% | Bal. | \$500,000 | | 15.0% | | | | | 3 |
| Jul-1971 | 3.0% | Bal. | \$500,000 | | 20.0% | | | | | 3 |
| Jul-1975 | 3.0% | Bal. | \$500,000 | | 20.0% | | | | | 3,5 |
| Jul-1976 | 3.0% | Bal. | \$500,000 | | 20.0% | | | | | 3,5 |
| Jul-1977 | 3.0% | Bal. | \$500,000 | | 20.0% | | | | | 3,4,5 |
| Jul-1980 | 3.0% | Bal. | \$500,000 | | 10.0% | | 10.0% | | | 3,4,5 |
| Mar-1983 | 4.0% | Bal. | \$500,000 | | 10.0% | | 10.0% | | | 3,4,5 |
| Jun-1983 | 4.5% | Bal. | \$500,000 | | 10.0% | | 10.0% | | | 3,4,5 |
| Jul-1984 | 4.0% | Bal. | \$500,000 | 6.25% | 7.5% | \$4,800,000 | | | | 4,5 |
| Apr-1986 | 5.0% | Bal. | \$500,000 | 6.25% | 7.5% | \$4,800,000 | | | | 4,5 |
| Jul-1987 | 5.0% | Bal. | \$500,000 | 7.75% | 6.0% | \$4,800,000 | | | | 4,5 |
| Jul-1988 | 5.0% | Bal. | \$500,000 | 7.75% | 6.0% | \$4,800,000 | | | | 4,5,6 |
| Jul-1995 | 5.0% | Bal. | \$500,000 | 7.75% | 6.0% | \$4,800,000 | | | | 4,5,6,7 |
| Jul-1998 | 5.0% | Bal. | \$500,000 | 7.75% | 6.0% | \$4,800,000 | | | | 4,5,6 |
| Jul-2000 | 5.0% | Bal. | \$5,000,000 | 13.75% | 0.0% | \$4,800,000 | | | | 4,5,6 |
| May-2003 | 6.0% | Bal. | \$5,000,000 | 13.75% | 0.0% | \$4,800,000 | | | | 4,5,6 |
| Jun-2003 | 6.0% | Bal. | \$5,000,000 | 11.50% | 0.0% | \$4,800,000 | | | | 4,5,6 |
| Jul-2004 | 6.0% | Bal. | \$5,000,000 | 11.50% | 0.0% | \$4,800,000 | | \$13,448,453 | | 4,5,6 |
| Jul-2005 | 5.0% | Bal. | \$5,000,000 | 11.50% | 0.0% | \$4,800,000 | | \$13,448,453 | | 4,5,6 |
| Aug-2005 | 5.0% | Bal. | \$5,000,000 | 13.75% | 0.0% | \$4,800,000 | | \$13,448,453 | | 4,5,6 |
| Oct-2006 | 6.0% | Bal. | \$5,000,000 | 13.75% | 0.0% | \$4,800,000 | | \$13,448,453 | | 4,5,6 |
| Nov-2006 | 6.0% | Bal. | \$5,000,000 | 11.50% | 0.0% | \$4,800,000 | | \$8,487,103 | | 4,5,6 |
| Jul-2007 | 6.0% | Bal. | \$5,000,000 | 11.50% | 0.0% | \$4,800,000 | | \$8,487,103 | | 4,5,6,8 |
| Jan-2013 | 6.0% | Bal. | \$5,000,000 | 11.50% | 0.0% | \$4,800,000 | | \$8,487,103 | \$20,000,000 | 4,5,6,8,9 |

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.
9. Estimated personal property tax exemption. Actual amount will be determined in late 2013.

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 ever been made, 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, effectively repealing this provision for bonds issued on or after January 1, 1996.

Basis of Projection:

The projections of FY 2014 and FY 2015 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. Idaho personal income and housing forecasts are then used to predict 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 | Revenue Sharing | Alloc. to Counties | Water Pollution Control Fund | Circuit Breaker | Personal Property Tax Exemption | Agricultural Equipment Prop. Tax Exemption | Misc. Dist. | | |
| 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 | 576,202.9 | 1,767.4 | 481,958.1 | 500.0 | 44,500.8 | 34,452.2 | 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 | 0.0 | | | 40,774.7 | 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 | 0.0 | | | 45,299.1 | 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 | 0.0 | | | 50,994.9 | 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 | Actual | 1,166,271.5 | 21,124.1 | 972,379.8 | 5,000.0 | 131,214.7 | 0.0 | 4,800.0 | 16,001.7 | 0.0 | 8,487.1 | | 7,264.1 | ^{3,5,6} |
| FY12 | Actual | 1,216,228.3 | 8,738.5 | 1,027,344.3 | 5,000.0 | 138,440.4 | 0.0 | 4,800.0 | 16,069.8 | 0.0 | 8,487.1 | | 7,348.3 | ^{3,5,6} |
| FY13 | Actual | 1,313,372.0 | 11,087.6 | 1,109,828.5 | 5,000.0 | 149,426.5 | 0.0 | 4,800.0 | 15,901.5 | 0.0 | 8,487.1 | | 8,840.8 | ^{3,5,6} |
| FY14 | Projection | 1,375,570.2 | 7,200.6 | 1,148,069.6 | 5,000.0 | 157,362.5 | 0.0 | 4,800.0 | 17,000.0 | 20,000.0 | 8,487.1 | | 7,650.4 | ^{3,5,6} |
| FY15 | Projection | 1,473,258.2 | 7,708.2 | 1,233,406.2 | 5,000.0 | 168,538.2 | 0.0 | 4,800.0 | 17,500.0 | 20,000.0 | 8,487.1 | | 7,818.4 | ^{3,5,6} |

1. Social Security Trust.
2. Public School Income.
3. Multi-State Tax Compact. FY 96, FY 97, and FY 98 include amounts to fund public school property tax relief.
4. Amount includes one extra quarterly payment.
5. Demonstration Pilot Project
6. Election Consolidation

CIGARETTE TAX

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

Idaho's cigarette tax rate is 57 cents per pack of 20 cigarettes. The Public School Income Fund (PSIF) and Department of Juvenile Corrections 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 will be redirected to the Economic Recovery Reserve Fund.

