

# General Fund Revenue Book

- Economic Forecast
- Revenue Projections
- Tax Structure

Fiscal Year 2020

July 1, 2019 - June 30, 2020



BRAD LITTLE  
Governor

State of Idaho  
Brad Little, Governor

# General Fund Revenue Book

**FY 2020 Executive Budget  
January 2019**

- Economic Forecast
- Revenue Projections
- Tax Structure

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

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

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

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<sup>1</sup>The IEM is in turn based on the IHS Markit 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 2019 Idaho Economic Forecast*,  
a publication produced by the  
Idaho Division of Financial Management.



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## EXECUTIVE SUMMARY

Recent growth of Idaho's economy has been steady and substantial, certainly aided by recent trends. Idaho consumers have benefitted from stable prices, and this is true nationally as well. Inflation has been subdued broadly. Deflationary pressures have been largely confined to food prices, primarily at the grocery store. Inflationary pressures have recently grown within real estate, which could be worrying if they persist. Consumer Price Index (CPI) inflation has run slightly above, but close to the Federal Reserve's inflationary target of 2% per year.

Population growth is an expansionary force for the Idaho economy. Estimates from the US Census Bureau placed Idaho as the fastest growing state by population in 2017, and just barely second in 2018. These estimates rest upon IRS and Medicare/Medicaid data, and from them, Idaho's growth has been above 2% in those two years. The nation, too, has a growing population. The most recent estimate is for 0.6% population growth at the national level. Population growth sustains needs for new goods and services, the trade of which keeps the economy humming.

Idaho's population growth rate is above the national rate, as well as Idaho's own natural rate of population increase due to births minus deaths. People are migrating to the state. The strong local jobs market is a large part of the story. Diversity of employment within the state is an advantage in this. Plant, mill, or factory closures can dramatically adversely affect a locale. Idaho has been relatively free of these in the past few years. Two notable exceptions involve a strike at Hecla's Lucky Friday mine, and the recently announced impending closure of the Advanced Mixed Waste Treatment Project at the Idaho National Laboratory. However, in many instances, when a retailer closes, another Idaho business finds an opportunity to expand. Some Sears closures have been opportunities for local U-Haul affiliates. When a dairy automates, local food processing plants have another opportunity to find employees.

This report is based upon IHS Markit's (IHS) November *US Economic Outlook*. It projects that price stability will persist, and US population growth will continue. However, two other recent assists for the economy should wane. The fiscal stimulus provided by the tax reform of 2017 and the budget act of 2018 are expected to continue to add to GDP growth for the first half of 2019, but to have very small effect thereafter. Monetary stimulus from lower interest rates is beginning to fade. Interest rates have risen from nearly zero for a decade to above two and one-quarter percent, with the rise becoming persistent in late 2016. Effects from interest rate hikes tend to be felt a year or two after the fact.

Unemployment is low across the nation at 3.7%, and particularly low within Idaho at 2.6%. IHS sees national unemployment dipping to 3.4% in 2019–2020, but no further decline. Low unemployment across the nation may keep workers near their current homes. The distribution of ages in the workforce will alter the employment market. Retirement of the baby-boomers will accelerate. Job gains will slow. Nationally, payrolls will decelerate from the 1.6% growth in 2018 to 1.5% in 2019, then to 1.1% in 2020, and dramatically to 0.6% to 0.4% across 2021 to 2022. Idaho nonfarm jobs growth decelerates from 3.1% in both 2017 and 2018 to 1.9–2.2% across the forecast horizon, 2019–2022.

US housing starts regained 1 million units going into 2015, surpassed 1.2 million units entering 2017, and are expected to crest 1.4 million units by 2020. Idaho housing starts surpassed 10,000 in 2015, then achieved 14,000 in 2017, and should cross 16,700 by 2020.

Personal income growth for the nation and Idaho is projected at 4.5% in 2019, then the nation remains under 5.0% according to IHS, but Idaho is projected at or above that pace for the next two years.

**IDAHO ECONOMIC FORECAST**  
**EXECUTIVE SUMMARY**  
**JANUARY 2019**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>U.S. GDP (BILLIONS)</b>											
Current \$	16,197	16,785	17,522	18,219	18,707	19,485	20,504	21,555	22,537	23,472	24,420
% Ch	4.2%	3.6%	4.4%	4.0%	2.7%	4.2%	5.2%	5.1%	4.6%	4.1%	4.0%
2009 Chain-Weighted	16,197	16,495	16,900	17,387	17,659	18,051	18,575	19,082	19,480	19,789	20,086
% Ch	2.2%	1.8%	2.5%	2.9%	1.6%	2.2%	2.9%	2.7%	2.1%	1.6%	1.5%
<b>PERSONAL INCOME - CURR \$</b>											
Idaho (Millions)	56,112	58,236	61,616	65,611	68,055	71,813	75,409	78,838	83,086	87,258	91,479
% Ch	5.8%	3.8%	5.8%	6.5%	3.7%	5.5%	5.0%	4.5%	5.4%	5.0%	4.8%
Idaho Nonfarm (Millions)	54,107	55,951	59,244	63,385	66,110	69,836	73,667	77,039	81,122	85,152	89,273
% Ch	6.0%	3.4%	5.9%	7.0%	4.3%	5.6%	5.5%	4.6%	5.3%	5.0%	4.8%
U.S. (Billions)	14,010	14,181	14,992	15,720	16,125	16,831	17,585	18,378	19,284	20,131	20,974
% Ch	5.1%	1.2%	5.7%	4.9%	2.6%	4.4%	4.5%	4.5%	4.9%	4.4%	4.2%
<b>PERSONAL INCOME - 2009 \$</b>											
Idaho (Millions)	56,108	57,461	59,896	63,620	65,288	67,698	69,630	71,178	73,572	75,662	77,637
% Ch	3.8%	2.4%	4.2%	6.2%	2.6%	3.7%	2.9%	2.2%	3.4%	2.8%	2.6%
Idaho Nonfarm (Millions)	54,103	55,206	57,590	61,462	63,422	65,833	68,022	69,554	71,833	73,837	75,764
% Ch	4.0%	2.0%	4.3%	6.7%	3.2%	3.8%	3.3%	2.3%	3.3%	2.8%	2.6%
U.S. (Billions)	14,009	13,992	14,573	15,243	15,470	15,867	16,237	16,592	17,076	17,456	17,800
% Ch	3.2%	-0.1%	4.2%	4.6%	1.5%	2.6%	2.3%	2.2%	2.9%	2.2%	2.0%
<b>HOUSING STARTS</b>											
Idaho	7,124	9,056	9,812	10,276	12,415	14,068	15,838	15,634	16,701	17,737	18,396
% Ch	56.2%	27.1%	8.3%	4.7%	20.8%	13.3%	12.6%	-1.3%	6.8%	6.2%	3.7%
U.S. (Millions)	0.784	0.928	0.999	1.107	1.177	1.208	1.263	1.318	1.424	1.435	1.437
% Ch	28.1%	18.4%	7.7%	10.7%	6.4%	2.6%	4.6%	4.3%	8.0%	0.8%	0.1%
<b>TOTAL NONFARM EMPLOYMENT</b>											
Idaho	621,234	637,023	653,285	671,389	693,900	715,176	737,511	751,275	767,981	784,296	799,825
% Ch	1.9%	2.5%	2.6%	2.8%	3.4%	3.1%	3.1%	1.9%	2.2%	2.1%	2.0%
U.S. (Thousands)	134,172	136,369	138,937	141,819	144,349	146,624	149,011	151,292	152,990	153,849	154,516
% Ch	1.7%	1.6%	1.9%	2.1%	1.8%	1.6%	1.6%	1.5%	1.1%	0.6%	0.4%
<b>SELECTED INTEREST RATES</b>											
Federal Funds	0.1%	0.1%	0.1%	0.1%	0.4%	1.0%	1.8%	2.8%	3.4%	3.4%	3.4%
Bank Prime	3.3%	3.3%	3.3%	3.3%	3.5%	4.1%	4.9%	5.9%	6.4%	6.5%	6.5%
Existing Home Mortgage	3.8%	4.0%	4.3%	4.0%	3.9%	4.2%	4.7%	5.2%	5.3%	5.3%	5.3%
<b>INFLATION</b>											
GDP Price Deflator	1.9%	1.8%	1.9%	1.0%	1.1%	1.9%	2.2%	2.4%	2.4%	2.5%	2.5%
Personal Cons Deflator	1.9%	1.3%	1.5%	0.3%	1.1%	1.8%	2.1%	2.3%	2.0%	2.1%	2.2%
Consumer Price Index	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.5%	2.5%	1.9%	2.2%	2.3%