CIGARETTE TAX RATE AND DISTRIBUTION HISTORY

| Effective Date | Rate per Cigarette | | | Distribution of Remaining Receipts | | | | | |
|----------------|--------------------------------|---------------------------|--------------------------------|---|--|----------------------------------|------------------------------|---------------------|--------------------------------|
| | Total | Public School Income Fund | County Juvenile Probation Fund | Gen. Fund | Central Tumor Registry Fund ^{2,3} | Perm. Building Fund ⁴ | Water Pollution Control Fund | Cancer Control Fund | Economic Recovery Reserve Fund |
| May-1945 | \$0.001000 | | | 100.0% | | | | | |
| Jul-1947 | <u>\$0.001500</u> | | | 100.0% | | | | | |
| Jul-1955 | <u>\$0.002000</u> | | | 100.0% | | | | | |
| Jul-1959 | <u>\$0.002500</u> | | | 100.0% | | | | | |
| Jul-1961 | <u>\$0.003000</u> | | | <u>\$0.00250</u> | | \$0.0005 | | | |
| Jul-1963 | <u>\$0.003500</u> | | | <u>\$0.00300</u> | | \$0.0005 | | | |
| Jul-1972 | <u>\$0.004550</u> | | | <u>\$0.00350</u> | \$0.00005 to \$40,000 | \$0.0005 | <u>\$0.0005</u> | | |
| Jul-1974 | \$0.004550 | | | Balance | 1.099% to \$40,000 | 10.989% | 10.989% | | |
| Jul-1975 | \$0.004550 | | | Balance | 1.099% to \$55,000 | 10.989% | 10.989% | | |
| Jul-1978 | \$0.004550 | | | Balance | 1.099% to \$70,000 | 10.989% | 10.989% | | |
| Jul-1979 | \$0.004550 | | | Balance | 1.099% to \$70,000 | 10.989% | 10.989% | 3.645% | |
| Jul-1980 | \$0.004550 | | | Balance | 1.099% to \$85,000 | 10.989% | 10.989% | 3.645% | |
| Jul-1982 | \$0.004550 | | | Balance | 1.099% to \$95,000 | 10.989% | 10.989% | 3.645% | |
| Jul-1984 | \$0.004550 | | | Balance | 1.099% to \$100,000 | 10.989% | 10.989% | 3.645% | |
| Mar-1987 | <u>\$0.009000</u> ¹ | | | Balance ¹ | 1.099% to \$100,000 | 10.989% | 10.989% | 3.645% | |
| Jul-1987 | \$0.009000 | | | Balance | 1.000% to \$100,000 | 43.300% | 6.700% | 2.500% | |
| Jul-1989 | \$0.009000 | | | Balance | 1.000% to \$110,000 | 43.300% | 6.700% | 2.500% | |
| Jul-1994 | <u>\$0.014000</u> | <u>\$0.005000</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 | <u>\$0.002500</u> | <u>\$0.002500</u> | Balance | 1.000% | 43.300% | 0.000% | 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 | <u>\$0.002587</u> | <u>\$0.002587</u> | 21.25% plus balance up to \$23.5 M | 0.400% | 17.300% | 0.000% | 1.000% | Balance above \$23.5M |
| Jul-2004 | \$0.028500 | <u>\$0.002587</u> | <u>\$0.002587</u> | 21.25% | 0.400% | 17.300% | 0.000% | 1.000% | Balance |
| Jul-2006 | \$0.028500 | <u>\$0.002587</u> | <u>\$0.002587</u> | Bond Levy Equalization Appropriation | 0.400% | 17.300% | 0.000% | 1.000% | |
| Jul-2007 | \$0.028500 | <u>\$0.002587</u> | <u>\$0.002587</u> | Bond Levy Equalization Appropriation up to \$6.535 million. | 0.400% | + Balance 17.300% | 0.000% | 1.000% | |
| Jul-2008 | \$0.028500 | <u>\$0.002587</u> | <u>\$0.002587</u> | Bond Levy Equalization Appropriation up to \$7.770 million. | 0.400% | + Balance 17.300% | 0.000% | 1.000% | |
| Jul-2009 | \$0.028500 | <u>\$0.002587</u> | <u>\$0.002587</u> | Bond Levy Equalization Appropriation less Lottery Contribution. | 0.400% | + Balance 17.300% | 0.000% | 1.000% | |
| Jul-2010 | \$0.028500 | <u>\$0.002587</u> | <u>\$0.002587</u> | Bond Levy Equalization Appropriation of \$14.4 million. | 0.400% | + Balance 17.300% | 0.000% | 1.000% | |
| Jul-2011 | \$0.028500 | <u>\$0.002587</u> | <u>\$0.002587</u> | Bond Levy Equalization Appropriation of \$11.6 million. | 0.400% | + Balance 17.300% | 0.000% | 1.000% | |
| Jul-2012 | \$0.028500 | <u>\$0.002587</u> | <u>\$0.002587</u> | Bond Levy Equalization Appropriation of \$13.1 million. | 0.400% | + Balance 17.300% | 0.000% | 1.000% | |
| Jul-2013 | \$0.028500 | <u>\$0.002587</u> | <u>\$0.002587</u> | Bond Levy Equalization Appropriation of \$3.7 million. | 0.400% | + Balance 17.300% | 0.000% | 1.000% | |
| Jul-2014 | \$0.028500 | <u>\$0.002587</u> | <u>\$0.002587</u> | Bond Levy Equalization Appropriation less Lottery Contribution. | 0.400% | + Balance 17.300% | 0.000% | 1.000% | |

1. From March 1, 1987 to July 1, 1987 the additional \$0.00445 was all distributed to the General Fund.
 2. The Central Tumor Registry Fund receives the lesser of its percentage or its dollar cap.
 3. On July 1, 1994 the \$110,000 limit was replaced with a limit not to exceed the legislative appropriation.
 4. Receives balance until Capitol restoration is completed, then balance accrues to Economic Recovery Reserve Fund.

Basis of Projection:

Gross cigarette tax collections for FY 2014 and FY 2015 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. The amount of receipts directed to the General Fund is set by Idaho statute.

Historical Data:

CIGARETTE TAX

(\$ THOUSANDS)

| Year | | Gross Collections | Distributions | | | | | | | | | | | | | | | | |
|------|------------|-------------------|---------------|--------------------------|--------------------------------|---------|------------------------------|---------------------|-----------------------------|---------------------------|--------------------------------|--------------------------------|--|--|--|--|--|--|----------|
| | | | Gen. Fund | Base Perm. Building Fund | Additional Perm. Building Fund | Refunds | Water Pollution Control Fund | Cancer Control Fund | Central Tumor Registry Fund | Public School Income Fund | County Juvenile Probation Fund | Economic Recovery Reserve Fund | | | | | | | |
| 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 | Actual | 39,476.7 | 14,400.0 | 5,540.1 | 11,635.1 | 16.1 | 0.0 | 320.2 | 128.1 | 3,718.6 | 3,718.6 | | | | | | | | 0.0 |
| FY12 | Actual | 38,250.3 | 11,600.0 | 5,369.9 | 13,635.6 | 3.0 | 0.0 | 310.4 | 124.2 | 3,603.6 | 3,603.6 | | | | | | | | 0.0 |
| FY13 | Actual | 37,846.0 | 13,077.0 | 5,305.9 | 11,857.7 | 1.2 | 0.0 | 306.7 | 122.7 | 3,587.4 | 3,587.4 | | | | | | | | 0.0 |
| FY14 | Projection | 36,606.5 | 3,695.6 | 5,130.0 | 20,412.3 | 80.2 | 0.0 | 296.5 | 118.6 | 3,436.6 | 3,436.6 | | | | | | | | 0.0 |
| FY15 | Projection | 35,311.0 | 3,695.6 | 4,947.9 | 19,556.9 | 80.2 | 0.0 | 286.0 | 114.4 | 3,315.0 | 3,315.0 | | | | | | | | 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 Fund | Gen. Fund | Public School Income Fund | County Juvenile Probation Fund |
| 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 2014 and FY 2015 are based on a subjective assessment of recent collections history and forecasted national tobacco expenditures.

Historical Data:

TOBACCO TAX

\$ THOUSANDS

| Year | | Gross Collections | Distributions | | | | |
|------|------------|-------------------|---------------|---------|------------------------------|---------------------------|--------------------------------|
| | | | Gen. Fund | Refunds | Water Pollution Control Fund | Public School Income Fund | County Juvenile Probation Fund |
| 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 | Actual | 9,849.1 | 8,475.5 | 162.8 | 0.0 | 605.4 | 605.4 |
| FY12 | Actual | 10,204.3 | 8,925.5 | 3.7 | 0.0 | 637.5 | 637.5 |
| FY13 | Actual | 11,460.3 | 10,013.0 | 16.8 | 0.0 | 715.2 | 715.2 |
| FY14 | Projection | 11,414.0 | 9,964.7 | 22.6 | 0.0 | 713.4 | 713.4 |
| FY15 | Projection | 11,492.8 | 10,033.6 | 22.6 | 0.0 | 718.3 | 718.3 |

BEER TAX

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

A total tax of \$4.65 per 31-gallon barrel, or its equivalent, is levied on beer sold in Idaho. Beer containing more than 4% alcohol by weight is considered to be wine for tax purposes. Of the total beer tax, 20% is distributed to the Substance Abuse Treatment Fund, 33% to the Permanent Building Fund, and the remainder (47%) to the General Fund. Historical rates of the tax and its distribution are listed below.

BEER TAX RATE 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 2014 and FY 2015 are based on an assessment of recent collections, Idaho personal income, and a trend factor.

Historical Data:

BEER TAX

(\$ THOUSANDS)

| Year | | Gross Collections | Distributions | | | | |
|------|------------|-------------------|---------------|---------------------|---------|---------------------------|--------------------------------|
| | | | Gen. Fund | Perm. Building Fund | Refunds | Alcoholism Treatment Fund | Substance Abuse Treatment Fund |
| 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 | Actual | 4,213.9 | 1,971.1 | 1,383.9 | 20.1 | 0.0 | 838.8 |
| FY12 | Actual | 4,138.7 | 1,944.1 | 1,365.0 | 2.2 | 0.0 | 827.3 |
| FY13 | Actual | 4,104.8 | 1,927.8 | 1,353.5 | 3.2 | 0.0 | 820.3 |
| FY14 | Projection | 4,106.0 | 1,928.3 | 1,353.9 | 3.2 | 0.0 | 820.6 |
| FY15 | Projection | 4,215.6 | 1,979.8 | 1,390.1 | 3.2 | 0.0 | 842.5 |

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 2014 and FY 2015 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 |
| 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 | Actual | 3,880.8 | 3,210.7 | 12.5 | 0.0 | 464.2 | 193.4 |
| FY12 | Actual | 4,163.7 | 3,454.1 | 2.1 | 0.0 | 499.4 | 208.1 |
| FY13 | Actual | 4,712.7 | 3,908.7 | 3.4 | 0.0 | 565.1 | 235.5 |
| FY14 | Projection | 5,040.6 | 4,177.9 | 7.0 | 0.0 | 604.0 | 251.7 |
| FY15 | Projection | 5,205.9 | 4,315.1 | 7.0 | 0.0 | 623.9 | 259.9 |

KILOWATT-HOUR TAX

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

Revenue is derived from a one-half mill (\$0.0005) per kilowatt-hour tax on hydro-generated electricity in Idaho. 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 2014 and FY 2015 are based on an assessment of recent collection history in comparison to river flows and water availability.

Historical Data:

KILOWATT-HOUR TAX

(\$ THOUSANDS)

| Year | | Gross Collections | Distributions | |
|------|------------|----------------------|---------------|--------------|
| | | | Refunds | Gen. Fund |
| 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 | Actual | 2,430.0 | 0.0 | 2,429.9 |
| FY12 | Actual | 2,981.6 | 0.0 | 2,981.6 |
| FY13 | Actual | 1,919.9 | 0.0 | 1,919.9 |
| FY14 | Projection | 1,900.0 | 0.0 | 1,900.0 |
| FY15 | Projection | 2,000.0 | 0.0 | 2,000.0 |

MINE LICENSE TAX

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

Revenue is derived from a 1% "profit" tax on Idaho mining operations. 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 net tax collected accrues to the General Fund and the remainder (34%) goes to the Abandoned Mine Reclamation Fund. The distribution for the net mine license tax collected from mining operations with cyanidation facilities is slightly different. Thirty-three percent of the net tax collected 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 2014 and FY 2015 are based on a subjective assessment of recent collections history, the current and future levels of employment in mining, and relative mineral prices.

Historical Data:

MINE LICENSE TAX

(\$ THOUSANDS)

| Year | | Gross Collections | Distributions | | | |
|------|------------|-------------------|---------------|-----------------------------------|---------------------------------|-----------|
| | | | Refunds | Cyanidation Facility Closure Fund | Abandoned Mine Reclamation Fund | Gen. Fund |
| FY81 | Actual | 2,145.2 | 27.6 | | 2,117.6 | |
| FY82 | Actual | 2,449.4 | 4.7 | | 2,444.7 | |
| FY83 | Actual | 687.6 | 14.3 | | 673.3 | |
| FY84 | Actual | 1,106.2 | 0.9 | | 1,105.3 | |
| FY85 | Actual | 676.1 | 90.9 | | 585.2 | |
| FY86 | Actual | 380.6 | 12.0 | | 368.7 | |
| FY87 | Actual | 283.5 | 0.3 | | 283.2 | |
| FY88 | Actual | 570.8 | 0.0 | | 570.8 | |
| FY89 | Actual | 215.8 | 2.6 | | 213.2 | |
| FY90 | Actual | 278.0 | 25.0 | | 253.0 | |
| FY91 | Actual | 471.8 | 1.0 | | 470.9 | |
| FY92 | Actual | 588.7 | 3.1 | | 585.7 | |
| FY93 | Actual | 441.7 | 331.8 | | 109.9 | |
| FY94 | Actual | 487.6 | 14.4 | | 473.2 | |
| FY95 | Actual | 291.0 | 1.2 | | 289.9 | |
| FY96 | Actual | 800.8 | 0.0 | | 800.8 | |
| FY97 | Actual | 764.7 | 101.4 | | 663.4 | |
| FY98 | Actual | 1,101.3 | 140.8 | | 960.5 | |
| FY99 | Actual | 2,241.0 | 258.1 | | 1,982.9 | |
| FY00 | Actual | 1,038.3 | 1,344.4 | 353.0 | -659.1 | |
| FY01 | Actual | 245.3 | 64.5 | 61.5 | 119.3 | |
| FY02 | Actual | 1,236.8 | 0.3 | 420.4 | 816.0 | |
| FY03 | Actual | 107.2 | 53.1 | 18.4 | 35.7 | |
| FY04 | Actual | 115.3 | 6.3 | 37.0 | 71.9 | |
| FY05 | Actual | 53.2 | 3.0 | 0.0 | 17.1 | 33.1 |
| FY06 | Actual | 404.8 | 2.1 | 0.0 | 136.9 | 265.8 |
| FY07 | Actual | 3,569.8 | 16.4 | 0.0 | 1,208.1 | 2,345.2 |
| FY08 | Actual | 3,829.5 | 3.9 | 0.0 | 1,300.7 | 2,524.9 |
| FY09 | Actual | 1,430.0 | 3.1 | 0.0 | 485.2 | 941.8 |
| FY10 | Actual | 2,723.3 | 0.5 | 0.0 | 925.8 | 1,797.1 |
| FY11 | Actual | 2,417.8 | 90.4 | 0.0 | 791.3 | 1,536.1 |
| FY12 | Actual | 3,220.4 | 152.8 | 0.0 | 1,043.0 | 2,024.7 |
| FY13 | Actual | 959.2 | 153.9 | 0.0 | 273.8 | 531.5 |
| FY14 | Projection | 1,171.1 | 34.7 | 0.0 | 386.4 | 750.0 |
| FY15 | Projection | 1,322.6 | 34.7 | 0.0 | 437.9 | 850.0 |