National Variables Forecast by IHS Economics  
Forecast Begins the Third Quarter of 2018

**IDAHO ECONOMIC FORECAST**  
**EXECUTIVE SUMMARY**  
**JANUARY 2019**

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>U.S. GDP (BILLIONS)</b>												
Current \$	20,041	20,412	20,659	20,904	21,178	21,427	21,681	21,935	22,179	22,426	22,659	22,886
% Ch	4.3%	7.6%	4.9%	4.8%	5.3%	4.8%	4.8%	4.8%	4.5%	4.5%	4.2%	4.1%
2009 Chain-Weighted	18,324	18,512	18,671	18,792	18,910	19,029	19,142	19,249	19,344	19,447	19,524	19,603
% Ch	2.2%	4.2%	3.5%	2.6%	2.5%	2.5%	2.4%	2.3%	2.0%	2.1%	1.6%	1.6%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	74,301	75,124	75,773	76,437	77,308	78,300	79,329	80,414	81,441	82,533	83,640	84,731
% Ch	4.0%	4.5%	3.5%	3.5%	4.6%	5.2%	5.4%	5.6%	5.2%	5.5%	5.5%	5.3%
Idaho Nonfarm (Millions)	72,571	73,267	74,059	74,772	75,612	76,544	77,495	78,503	79,622	80,634	81,628	82,602
% Ch	5.1%	3.9%	4.4%	3.9%	4.6%	5.0%	5.1%	5.3%	5.8%	5.2%	5.0%	4.9%
U.S. (Billions)	17,319	17,500	17,680	17,840	18,038	18,265	18,491	18,718	18,961	19,186	19,392	19,597
% Ch	5.2%	4.2%	4.2%	3.7%	4.5%	5.1%	5.0%	5.0%	5.3%	4.8%	4.4%	4.3%
<b>PERSONAL INCOME - 2009 \$</b>												
Idaho (Millions)	69,102	69,526	69,853	70,039	70,368	70,874	71,426	72,043	72,614	73,295	73,867	74,512
% Ch	1.5%	2.5%	1.9%	1.1%	1.9%	2.9%	3.2%	3.5%	3.2%	3.8%	3.2%	3.5%
Idaho Nonfarm (Millions)	67,493	67,808	68,273	68,513	68,825	69,284	69,775	70,330	70,993	71,608	72,089	72,640
% Ch	2.6%	1.9%	2.8%	1.4%	1.8%	2.7%	2.9%	3.2%	3.8%	3.5%	2.7%	3.1%
U.S. (Billions)	16,107	16,196	16,299	16,347	16,418	16,533	16,649	16,769	16,906	17,038	17,126	17,234
% Ch	2.6%	2.2%	2.6%	1.2%	1.8%	2.8%	2.8%	2.9%	3.3%	3.2%	2.1%	2.5%
<b>HOUSING STARTS</b>												
Idaho	17,835	14,816	15,256	15,446	15,477	15,521	15,645	15,893	16,200	16,536	16,884	17,183
% Ch	37.7%	-52.4%	12.4%	5.1%	0.8%	1.1%	3.2%	6.5%	8.0%	8.6%	8.7%	7.3%
U.S. (Millions)	1.317	1.261	1.218	1.258	1.264	1.308	1.336	1.364	1.392	1.420	1.439	1.443
% Ch	19.6%	-16.0%	-13.0%	13.9%	1.9%	14.7%	8.8%	8.6%	8.4%	8.3%	5.7%	1.1%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho	731,427	735,590	739,694	743,333	746,295	749,084	752,791	756,930	761,333	766,090	770,181	774,321
% Ch	5.4%	2.3%	2.3%	2.0%	1.6%	1.5%	2.0%	2.2%	2.3%	2.5%	2.2%	2.2%
U.S. (Thousands)	148,069	148,703	149,326	149,947	150,526	151,066	151,561	152,015	152,431	153,060	153,149	153,321
% Ch	1.7%	1.7%	1.7%	1.7%	1.6%	1.4%	1.3%	1.2%	1.1%	1.7%	0.2%	0.4%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	1.4%	1.7%	1.9%	2.2%	2.4%	2.7%	2.9%	3.2%	3.2%	3.4%	3.4%	3.4%
Bank Prime	4.5%	4.8%	5.0%	5.3%	5.5%	5.8%	6.0%	6.2%	6.3%	6.5%	6.5%	6.5%
Existing Home Mortgage	4.4%	4.7%	4.8%	5.0%	5.1%	5.2%	5.2%	5.3%	5.3%	5.3%	5.3%	5.3%
<b>INFLATION</b>												
GDP Price Deflator	2.0%	3.0%	1.7%	2.2%	2.7%	2.2%	2.4%	2.5%	2.5%	2.4%	2.6%	2.4%
Personal Cons Deflator	2.5%	2.0%	1.6%	2.5%	2.7%	2.3%	2.1%	2.0%	1.9%	1.6%	2.2%	1.7%
Consumer Price Index	3.5%	1.7%	2.0%	2.9%	2.9%	2.6%	2.3%	2.0%	1.9%	1.1%	2.5%	1.3%

## NATIONAL FORECAST DESCRIPTION

### **The Forecast Period is the Third Quarter of 2018 through the Fourth Quarter of 2022**

This economic forecast provides the nonfarm jobs forecast and the personal income forecast, which are the basis for January's General Fund revenue forecast. At the time of this writing, the most current state-level personal income data available from the Bureau of Economic Analysis is through the first half of 2018. In this case, that coincides with the employment figures available from the Bureau of Labor Statistics, which are matched to the Quarterly Census of Employment and Wages. More recent indications of employment are available from the Current Employment Survey, which is released monthly. A census provides more reliable information than a survey, so the latter primarily serves as an input to some of the value judgements which are part of, but far from the entirety of, forecasting.

IHS Markit (IHS) provides the national forecast for the *Idaho Economic Forecast*. The firm's forecast sits well within the mainstream of economic forecasts. The firm's forecasts are often heavily influenced by forecasts from governmental and nongovernmental organization, both at the national and international levels. Some of these influencing forecasts are discussed alongside IHS's forecast within this publication to provide extra context for the figures. Typically, forecasts from the Federal Reserve and the Congressional Budget Office are discussed within IHS's publications. The International Energy Agency, the International Monetary Fund, and the Organization for Economic Cooperation and Development certainly produce reports which inform IHS economists. There are many others followed by IHS.

Turning now to that national forecast, IHS's own summary for the US economy is that there will be slowing through 2020, "making 2018 as good as it gets for now." Several events make this likely. Fiscal policy will be tightening compared with the stimulus of 2018. Monetary policy is also expected to be tightening, both as the Federal Reserve raises short-term interest rates (also as it unwinds its accumulation of treasury securities obtained through Quantitative Easing (QE)) and through foreign monetary tightening. The European Central Bank just announced the end of its own QE program. Tariffs will be a drag on the economy. This forecast includes the threatened raise of tariffs from 10% to 25% on \$200 billion of Chinese goods as occurring in January. Implementation of that is now pushed back to March, giving a small reprieve.

Foreign growth is also projected to be less robust and less widely spread, when compared with 2017 and 2018. Several large economies have already experienced hiccups (Germany and Japan) or are likely to do so (Great Britain), and Chinese growth, while still above 6%, has been slowing. China has been a driver of world growth, responsible for some of the most dramatic changes in wealth (the drop in worldwide poverty is primarily due to raising Chinese workers' incomes) and resources (China has used as much concrete in 3 years as the US did in 100).

The forecast for US real GDP growth is at 2.5% through the end of 2019, with a slowing to 1.6% across 2020–2023. The initial figure is 0.5 percentage points above the long-term sustainable growth trend, and the latter figure is below that trend. Several measures currently near to or beyond sustainable capacity influence this. The participation rate in the US labor force is expected to peak at 63.1% in 2020. For 2018 it is 62.8%, a value it is expected to return to by 2022. The current monthly reading is at 62.9%. Each 0.1 percentage point change in this statistic represents over a quarter of a million people entering or exiting the labor force; the denominator of the participation rate is the size of the non-institutional population over 16 years of age in the US (roughly 258.7 million), while the numerator is the count of those employed or actively looking for work (162.8 million). At the moment, unemployment is

remarkably low, at 3.7%. This means that of the 162.8 million people in the labor force, 6 million are unemployed, and 156.8 million are employed. IHS estimates the full-employment labor force at 161.8–162 million, or 800,000–1 million below the current reading, meaning that the US economy is beyond its full-employment. This is one capacity constraint which influences the real GDP outlook.

The spending increase through mid-2019 due to the Bipartisan Budget Act of 2018 contributes 0.4 percentage points towards real GDP growth. There will be a deceleration in spending in the latter part of 2019, which means that by the end of the year, the fiscal policy contribution to GDP growth shrinks to zero. That covers most of the GDP slowing in 2019. IHS forecasts that legislation will be drafted and passed to avoid a \$100 billion spending cut in FY 2020, and that the debt ceiling will either be suspended or raised in March 2019. Were these two fiscal hurdles not to be overcome, another 0.5 percentage points would be removed from real GDP growth in 2020. The Tax Cuts and Jobs Act (TCJA) of 2017 lowered individual income tax rates. The effects of those cuts began appearing within workers' paychecks in the spring of 2018, increasing disposable income by lowering the portion of earnings directed to the US Treasury. Consumer activity relies upon disposable income, so this provides a boost to GDP growth. However, several quarters of this extra disposable income are now in the books, so measurements of quarterly GDP growth no longer find newly expanding disposable income due to the TCJA.

While IHS's November forecast is now up to two months early on the engrossing of Chinese tariffs, its projections on oil prices are probably the furthest from what may be projected today. Brent crude oil, the international standard for oil pricing, was projected to increase from \$75 to \$84 per barrel across mid-2018 to mid-2019, with prices falling to \$70 per barrel by 2020 as a flood of oil from the Permian Basin in Texas and New Mexico would become available at lower prices due to newly established pipeline capacity. A renewed demand for low-sulfur fuel for marine use is expected in 2020 as the International Maritime Organization has new emissions regulations coming into effect then, requiring either newer equipment (to scrub the exhaust) or better burning fuels. Near-term supports for the oil price were to come from Iranian export sanctions and Venezuela's economic collapse. The US administration's granting of waivers to those sanctions as well as less robust world demand has led to price declines in the past month, which have led Organization of the Petroleum Exporting Countries (OPEC) and Russia to agree to cut production by 1.2 million barrels per day. Qatar, in diplomatic disputes with Saudi Arabia, the de facto leader of OPEC, has decided to leave the pact. US production is now at 11.6 million barrels per day, having risen from around 9 million barrels per day in early 2017. Brent oil prices reached above \$80 per barrel in mid-October, and they have fallen to \$60–61 per barrel in early December. Falling oil prices, which help consumers through lower gasoline and diesel prices, can also curb investment in the US oil sector, principally in oil-field exploration and development.