LIQUOR FUND

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 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 FUND

(\$ THOUSANDS)

| Year | | Gross Dist. | Distributions | | | | | | | | | | | | Cities & Counties | | |
|------|------------|-------------|---------------|---------------------------|------------------------|--------------------|---------------------------|---------------------|---------------------|---|--|------------------------|--------------------------------|---|-------------------|-------------------------------------|----------|
| | | | Gen. Fund | Alcoholism Treatment Fund | Community College Fund | Coop. Welfare Fund | Public School Income Fund | Budget Reserve Fund | Perm. Building Fund | Drug Cr., Mental Health & Family Cr. Svcs. Fund | Idaho Water Resource Brd. Revolving Development Fund | Warehouse Remodel Fund | Substance Abuse Treatment Fund | Drug & Mental Health Cr. Supervision Fund | | | |
| | | | | | | | | | | | | | | | | This area intentionally left blank. | |
| 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 | Actual | 49,698.6 | 14,761.4 | 0.0 | 600.0 | 650.0 | 1,200.0 | 0.0 | 0.0 | 3,416.6 | 0.0 | 0.0 | 2,080.0 | 440.0 | | | 26,550.6 |
| FY12 | Actual | 53,000.8 | 17,248.0 | 0.0 | 600.0 | 650.0 | 1,200.0 | 0.0 | 0.0 | 3,580.8 | 0.0 | 0.0 | 2,080.0 | 440.0 | | | 27,202.0 |
| FY13 | Actual | 59,064.6 | 20,925.0 | 0.0 | 600.0 | 650.0 | 1,200.0 | 0.0 | 0.0 | 3,824.6 | 0.0 | 0.0 | 2,080.0 | 440.0 | | | 29,345.0 |
| FY14 | Projection | 63,524.9 | 24,210.0 | 0.0 | 600.0 | 650.0 | 1,200.0 | 0.0 | 0.0 | 3,904.9 | 0.0 | 0.0 | 2,080.0 | 440.0 | | | 30,440.0 |
| FY15 | Projection | 62,587.3 | 23,978.9 | 0.0 | 600.0 | 650.0 | 1,200.0 | 0.0 | 0.0 | 4,009.6 | 0.0 | 0.0 | 2,080.0 | 440.0 | | | 29,628.9 |

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, US 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 2014 and FY 2015 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2014 projection includes the approximately \$1.2 million net cost associated with the issuance of this year's tax anticipation note. The FY 2015 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 2014 and FY 2015 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*)

The phase in to a single insurance premium tax rate of 1.5% for net direct insurance premiums written in the state was completed in CY 2010. The 2.75% insurance premium tax rate was reduced to 1.5% over the six-year period beginning with CY 2005. Specifically, the insurance premium tax was 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. The rate for companies holding Idaho-based assets was increased from 1.4% to 1.5% over the five-year period beginning with CY 2006. This rate was 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 premium tax rate for surplus lines of insurance has been 1.5% since 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 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. Beginning in FY 2016, all net tax collections accrue 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 2014 and FY 2015 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*)

Prior to FY 2013, revenue from the sale of alcoholic beverage licenses to retailers, wholesalers, and manufacturers was deposited in the state's General Fund. Beginning in FY 2013, these revenues are directed to the Alcohol Beverage Control Fund.

For historical data see the "Miscellaneous Revenues" table.

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. The holding period before most types of financial properties are considered abandoned is five years. Unclaimed Property Fund balances exceeding \$250,000 are transferred to the General Fund by the end of each fiscal year. Administration of unclaimed property was transferred from the Idaho State 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 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. 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 2014 and FY 2015 are based on a subjective assessment of recent collection history and expected transfers.

ESTATE AND TRANSFER TAX

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

The Idaho estate and transfer tax is a “pick up” tax. Previously, the federal code allowed 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 was equal to this credit. Ten percent of the gross amount collected was distributed to the Idaho county of probate and the remainder, net of refunds, accrued to the state’s General Fund. The *Economic Growth and Tax Relief Reconciliation Act of 2001* phased out this credit so that it did not apply to any deaths after 2005. The relevant estate provisions of the *Economic Growth and Tax Relief Reconciliation Act of 2001* were set to expire at the end of 2010. However, some of the estate tax provisions of this act were extended through CY 2012 as part of the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act* that became law on December 17, 2010. This forecast assumes the credit does not return, so there will be no General Fund revenue from the estate tax.

For historical data see the "Miscellaneous Revenues" table.

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 |
| 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 ¹ |
| 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 ² |
| 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 ³ |
| 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 ⁴ |
| 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 ⁵ |
| 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 ⁶ |
| 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 ⁷ |
| 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 ⁸ |
| 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 ⁹ |
| 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 ¹⁰ |
| 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 ¹¹ |
| 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 ¹² |
| 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 ¹³ |
| 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 ¹⁴ |
| 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 ¹⁵ |
| 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 ¹⁶ |
| 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 ¹⁷ |
| 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 ¹⁸ |
| 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 | Actual | 521.4 | -430.7 | 5,116.6 | 54,117.5 | 1,523.6 | 4,511.6 | 2,413.0 | 622.0 | 4,881.8 | 30,432.8 |
| FY12 | Actual | -22.0 | -604.3 | 4,849.4 | 56,579.7 | 1,557.1 | 8,888.0 | 2,428.0 | 1,041.6 | 16,155.4 | 27,897.5 |
| FY13 | Actual | 63.0 | 355.7 | 4,592.0 | 55,621.7 | 127.7 | 6,997.5 | 2,538.0 | 829.8 | 4,529.8 | 29,452.7 |
| FY14 | Projection | 303.8 | -1,024.5 | 4,476.3 | 55,651.1 | 0.0 | 6,000.0 | 2,681.9 | 800.0 | 4,200.0 | 26,807.3 |
| FY15 | Projection | 0.0 | 261.0 | 4,651.2 | 56,913.1 | 0.0 | 6,100.0 | 2,786.6 | 800.0 | 0.0 | 26,460.1 |

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 offsetting transfer of \$1,000,000 borrowed and repaid by the Lottery Commission.
5. Includes one-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.