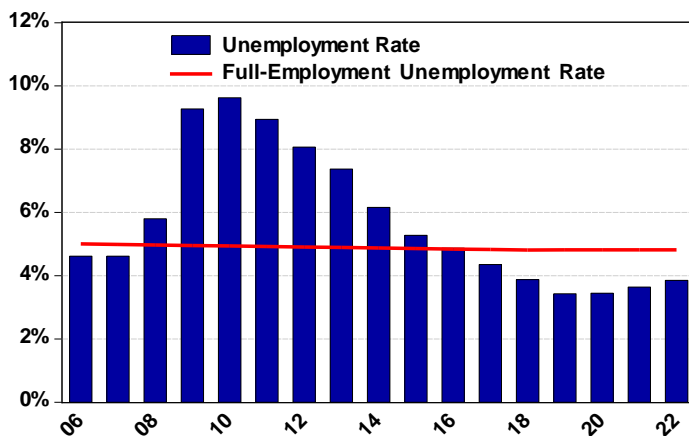
Consumer Price Index (CPI) inflation is projected to hold at 2.5% in 2018 and 2019. Core CPI inflation, which excludes food and fuel, is expected at 2.1–2.4% and core Personal Consumption Expenditures inflation is seen registering 2.2% in 2019–2020, up from 1.9% in 2018. The latter is the inflation measure that the Federal Reserve (Fed) watches most closely as the Fed targets it for 2%. For most of the recovery from the recession, that measure has been below the 2% target. Recently the Fed has described its target as symmetric. While it is tolerable that it will be above 2%, just as when it was below 2%, the Fed will be conducting monetary policy to aim it towards 2%. The IHS forecast includes another increase in the federal funds rate (band), to a range of 2.25–2.5%. This was achieved December 19. Following Fed guidance available in November, the firm anticipated three such quarter-point increases in 2019. These views were reiterated in a conference call on December 17. On December 19, the Fed indicated that two increases in its short-term rate are most likely in 2019.

Two drivers in the US economy are housing and autos. Sales figures for automobiles are expected to fall. Early 2018 started at a mid-17 million vehicle annual rate. A mid-16 million annual rate is expected by the middle of 2020. Housing starts are expected to rise from near 1.25 million housing units per year to around 1.4 million units per year by early 2020, a rate expected to be sustained through 2023. There is a demographic headwind pushing against both figures. Household formation is expected to slip from 2018's rate of 1.40 million per year to 1.34 million by 2022. A shortage of housing available now in many US locations mitigates the headwind somewhat in that market. The working-age population is expected to slow from 0.9% growth per year to 0.8% growth per year by 2022.

While quarterly real GDP growth is set to be 2.6% at an annual rate in the final quarter of 2018, 2.5% in each of the next two quarters, then slow to 2.4% in the third quarter and 2.3% in the final quarter of 2019, the full-year real GDP growth rate is seen, perhaps surprisingly, at 2.7% for 2019. Quarterly figures for annual growth show what would be the annual growth should the quarterly growth rate persist for an entire year. Behind this numeric incongruity in 2019 is that growth in 2018 was rather uneven, with the first quarter significantly behind the middle two quarters. This leaves the full-year real GDP figure for 2018, which is an average, suppressed. The full-year annual figure for 2019 shows more substantial growth than the quarterly readings of growth would indicate primarily because it is piggybacking on the 4.2% annual growth rate recorded in the second quarter of 2018.

Without any further great GDP spikes anticipated in the short-term, the quarterly and annual readings are more in line. Across 2020, the projected values for real GDP growth are 2.0%, 2.1%, 1.6%, and 1.6%, for a final yearly reading of 2.1%. For 2021, those figures are 1.6%, 1.5%, 1.4%, and 1.5%, with a full-year reading of 1.6%. In 2022 the value is 1.5%, and in 2023 the value is 1.4%. The last quarter of 2018 is expected to register unemployment at 3.7%, with 2019 starting at a 3.5% quarterly reading, before five quarters of sustained 3.4% unemployment. By mid-2021, unemployment is expected to have climbed modestly to 3.6%. That small climb, though, represents around 300,000 additional people looking for, but not yet having, work.

US Unemployment Rates



**Employment:** The employment change during November registered 155,000 additional jobs, and the headline unemployment rate remained at 3.7. The figure for October was revised down from 250,000 jobs to 237,000 jobs, and the figure for September was revised up from 118,000 to 119,000 jobs. Jobs gains thus average 170,000 over the past three months. Since the beginning of 2011, monthly nonfarm jobs gains as measured by the Bureau of Labor Statistics have averaged 201,000 positions, with the median just slightly higher at 204,000. Since 2011, the bulk of the monthly jobs gains fall between 150,000 and 250,000 for each month's

measurement. This has been remarkably stable. Indeed, the simplest model describing the job growth trend since then suggests an extra 265-jobs-gain per month across that timeframe over-and-above a base monthly jobs gain of almost 190,000 jobs per month. In total, the 18.9 million jobs added to the marketplace since 2011 started compares favorably with the roughly 18.3 million persons increase in the US population. Despite the proximity of these last two figures, the unemployment rate has plummeted from just over 9% at the beginning of 2011 to 3.7% in the November 2018 reading. This is possible because of the shifting demographics of the US population, particularly its aging. Taking just one slice

of the data, 1.1% of the population was 65 in 2017 whereas just under 0.9% was in 2011. The difference amounts to over three-quarters of a million people today, roughly the nonfarm jobs total for the whole state of Idaho. The age (65) is the conventional age of retirement in the US, and it was chosen to further illustrate the demographic headwind which is at the base of the IHS forecast for employment gains in the US economy. According to the November IHS forecast, near-200,000 job gains each month are likely to continue into 2019 for 6–9 months. One interesting figure within the November data is the U-6 unemployment rate. The U-6 calculation includes those unemployed, underemployed, and discouraged job seekers who have looked for work within the past year. It rose from 7.4% to 7.6%. IHS comments that the U-6 unemployment rate, the broadest rate tracked by the Bureau of Labor Statistics, is slightly elevated compared to the standard U-3 unemployment rate. Those workers who are part-time for noneconomic reasons (people in school, for instance) amounted to 21 million people, and the part-time for economic reasons (those who could only find part-time work but wanted full-time work) registered 4.8 million. Both numbers are roughly in line with November 2017 figures, so the U-6 number's drop from 8.0% a year ago to 7.6% now is partly because the working-age population is 2.8 million larger. Overall, the employment outlook according to IHS falls into several phases over the next few years. Currently the phase is characterized by the tax cut and fiscal stimulus. Next year brings the wind-down phase transitioning into a stressed demographic phase. Then the labor force growth will stop outpacing the overall population growth as the participation rate stops rising. Afterwards, the unemployment rate will begin to slowly return to the long-term sustainable rate. IHS believes this to be in the 4–5% range.