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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 privacy 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 7.4% on corporate income. Tax rates on individuals vary from a low of 1.6% to a top rate of 7.4%. 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 (Sunset 2013)
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 (Sunset 2011)
Special Job Credit (Sunsets 2016)

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
Certain Loss Recoveries Deduction
Nonresident Guaranteed Partnership Income Exclusion

SALES AND USE TAX

The Idaho sales tax is a 6.0% 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.

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 are "Hotels and Other Lodging Places," "Amusement and Recreation Services," and "Admissions." Two other types of sales defined by Idaho law as taxable are restaurant meals, which contain both tangible property and service elements, and charges for producing, processing, printing, or imprinting tangible personal property when the property is supplied by the consumer of these services.

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
- Supplemental Nutrition Assistance Program (SNAP)/Women, Infants, and Children (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 (Sunset 2011)
Research and Development Equipment
Corporate Headquarters Construction (Repealed 2008)
Small Employer Headquarters Construction (2006-2020)
Glider Kit Vehicles
Media Production Projects (Sunsets 2016)
State Tax Anticipation Revenue
Motor Vehicles of Nonresident Students
Personal Property of Military Personnel
Beverage and Food Samples

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
Gratuities for Meals

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

| | CY2010 | CY2011 | CY2012 | CY2013 | CY2014 | CY2015 |
|--|----------|----------|-----------|-----------|-----------|-----------|
| 1 Income Tax Expenditures (Calendar Year Basis) | | | | | | |
| 1.1 Uses of Income Not Taxed | | | | | | |
| 1.1.01 Investment Tax Credit | \$27,665 | \$28,836 | \$31,431 | \$32,366 | \$34,729 | \$37,468 |
| 1.1.02 Other States Tax Credit | \$60,382 | \$64,584 | \$67,231 | \$69,184 | \$72,160 | \$76,087 |
| 1.1.03 Elderly Dependent Credit | \$735 | \$747 | \$778 | \$808 | \$841 | \$875 |
| 1.1.04 Youth and Rehabilitation Credit | \$8,148 | \$7,725 | \$8,208 | \$8,556 | \$9,130 | \$9,602 |
| 1.1.05 Schools, Libraries, and Museums Credit | \$4,116 | \$6,946 | \$7,218 | \$7,427 | \$7,747 | \$8,168 |
| 1.1.06 Grocery Credit | \$76,286 | \$89,727 | \$103,681 | \$118,454 | \$130,063 | \$142,030 |
| 1.1.07 Recycling Equipment Credit | \$1 | \$4 | \$24 | \$24 | \$24 | \$24 |
| 1.1.08 Technological Equipment Deduction | \$56 | \$52 | \$53 | \$55 | \$57 | \$60 |
| 1.1.09 Long-Term Care Insurance Deduction | \$1,127 | \$1,198 | \$1,184 | \$1,200 | \$1,220 | \$1,242 |
| 1.1.10 Alternative Energy Device Deduction | \$487 | \$422 | \$426 | \$438 | \$457 | \$480 |
| 1.1.11 Insulation Deduction | \$596 | \$373 | \$1,228 | \$1,298 | \$1,353 | \$1,425 |
| 1.1.12 Workers' Compensation Premium Deduction | \$400 | \$400 | \$400 | \$400 | \$400 | \$400 |
| 1.1.13 Child Care Deduction | \$3,861 | \$3,917 | \$3,833 | \$3,858 | \$3,899 | \$3,920 |
| 1.1.14 College Savings Deduction | \$1,559 | \$1,628 | \$1,614 | \$1,661 | \$1,732 | \$1,825 |
| 1.1.15 Health Insurance Deduction | \$13,292 | \$14,593 | \$14,881 | \$15,369 | \$16,096 | \$16,938 |
| 1.1.16 Elderly and Developmental Disability Deduction | \$9 | \$9 | \$9 | \$9 | \$9 | \$9 |
| 1.1.17 Adoption Expense Deduction | \$41 | \$30 | \$46 | \$46 | \$46 | \$46 |
| 1.1.18 Medical Savings Account Deduction | \$817 | \$787 | \$797 | \$820 | \$855 | \$897 |
| 1.1.19 New Employees Credit | \$492 | \$510 | \$7,600 | \$7,900 | \$0 | \$0 |
| 1.1.20 Riparian Land Improvements Credit | Sunset | Sunset | Sunset | Sunset | Sunset | Sunset |
| 1.1.21 Broadband Investment Credit | \$688 | \$574 | \$626 | \$645 | \$692 | \$746 |
| 1.1.22 County Incentive Investment Tax Credit | Sunset | Sunset | Sunset | Sunset | Sunset | Sunset |
| 1.1.23 Research Activity Credit | \$1,866 | \$1,697 | \$1,849 | \$1,904 | \$2,043 | \$2,205 |
| 1.1.24 Promoter Sponsored Events Credit | \$6 | \$95 | \$13 | \$13 | \$13 | \$13 |
| 1.1.25 Corporate Headquarters Investment Credit | Repealed | Repealed | Repealed | Repealed | Repealed | Repealed |
| 1.1.26 Corporate Headquarters Real Property Improvement Credit | Repealed | Repealed | Repealed | Repealed | Repealed | Repealed |
| 1.1.27 Corporate Headquarters New Jobs Credit | Repealed | Repealed | Repealed | Repealed | Repealed | Repealed |
| 1.1.28 Small Employer Capital Investment Credit | \$858 | \$597 | \$400 | \$400 | \$400 | \$400 |
| 1.1.29 Small Employer Real Property Improvement Credit | \$24 | \$5 | \$6 | \$6 | \$6 | \$6 |
| 1.1.30 Small Employer New Jobs Credit | \$40 | \$147 | \$81 | \$81 | \$81 | \$81 |
| 1.1.31 Live Organ Donation Expenses Credit | \$45 | \$19 | \$36 | \$36 | \$36 | \$36 |
| 1.1.32 Biofuel Investment Tax Credit | \$0 | \$15 | Sunset | Sunset | Sunset | Sunset |
| 1.1.33 Special Job Credit | \$0 | \$125 | \$0 | \$0 | \$0 | \$0 |
| 1.2 Sources of Income Not Taxed | | | | | | |
| 1.2.01 Capital Gains Exclusion | \$11,322 | \$10,616 | \$10,322 | \$10,621 | \$11,077 | \$11,661 |
| 1.2.02 Government Interest Exclusion | \$2,350 | \$2,050 | \$2,099 | \$2,187 | \$2,331 | \$2,445 |
| 1.2.03 Social Security Exclusion | \$50,602 | \$54,887 | \$55,260 | \$57,781 | \$60,676 | \$63,132 |
| 1.2.04 Railroad Retirement Exclusion | | | | | | |
| 1.2.05 Retirement Benefit Exclusion | \$5,975 | \$6,460 | \$6,510 | \$6,805 | \$7,142 | \$7,402 |
| 1.2.06 Idaho Lottery Winnings Exclusion | \$4,775 | \$4,856 | \$4,901 | \$4,986 | \$5,071 | \$5,159 |
| 1.2.07 Indian Earnings on Reservation Exclusion | \$572 | \$602 | \$625 | \$643 | \$671 | \$707 |
| 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 |
| 1.2.10 Certain Losses Deduction | \$0 | \$0 | \$0 | \$250 | \$250 | \$250 |
| 1.2.11 Partnership and Retirement Income Deduction | \$0 | \$0 | \$0 | \$440 | \$440 | \$440 |

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| 2 Sales Tax Expenditures (Fiscal Year Basis) | | | | | | |
| 2.1 Specific Uses Not Taxed | | | | | | |
| 2.1.01 Production Exemption - Equipment | \$61,032 | \$68,679 | \$71,866 | \$74,869 | \$81,134 | \$87,399 |
| 2.1.02 Production Exemption - Supplies | \$46,201 | \$51,990 | \$54,403 | \$56,675 | \$61,418 | \$66,161 |
| 2.1.03 Irrigation Equipment and Supplies | \$3,824 | \$3,920 | \$4,018 | \$4,118 | \$4,221 | \$4,327 |
| 2.1.04 Pollution Control Equipment | \$8,093 | \$9,343 | \$9,974 | \$10,782 | \$11,221 | \$12,734 |
| 2.1.05 Broadcast Equipment and Supplies | \$2,002 | \$2,253 | \$2,357 | \$2,456 | \$2,661 | \$2,867 |
| 2.1.06 Publishing Equipment and Supplies | \$128 | \$144 | \$151 | \$157 | \$171 | \$184 |
| 2.1.07 Commercial Aircraft | \$1,890 | \$1,890 | \$2,054 | \$2,054 | \$2,054 | \$2,054 |
| 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 | \$5,902 | \$6,317 | \$6,819 | \$7,187 | \$7,646 | \$8,083 |
| 2.1.10 Out-of-State Contracts | \$3,336 | \$3,754 | \$3,929 | \$4,093 | \$4,435 | \$4,778 |
| 2.1.11 Trade-in Value | \$25,196 | \$26,968 | \$29,112 | \$30,685 | \$32,641 | \$34,508 |
| 2.1.12 Sale or Lease of Businesses or Business Assets | \$1,583 | \$1,782 | \$1,864 | \$1,942 | \$2,105 | \$2,267 |
| 2.1.13 Food Stamps/WIC | \$22,927 | \$22,834 | \$23,465 | \$23,938 | \$24,511 | \$25,228 |
| 2.1.14 Motor Vehicles Used Outside of Idaho | \$14,073 | \$15,063 | \$16,261 | \$17,139 | \$18,232 | \$19,274 |
| 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 | \$79 | \$84 | \$86 | \$88 | \$91 | \$94 |
| 2.1.19 School Lunches and Senior Citizen Meals | \$4,431 | \$4,593 | \$4,709 | \$4,824 | \$4,943 | \$5,109 |
| 2.1.20 Drivers Education Automobiles | \$39 | \$40 | \$41 | \$41 | \$42 | \$42 |
| 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 | \$32,390 | \$9,624 | \$193 | Sunset | 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 | Repealed | Repealed | Repealed | Repealed | Repealed | Repealed |
| 2.1.26 Small Employer Headquarters Construction | \$115 | \$115 | \$115 | \$115 | \$115 | \$115 |
| 2.1.27 Glider Kit Vehicles | \$259 | \$278 | \$300 | \$316 | \$336 | \$355 |
| 2.1.28 Media Production Projects | \$64 | \$67 | \$69 | \$71 | \$75 | \$78 |
| 2.1.29 State Tax Anticipation Revenue | \$2,400 | \$2,500 | \$3,900 | \$2,700 | \$2,800 | \$2,900 |
| 2.1.30 Motor Vehicles of Nonresident Students | \$0 | \$25 | \$25 | \$25 | \$25 | \$26 |
| 2.1.31 Personal Property of Military Personnel | NA | NA | NA | NA | NA | NA |
| 2.1.32 Beverage and Food Samples | \$0 | \$0 | \$5 | \$15 | \$15 | \$16 |
| 2.2 Goods Not Taxed | | | | | | |
| 2.2.01 Motor Fuels | \$177,498 | \$198,035 | \$198,186 | \$193,042 | \$187,185 | \$187,045 |
| 2.2.02 Heating Materials | \$5,964 | \$5,841 | \$5,574 | \$5,043 | \$5,328 | \$5,340 |
| 2.2.03 Utility Sales | \$90,638 | \$93,357 | \$96,157 | \$99,042 | \$102,013 | \$105,074 |
| 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 | \$43,019 | \$45,381 | \$47,211 | \$51,127 | \$55,463 | \$60,829 |
| 2.2.07 Funeral Caskets | \$1,359 | \$1,400 | \$1,442 | \$1,485 | \$1,530 | \$1,576 |
| 2.2.08 Containers | \$37 | \$39 | \$40 | \$41 | \$42 | \$44 |
| 2.2.09 Nonprofit Literature | \$133 | \$134 | \$135 | \$137 | \$139 | \$141 |
| 2.2.10 Official Documents | \$66 | \$66 | \$67 | \$68 | \$69 | \$70 |
| 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 | \$2,256 | \$2,269 | \$2,298 | \$2,342 | \$2,413 | \$2,484 |
| 2.2.14 Telecommunications Equipment | \$1,549 | \$1,704 | \$1,875 | \$2,062 | \$2,268 | \$2,495 |
| 2.2.15 Personal Property Tax on Rentals | \$400 | \$400 | \$400 | \$400 | \$400 | \$400 |