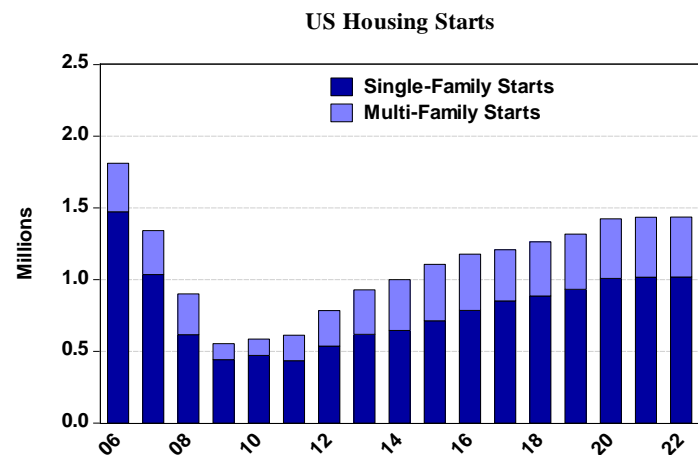
**Consumers:** IHS notes that food service growth has just had the strongest two quarters since 1992. A common view is that the tax cuts for individuals were often spent on extra dining in restaurants. As the impact of the tax cuts recedes, that boost will subside. Food service growth is expected to slow. Holiday season sales are expected to be up 4.7% compared with those of the past year. Holiday sales growth in 2017 reached 5.3%, the best year since 2005. Stock market sell-downs may mute sales for luxury goods, but higher gasoline prices were expected to be a broader hindrance on holiday shopping. With actual prices falling at the pump, there may be some upside to the holiday forecast. Consumer confidence is at higher levels than 2016 and, arguably, over 2017 as well. Spending is expected to exceed disposable income in the near term. Growth in disposable income is projected to finish 2018 at 2.8%, slowing to 2.2% in 2019, before climbing higher to 2.9% in 2020. Overall, the financial obligations ratio, which is the percentage of disposable income needed to make ongoing payments, is expected to increase from 15.4% in 2018 to 15.9% by 2020. This Federal Reserve statistic includes primary and secondary mortgages, consumer debt, rent payments on tenant-occupied properties, auto lease payments, homeowner's insurance, and property taxes, comparing the total of these to overall disposable personal income. That ratio has been between 15% and 16% since 2013; while still within that band, it has drifted downward since late 2016. This ratio has been just above 18% in early 2008 and just below 15% in 2014. For the past few years the obligation ratio has been similar to what was observed in the early 1980s. Rising interest rates will be part of the return towards 16%. Interest rate rises come both from market conditions, but also via the composition of loans issued. Mortgage debt is a bit more than a fourth of the consumer financial obligation ratio. Student loans are a quickly expanding part of consumer debt. The total has crossed \$1.46 trillion. Some students have accumulated student debt totals which are large: nearly 2 million US student borrowers owe between \$100,000 and \$200,000 in such debt; an additional 700,000 borrowers owe over \$200,000 each. Debt persists well beyond the typical college age: \$489 billion is owed by 25–34-year-olds; \$530 billion is owed by those 35–49 of age; \$62.5 billion is owed by those over 62 years old. The most recent figures for disposable personal income have the total for US at the \$15.5 trillion annual level, with personal consumption expenditures just over \$14 trillion, leaving personal savings near the \$1 trillion level; the remaining \$500 billion includes personal transfer payments, for example, remittances. Savings occurs when spending (excluding investments, so largely on nondurables) is exceeded by normal income. Paying down debt is a form of savings. Research



from the Federal Reserve’s Survey of Consumer Finances indicates that the share of families saving is roughly in line with expectations across families stratified by age of family head. This share rises above 40% by age 30 and peaks just over 50% for those in their early 70s. Families headed by someone born between 1960 and 1980 have debt to income ratios which are 20% above predicted debt to income ratios. Real consumer spending is expected by IHS to grow 2.8% in 2019 and gradually slow to 1.6% growth in 2023. Corresponding nominal figures are 5.1% in 2019, drifting down to 3.9% in 2023.

**Business Investment:** IHS cited firming oil prices as boosting nonresidential construction spending. November and December have reoriented the view on oil prices, likely diminishing the growth expected in structures, as “virtually all the growth of structures” was pinned on energy-related ventures. Such structures grew 41.8% in 2017 and were projected to grow 29.8% in 2018, with a further growth of 9.7% in 2019. Should oil prices remain depressed, the slowdown in these structures could be steeper. More broadly, though, nonfarm business output grew 2.7% in 2017, is expected to finish 2018 up 3.5%, and is expected to register 3.0% in 2019, spurring investment growth to follow a similar, though elevated, pattern: 5.3% more investment in 2017, an additional 6.8% in 2018, and then 4.6% in 2019 before slowing to 2.4% in 2022. Manufacturing’s expansion is slowing, with effects from the tax cut and stimulus already waning. Trade difficulties are present, but too lean domestic inventories can absorb some output. Inventory build should be at a consistent 1.3%. Late 2019 and early 2020 could be a time of slowing, depending upon the value of the dollar. Orders and shipments of core capital goods, the items business use for longer than a year in order to produce the goods and services they sell, have stalled. The “core” in core capital goods exclude aircraft—Boeing sales can dwarf the information in the remainder of the market—and goods for the Defense Department. Equipment spending is expected to expand by 4.4% in 2019, slower than the 7.1% in 2017 or the 6.1% in 2016. That growth slows further each of the next few years, tapering to 2.3% in 2023. A similar trajectory applies to intellectual property. Growth in that investment is expected to close 2018 at 7.7%, slowing to 6.5% in 2019, then dwindling to 2.2% in 2023. Nonresidential construction is likely to be 4.8% for 2018, slow to 2.5% in 2019, then pick up to 3.5% in 2020, and eventually settle towards 2.2% in 2023. Within the news, Amazon’s new offices in Queens, NY and in Crystal City, D.C., as well as Apple’s expansion in Austin, TX and Google’s expansion in Manhattan, NY are all substantial investments, and are actually accompanied by smaller expansions in other cities, such as Nashville, TN and Culver City, CA. Analysis of the information provided indicates that these are long-term investments, sometimes taking a decade to reach maturity. GM is intending to pare its workforce and has little work for five of its North American auto plants. The oil-and-gas sector has pipeline capacity coming on-line in 2019, which could renew expansion within the Permian Basin.

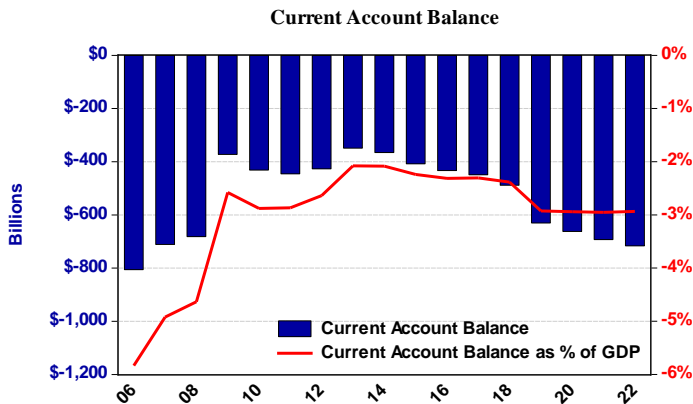
**Housing:** The latest outlook from Freddie Mac on the US housing sector projects average 30-year mortgage rates at 5.1% in 2019 rising to 5.6% in 2020. As of mid-December, the rate is near 4.9%. The firm’s view on housing starts is for 1.3 million in 2019 and 1.4 million in 2020. Freddie Mac research suggests that nationwide annual needs for housing are: 1.1 million units to accommodate household formation; 300,000 units for replacement of what is demolished; 100,000 for second homes; and 120,000 as buffer so that moving can be accomplished efficiently. The latter is akin to the natural rate of unemployment. Home prices are expected to