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| 2.3 Services Not Taxed | | | | | | |
| 2.3.01 Construction | \$108,447 | \$107,115 | \$111,530 | \$119,483 | \$133,130 | \$147,853 |
| 2.3.02 Agricultural and Industrial Services | \$3,753 | \$3,789 | \$3,837 | \$3,895 | \$3,971 | \$4,048 |
| 2.3.03 Transportation Services | \$34,926 | \$36,660 | \$37,447 | \$38,724 | \$41,131 | \$43,414 |
| 2.3.04 Information Services | \$76,259 | \$76,813 | \$77,484 | \$78,559 | \$79,717 | \$80,945 |
| 2.3.05 Repairs | \$37,891 | \$39,439 | \$40,738 | \$41,992 | \$43,932 | \$46,038 |
| 2.3.06 Professional Services | \$202,195 | \$210,456 | \$217,387 | \$224,078 | \$234,430 | \$245,669 |
| 2.3.07 Business Services | \$122,115 | \$127,104 | \$131,290 | \$135,331 | \$141,583 | \$148,371 |
| 2.3.08 Personal Services | \$8,857 | \$9,219 | \$9,523 | \$9,816 | \$10,269 | \$10,762 |
| 2.3.09 Health and Medical Services | \$380,960 | \$396,987 | \$413,098 | \$427,677 | \$452,348 | \$480,051 |
| 2.3.10 Social Services | \$62,378 | \$65,002 | \$67,640 | \$70,027 | \$74,066 | \$78,602 |
| 2.3.11 Educational Services | \$37,554 | \$39,089 | \$40,376 | \$41,619 | \$43,541 | \$45,629 |
| 2.3.12 Lottery Tickets and Pari-Mutuel Betting | \$10,193 | \$10,974 | \$10,576 | \$10,974 | \$11,388 | \$11,819 |
| 2.3.13 Media Measurement Services | \$64 | \$66 | \$68 | \$70 | \$72 | \$74 |
| 2.3.14 Miscellaneous Services | \$2,483 | \$2,584 | \$2,670 | \$2,752 | \$2,879 | \$3,017 |
| 2.3.15 Nonprofit Shooting Range Fees | \$34 | \$35 | \$36 | \$37 | \$39 | \$41 |
| 2.3.16 Gratuities for Meals | \$100 | \$200 | \$206 | \$210 | \$215 | \$221 |
| 2.4 Specific Entities Not Taxed | | | | | | |
| 2.4.01 Educational Institution Purchases | \$9,538 | \$10,267 | \$10,289 | \$10,510 | \$10,764 | \$11,073 |
| 2.4.02 Hospital Purchases | \$24,077 | \$25,090 | \$26,108 | \$27,029 | \$28,589 | \$30,339 |
| 2.4.03 Health Entity Purchases | \$391 | \$409 | \$423 | \$436 | \$455 | \$475 |
| 2.4.04 Canal Company Purchases | \$986 | \$1,009 | \$1,024 | \$1,035 | \$1,050 | \$1,068 |
| 2.4.05 Forest Protective Association Purchases | \$43 | \$44 | \$45 | \$46 | \$46 | \$47 |
| 2.4.06 Food Bank Purchases | \$280 | \$293 | \$303 | \$313 | \$326 | \$341 |
| 2.4.07 Nonsale Clothier Purchases | \$1 | \$1 | \$1 | \$1 | \$1 | \$1 |
| 2.4.08 Centers for Independent Living | \$5 | \$5 | \$6 | \$6 | \$6 | \$6 |
| 2.4.09 State of Idaho and Local Government Purchases | \$27,337 | \$26,920 | \$27,295 | \$27,358 | \$27,492 | \$27,633 |
| 2.4.10 Ronald McDonald House Rooms | \$1 | \$1 | \$1 | \$1 | \$1 | \$1 |
| 2.4.11 INL Research and Development Purchases | \$3,908 | \$4,397 | \$4,616 | \$4,836 | \$5,284 | \$5,872 |
| 2.4.12 Motor Vehicle Purchases by Family Members | \$1,651 | \$1,768 | \$1,908 | \$2,011 | \$2,139 | \$2,262 |
| 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) | \$3,214 | \$3,365 | \$3,481 | \$3,591 | \$3,744 | \$3,912 |
| 2.4.15 Sales by Indian Tribes on Reservations | \$5,073 | \$5,374 | \$5,521 | \$5,657 | \$5,821 | \$6,026 |
| 2.4.16 Sales of Meals by Churches to Members | \$12 | \$13 | \$13 | \$14 | \$14 | \$14 |
| 2.4.17 Sales by Outfitters and Guides | \$16 | \$16 | \$16 | \$16 | \$16 | \$16 |
| 2.4.18 Sales Through Vending Machines | \$2,393 | \$2,515 | \$2,585 | \$2,637 | \$2,700 | \$2,779 |
| 2.4.19 Auto Manufacturer Rebates | \$545 | \$583 | \$629 | \$663 | \$706 | \$746 |
| 2.4.20 Incidental Sales by Churches | \$805 | \$843 | \$872 | \$899 | \$938 | \$980 |
| 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 | \$181 | \$189 | \$196 | \$202 | \$211 | \$220 |
| 2.4.25 Senior Citizens Centers | \$43 | \$45 | \$47 | \$48 | \$50 | \$53 |
| 2.4.26 Blind Services Foundation, Inc. | \$7 | \$8 | \$8 | \$8 | \$9 | \$9 |
| 2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault | \$9 | \$10 | \$10 | \$10 | \$11 | \$11 |
| 2.4.28 Free Dental Clinics | \$10 | \$11 | \$11 | \$12 | \$12 | \$13 |
| 2.4.29 Museums | \$198 | \$207 | \$214 | \$221 | \$230 | \$240 |

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 reductions from the tax that are expressed either as a percentage of some qualifying amount or as a lump sum. Some credits are refundable, meaning that they can exceed the taxpayer's tax liability and actually lead to a refund. Other credits are nonrefundable; 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. For example, the state's investment tax credit from a qualified purchase can be carried forward up to 14 years.

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, reduced 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 qualifying 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 commission for libraries; to nonprofit public or private museums located within Idaho; to the Idaho Commission on Hispanic Affairs; to the Idaho Commission for the Blind and Visually Impaired; to the Idaho Council on Developmental Disabilities; to the Idaho State Independent Living Council; or to the Idaho Council for the Deaf and Hard of Hearing. The credit is 50% of the qualified contribution. In the case of individuals, it is limited to 50% of the taxpayer's income tax liability or \$500 (\$1,000 on a jointly filed return), whichever is less. In the case of corporations, the credit is limited to 10% of the income tax liability or \$5,000, whichever is less. Effective January 1, 2016, the maximum credit for individual taxpayers is the lower amount of 20% of the tax liability or \$100 (\$200 on a joint return). In the case of corporations, the credit is limited to 10% of the income tax liability or \$1,000, whichever is less. Beginning January 1, 2016 the credit will not apply to contributions to the Idaho Commission on Hispanic Affairs; to the Idaho Commission for the Blind and Visually Impaired; to the Idaho Council on Developmental Disabilities; to the Idaho State Independent Living Council; or to the Idaho Council for the Deaf and Hard of Hearing.

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 (now Idaho commission for libraries) was added in 1998. University-related research parks were added in 1999. Qualifying contributions are 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. The grocery tax credit is prorated for SNAP 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 Department 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. This deduction was amended in 2012 to include residences that existed before January 1, 2002.