be up 5.1% across 2018, with that growth moderating to 4.3% in 2019 and 2.9% in 2020. Mortgage originations should finish 2018 near \$1.63 trillion. They are projected for \$1.62 trillion in 2019 and \$1.60 trillion in 2020. Refinancing is expected to fall as mortgage rates increase. While home prices are elevated, equity is only lightly accessed through cash-out refinancing, below \$20 billion per quarter, which is much less than the just over \$100 billion per quarter in mid-2006. The Federal Reserve Bank of St. Louis, in following US housing trends, indicates that several important indicators related to housing are following patterns similar to those which preceded the past three recessions (preceded by four quarters). In the analysis, the trends are revealed through deviations of the indicator from the 12-quarter average. For example, the change in the 30-year fixed mortgage rate is calculated, not the absolute 30-year fixed mortgage rate. In this manner, the recent 0.8 percentage point rise in the average mortgage rate is seen in appropriate context. While four such measurements—deviations in mortgage rates, contribution to real GDP, four-quarter real home-price change, and four-quarter existing-home sales rates—all align with the trends of the past three recessions, employment growth in construction is much stronger than was occurring in the comparable periods prior to earlier recessions. Saving for down payments, particularly when handling other debts, is a large hurdle towards home ownership. Families headed by someone born in the 1960s and 1970s are about 10% less likely to own a home than predicted. IHS says US housing is in a slump, and it predicts that the 30-year mortgage will average 5.15% in the third quarter of 2019. IHS cites a National Association of Realtors (NAR) affordability index when discussing the slump. According to NAR data, the median starter home has increased from \$190,000 in 2015 to \$227,000 in 2018, an increase of 22%. Correspondingly, similar percentage down payments have increased by 22% as well. Effective interest rates plus private mortgage insurance (needed if less than 20% is used as a down payment) have risen from 4.28% to 5.02%. Monthly payments have consequently increased from \$846 to \$1,099, a nearly 30% increase. The qualifying income for such a house has increased from \$40,600 to \$52,800, just over 30%. Median household income is likely above median income for first-time house buying households, as many households have already purchased a home in prior years, but median household income has increased only 12% in the past three years, again according to NAR. In terms of employment, the gyrations both within the housing sector have damped effects: construction employment increases in every quarter going forward, with job growth typically in the mid-3% vicinity.

**Energy:** In its *World Energy Outlook*, the International Energy Agency predicts photovoltaic (solar) power capacity to surpass wind before 2025. Both electricity generation options have falling costs per unit of power, benefiting from increasing technology as well as efficiencies of scale. Oil, the price of which has moved widely in the latter half of 2018, is expected to see diminishing demand from automobiles by the mid-2020s, with much of that due to improved efficiencies in traditional automobile design rather than in electrification of the automotive fleet. Recent, but existing, car models continue to replace older vehicles within the fleet, and more recent models have better fuel economy in general. However, oil demand is expected to increase within the petrochemical industry as well as for heavy transportation (planes, trains, trucks, and ships), and these demands are expected to keep overall oil use rising. The IEA does point out that there is room for improvement in emissions even within the oil and gas industry: “switching from the highest emissions oil to the lowest would reduce emissions by 25% and doing the same for gas would reduce emissions by 30%.” One of the most visible of these switches can be performed at many wells, by capturing hydrocarbons which are flared (burnt) at the site. With greater infrastructure, these can be captured and transported for processing. As of mid-December, the IHS forecast for energy seems to be more than \$20 per barrel too high (Brent was forecast to average \$81 per barrel for the third quarter, and it is trading just below \$59 per barrel) in terms of oil, though low for natural gas (forecast at \$3.17 per million Btu, but trading at \$3.57). While natural gas production is increasing within the US, primarily as a by-product of oil extraction, exports of liquified natural gas have also increased. Notably, domestic storage of natural gas has been behind the 5-year average

throughout 2018. Gasoline prices get the headlines, but natural gas provides more electricity than coal does for the US, and natural gas heats many homes and businesses. Should natural gas prices remain elevated, consumers would likely face rate increases through their utility bills next year. Still, with gasoline prices below \$2.50 per gallon in many parts of the US, and perhaps dipping below \$2.00 per gallon in some places in the central US, the immediate energy market is likely to reinforce consumers' recent good mood.



**International:** Andres Manuel Lopes Obrador became Mexico's president at the beginning of December. The Mexican budget was delivered mid-month. Initial reaction to that budget was cautious optimism, as the spending was constrained compared with campaign rhetoric, and the assumptions going into the budget "appear reasonable." The average budget deficit since 2009 for the country has been -0.3% of GDP, and the initial estimate of expenditures in this budget is for 0.2% less than the 2018 budget. Markets expect the Mexican central bank to hold rates steady (at 8%) in its meeting

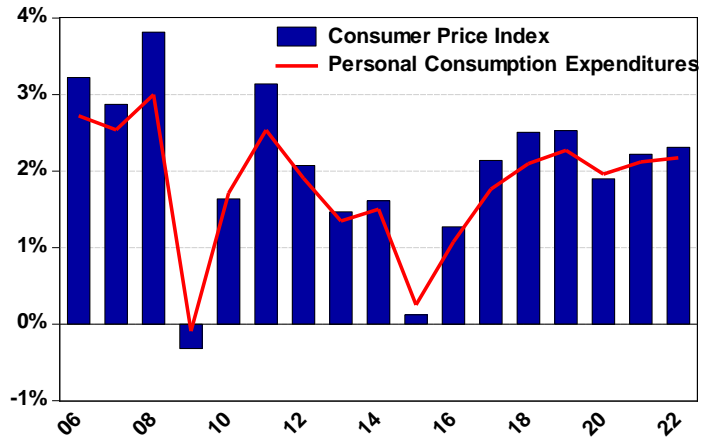
just before Christmas. Canada's central bank sees global trade risks as the greatest threat in that economy. The Bank of Canada has tightened monetary policy five times in the past 18-months, but market expectations of another rise in January are meager (under 10%). The bank last raised rates in November, electing to hold rates steady during its meeting in early December. Alberta tar sands oil trades at significant discounts to both Brent crude oil and even West Texas Intermediate. Comparing WTI to Western Canadian Select, the price discount has been as high as \$40 per barrel this year. In early December, a production cut of 325,000 barrels per day was announced, stoking a 70% gain in the spot price, and closing that discount by a bit over half. Beyond the NAFTA countries, among the largest developments has been a temporary cease-fire between the US and China in the trade war; new tariffs are to remain at 10% for an additional two months over previous announcements. Great Britain obtained a Brexit deal with the European Union, but difficulty with the British Parliament is undermining the likelihood of a smooth transition. Prime Minister May successfully deflected a no-confidence vote, which means that she will remain unchallenged in that leadership role for a full year. While Parliament was to vote on the Brexit deal in mid-December, that has been postponed until mid-January. Financial institutions, though, are facing binding business deadlines 90-days in advance of the March 29 exit date. Italy is making progress on its budget negotiations with the EU. Its economy is barely changing at the moment, having risen by 0.2% and shrunk by 0.1% in the past two quarterly readings. The Italian economy amounts to roughly one-tenth of the US economy's size. After growing 8.8% in 2018, the US current account balance, a deficit, is expected to dramatically widen by 29.0% this year. IHS projections do not see a contraction in the current account balance until 2023.