History: Enacted in 1976. Amended in 2012.

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: Certain employers expanding payrolls are entitled to this credit. In order to qualify, employers must offer health insurance and pay at least \$15.00 per hour in areas with an unemployment rate of less than 10% and \$12.00 per hour in an area where unemployment is at least 10%. The size of this credit varies by an employer's rating by the Idaho Department of Labor based on the payment of unemployment taxes. Positive-rated employers receive a refundable tax credit equal to six percent (6%) of a new employee's gross annual wages. Standard-rated employers get a refundable tax credit equal to four percent (4%) of a new employee's gross annual wages. Deficit-rated employers receive a refundable tax credit equal to two percent (2%) of a new employee's gross annual wages.

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. The credit expired on December 31, 2013.

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 may be sold 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.

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 through 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 through 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 through 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 expired December 31, 2011.

1.1.33 Special Job Credit *Idaho Code 63-3029EE*

Description: For the period prior to April 14, 2011, 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: Effective January 1, 2011 to December 31, 2016.

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 63-3022M 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) US civil service retirement system; b) fireman's retirement fund of Idaho; c) policeman's retirement fund of a city within Idaho; and d) US 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 Idaho 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.

1.2.10 Certain Loss Recoveries Deduction *Idaho Code 63-3022R*

Description: A deduction is allowed in the amount equal to the amount of the loss recovery if no deduction for the loss was claimed on a prior return.

History: Enacted in 2013.

1.2.11 Nonresident Guaranteed Partnership Income Exclusion *Idaho Code 63-3026A(3)(a)(i)*

Description: Guaranteed payments to nonresident, retired partners that are sourced to the taxpayers' domiciles are excluded from Idaho taxable income. Up to \$250,000 of the guaranteed payments made to each nonresident partner are sourced as compensation for services. The amount of the guaranteed payment in excess of \$250,000 is sourced to Idaho based upon the partnership's apportionment factor. The \$250,000 exclusion is adjusted annually for inflation.

History: Enacted in 2013.

SALES AND USE TAX DETAIL

The following sales tax expenditures can be divided into four broad categories: 2.1.01 through 2.1.32 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 2.3.16 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, or literature.

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, or literature.

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. This exemption was expanded in 2012 to include parts used in nonresident, private aircraft.

History: Enacted in 1988. Amended in 1994 to add any aircraft that are for use outside Idaho. Amended in 2012.

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 when registered in the international registration plan, as well as their trailers, when miles accumulated by the fleet outside of Idaho are minimally 10% of the total fleet miles in any annual registration period. Failure to meet the mileage requirement in any annual registration period invalidates the exemption and results in a tax liability based on the fair market value of the vehicles at the end of the non-conforming period.

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). 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 SNAP/WIC *Idaho Code 63-3622EE; 63-3622FF*

Description: Exempts goods purchased with WIC checks and federal SNAP.

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, snowgroomers, 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 sunset on 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. Sunsets on July 1, 2016.

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.

2.1.30 Motor Vehicles of Nonresident Students *Idaho Code 63-3621(k)*

Description: Exempts a full-time, nonresident post-secondary student's vehicle from the use tax.

History: Enacted in 2011.

2.1.31 Personal Property of Military Personnel *Idaho Code 63-3621(l)*

Description: Exempts personal items, including vehicles, brought into the state by military personnel temporarily assigned to Idaho and their spouses from the use tax.

History: Enacted in 2011.

2.1.32 Beverage and Food Samples *Idaho Code 63-3621(n)*

Description: Exempts beverages including, wine and beer, and food if given as a free tasting to a potential customer.

History: Enacted in 2012. Expanded in 2013 to exempt food samples offered to shoppers.

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 63-3622H*

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 US 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] and the cost of transportation prior to the sale [*Idaho Code* 63-3613(a)3]. 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.

2.3.16 Gratuities for Meals *Idaho Code 63-3613(f)*

Description: Exempts mandatory and voluntary gratuities for meals from the Idaho sales tax.

History: Enacted in 2011.

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.

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 US 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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| 1.1.01 | Investment Tax Credit | 63-3029B |
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| 1.1.09 | Long-Term Care Insurance Deduction | 63-3022Q |
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| 1.1.11 | Insulation Deduction | 63-3022B |
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| 1.1.14 | College Savings Deduction | 63-3022(n) |
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| 1.1.16 | Elderly and Developmental Disability Deduction | 63-3022E |
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| 1.1.18 | Medical Savings Account Deduction | 63-3022K |
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| 1.1.24 | Promoter Sponsored Events Credit | 63-3620C(3)(b) |
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| 1.1.28 | Small Employer Capital Investment Credit | 63-4403 |
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| 1.1.30 | Small Employer New Jobs Credit | 63-4405 |
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| 1.1.32 | Biofuel Investment Tax Credit | 63-3029M |
| 1.1.33 | Special Job Credit | 63-3029EE |
| 1.2.01 | Capital Gains Exclusion | 63-3022H |
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| 1.2.03 | Social Security Exclusion | 63-3022(l) |
| 1.2.04 | Railroad Retirement Exclusion | 63-3022(l) |
| 1.2.05 | Retirement Benefit Exclusion | 63-3022A |
| 1.2.06 | Idaho Lottery Winnings Exclusion | 67-7439 |
| 1.2.07 | Indian Earnings on Reservation Exclusion | Idaho Income Tax Administrative Rule 033 |
| 1.2.08 | World War II Reparations Exclusion | 63-3022G |
| 1.2.09 | Marriage Penalty Deduction | 63-3022N |
| 1.2.10 | Certain Loss Recoveries Deduction | 63-3022R |

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| 1.2.11 | Nonresident Guaranteed Partnership Income Exclusion | 63-3026A(3)(a)(i) |
| 2.1.01 | Production Exemption - Equipment | 63-3622D 63-3622JJ |
| 2.1.02 | Production Exemption - Supplies | 63-3622D 63-3622JJ |
| 2.1.03 | Irrigation Equipment and Supplies | 63-3622W |
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| 2.1.14 | Motor Vehicles Used Outside of Idaho | 63-3622R(a) |
| 2.1.15 | Common Carrier Purchases and Out-of-State Sales | 63-3622Q 63-3622P |
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| 2.1.20 | Drivers Education Automobiles | 63-3622R(e) |
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| 2.2.12 | Idaho Commemorative Silver Medallions | 63-3622PP |
| 2.2.13 | New Manufactured Homes or Modular Buildings | 63-3613(c) |
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| 2.2.15 | Personal Property Tax on Rentals | 63-3622UU |
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| 2.3.02 | Agricultural and Industrial Services | |
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| 2.4.09 | State of Idaho and Local Government Purchases | 63-3622O(1)(f) |
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| 2.4.29 | Museums | 63-3622O(1)(l) |

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| 63-4404 | 1.1.29 | Small Employer Real Property Improvement Credit |
| 63-4405 | 1.1.30 | Small Employer New Jobs Credit |
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