**Inflation:** Inflationary pressures can be sporadic or ongoing. Two sporadic impulses are coming from tariffs and from oil prices, and these impulses had appeared to be in the same direction, towards higher prices, but after oil prices dropped considerably in November, that is no longer the case. Further, the 90-day tariff armistice between China and the US has muffled some of the expected inflationary pressure from heightened tariffs. The IHS forecast includes the expected run-up in the tariff rate from 10% to 25% on \$200 billion of Chinese exports to the US beginning in January. According to the current

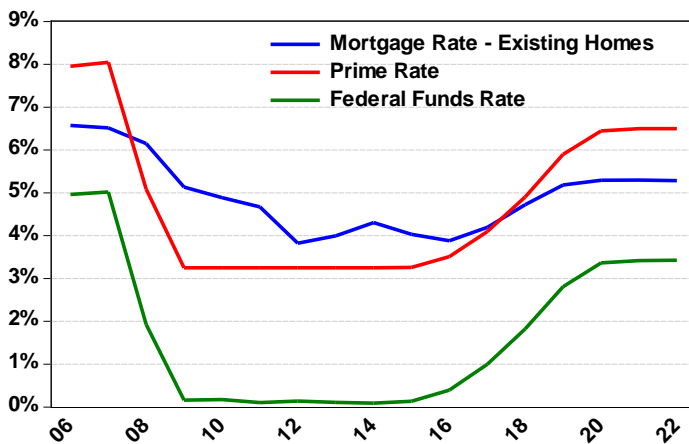
détente, this is premature by two months. Further, oil is trading in the low-\$60s per barrel, far from the above \$85 per barrel in early October, as well as the mid-\$70s per barrel in early November, when the IHS forecast was finalized. Oil broke below \$60 per barrel in late November. In IHS's forecast, personal consumption expenditures (PCE) inflation is expected to reach 2.2% in 2019. This is the core measurement excluding food and energy. Core PCE met the Fed's 2.0% target beginning in September of 2018, and it is expected to remain at 2.2% range for a few years. The firm does note that inflation

expectations have generally risen this year. Wage growth has been above inflation. Signing bonuses are one of the perks employers are using to lure workers in the tight labor market. Overall employment costs, which include benefits, are expected to have risen 2.9% in 2018. In 2019, the rise is projected to be 3.2%, with 3.5% and 3.6% to follow in 2020–2021.

US Inflation Rates



Select US Interest Rates

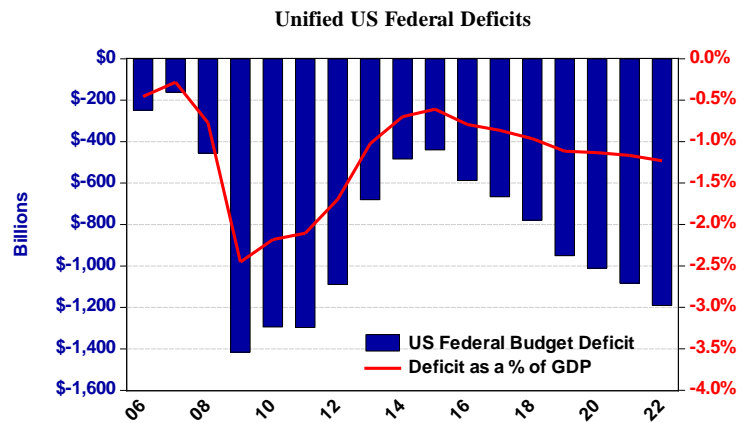


**Monetary Policy:** In the November IHS forecast for the US economy, the basis for this publication, the federal funds rate sat between 2 and 2 and 1/4 percent with a hike by a quarter of a percentage point for this range expected on December 19. That hike was delivered by the Federal Open Market Committee (FOMC). This represents the fourth such rise in 2018, with three projected by IHS in 2019 and one for 2020. The timing of these rate increases could be less certain as Jay Powell, the chair of the Federal Reserve (Fed), will hold press briefings following each FOMC meeting, not just following every other one as has been the case

in 2018. Increases in the funds rates have been occurring only at meetings with press briefings. Ongoing in the background is the Fed's unwinding of its holdings of treasuries and other securities acquired through the quantitative easing programs in the wake of the past recession. Running for just over a year, this has reduced those holdings from \$4.2 trillion to \$3.9 trillion. The Fed does not currently sell its treasury securities on the market. Rather, as securities mature, it returns the face-value to the US Treasury, whereas it previously traded maturing treasuries for newly issued notes. Currently \$30 billion per month is turned in this way. In effect, this lowers demand at Treasury auctions from recent experience. Lower demand typically leads to higher interest rates, so this part of the monetary policy normalization by the Fed can affect long-term interest rates, which in turn affects mortgage rates. The 30-year mortgage rate is most closely keyed to 10-year Treasury notes. For any given day or even month, though, demand can materialize from elsewhere in the world. After touching 3.24% in early November, the 10-year yield has retreated to 2.86% in mid-December as financial markets both in the US and abroad have faltered from the buoyancy of earlier in the year. Mortgage rates, too, have drifted down from 4.94% to 4.63% for conventional 30-year mortgages according to Freddie Mac. This still marks a 70-basis point increase from a year ago. For intermediate duration treasury securities, an inversion of part of the yield curve began in early December. As of mid-December, the 2-year yield

surpasses both the 3-year yield and the 5-year yield; typically, the reverse holds, with longer dated yields higher than shorter dated yields. IHS predicts a 2–10-year inversion by 2020.

**Government:** On the federal level, IHS projects that several changes will occur soon. The elevated spending levels on discretionary spending through FY 2019 are expected to be raised. This prevents a \$100 billion “sequestration” under the Budget Control Act of 2011. Legislation will need to be created and passed for this to occur. The debt ceiling is suspended only until March 2019. Current debt is \$1 trillion above that allowed by the soon-to-be-reinstated debt ceiling. IHS does not delineate which of two options will occur for dealing with the debt limit—it could be suspended, or it could be lifted to a higher level—but a solution to the problem is assumed in the forecast. Again, this will require crafting and passing of legislation. Also assumed in the November IHS forecast, and which is unresolved by the time this publication, is the funding for the final slice of the federal government still operating on a continuing resolution budget. A partial shutdown results from a budget impasse. For fiscal year 2017, the federal government’s receipts totaled \$3.3 trillion, and its spending was \$4.0 trillion. Receipts for 2018 are projected to remain at \$3.3 trillion, but expenses are \$4.2 trillion, leading to nine-tenths of a trillion dollars in deficit. This situation deteriorates in 2019 when receipts lag expenses by \$1 trillion, a situation which repeats in 2020. As a percentage of GDP, federal deficits are 3.5% in 2017 and 3.4% in 2018, and on to 4.3% in both 2019 and 2020. By 2023, the federal deficit will approach \$1.2 trillion, representing 4.8% of GDP.



## IDAHO FORECAST DESCRIPTION

### **The Forecast Period is the Third Quarter of 2018 through the Fourth Quarter of 2022**

Across 2016 there were an average of 693,900 nonfarm jobs within the state, having grown 3.4% from the previous year. In 2017 that figure had grown to 715,200, a 3.1% increase. In the year just finished, the average climbed further to 737,500, another 3.1% average annual increase. Farm jobs and others not tracked by the nonfarm count add another 80,000–100,000 jobs to the total. Across this time, the unemployment rate has fallen from 4.0% in January of 2016 to 2.7% in September and October in 2018, then on to 2.6% in November. Around 23,000 people in Idaho were unemployed and seeking work at the end of 2018. For 2019, the forecast is for nonfarm jobs to increase by almost 14,000 jobs, which is a 1.9% increase. This is similar to the growth in the typical working-age population of the state.

The US Census just announced population projections for the states. After being the most rapidly growing state in 2017, Idaho again has experienced a lot of growth. By these projections, Idaho and Nevada both grew 2.1% (when rounded to the first decimal) between the July estimate dates. Recently, migration into the state, both domestic as well as international, has added more to the population than the natural growth due to births. In fact, when births and deaths are counted, migration has recently been over three times as effective in growing the state's population. Going back a handful of years, though, the ratio was roughly one-to-one between natural increase and net migration. The forecast for migration into the state is at roughly 2–2.5 times the net natural increase.

This past year, the Bureau of Economic Analysis performed a recalculation of statistics for the nation. One aspect of this was a dramatic increase in the level of personal income within Idaho going back a decade. However, the year-to-year growth rates of that personal income were stable when comparing the previous values with the current ones. On a per capita level, Idaho tends to slightly lag the nation in terms of income growth. This has been occurring for some time, and as a result, in current dollars, there is a roughly \$10,000 gap between per capita personal income in Idaho and the corresponding measure in the nation. This value is projected to persist, and perhaps widen a little, across the forecast. When inflation is taken into account, the difference of \$9,500 in 2018 grows to \$10,800 by 2022.

Proprietors' incomes in Idaho do not track as reliably with the corresponding national figures. Looking at recent history, Idaho farm proprietors' income is less likely to drop as dramatically as the national figures when conditions are tough. Idaho nonfarm proprietors, for instance, real estate agents, have less dramatic swings in their aggregate income compared with farm proprietors, partly due to the totals being four to seven times as large as for farm proprietors. Income growth for nonfarm proprietors in Idaho is expected to be over 6% this year and above 4% next year. Both growth rates are substantially above the national figures these two years. Thereafter, the two groups, the Idahoans and the national counterparts, are expected to have similar, modest increases in incomes. At the national level, IHS pens a near doubling of farm proprietors' income in 2020 over the 2019 figure. Idaho agriculture is not the same as the nation's. Corn, soybeans, hogs, tobacco, cotton, and chicken are all prominent national crops but are not among Idaho's top crops. In 2020, growth for Idaho farm proprietors' income is expected to be 13%. By 2022, this is expected to cool to 6% growth.

Idaho jobs are split within the Idaho Economic Model, between goods-producing jobs and nongoods-producing jobs. The latter are often thought of as service jobs, which are the bulk of the nongoods-producing jobs. However, trade jobs including wholesale and retail trade, as well as governmental jobs are also included in nongoods-producing jobs. Typical examples of service jobs are those in healthcare or insurance. Goods-producing jobs include construction jobs as well as food processing jobs. For every

goods-producing job in the state, there are over five nongoods-producing jobs. This ratio is smaller than at the national level, where every goods-producing job is matched by almost six and a half jobs in the nongoods sector. Within the horizon of this forecast, there does not appear to be any tendency for Idaho to more closely emulate the nation as measured by these ratios.

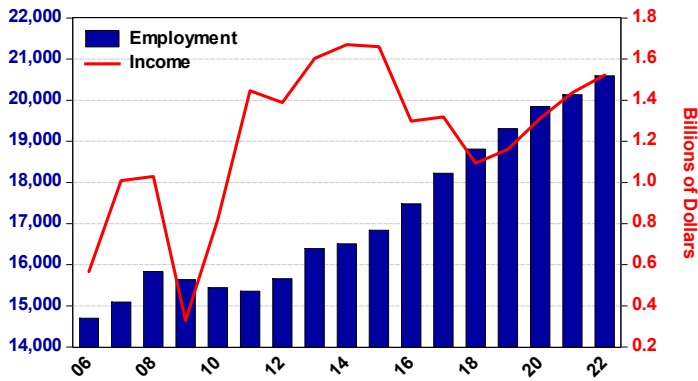
The national forecast is a bit pessimistic for retail trade, with mild optimism for its wholesale counterpart. In Idaho, the forecast is for continued growth in both subsectors, a little slower than what has been experienced since 2014 but certainly not atypical for the recent past. Retail trade is expected to employ almost 95,000 in 2022, growing from just under 87,000 this year. Adding in wholesale trade's stronger growth outlook, the trade sector is expected to average 1.9% growth across the forecast horizon.

Personal income in the state is expected to finish 2018 at \$75.4 billion. Growth for 2019 is projected at 4.5%, with 5.4% to follow in 2020. By 2022, total personal income is expected to be \$91.5 billion. These figures are not adjusted for inflation. Total nonfarm jobs should count 737,500 for 2018. Growth in 2019 is projected at 1.9%, with 2.2% to follow in 2020. By 2022, total nonfarm jobs are expected to be 799,900.

**Agriculture:** Idaho agriculture centers on a few commodities. Even with sometimes dominant positions, the state's agriculture operates within broad commodities markets. Prices and costs determined nationally and internationally reverberate here. The dairy market continues its fourth year of lower milk prices. After the Dairy Price Support Program ended in the 1990s, a three-year dairy cycle emerged, but that cycle may be lengthening. Some of this may be due to the extra insulation that large dairies offer. Farms with 1,000 or more cows are now common. Nationally, the number of dairy cattle is falling, by 30,000 from October 2017. Idaho farms have increased cow numbers by 7,000 even as the average annual milk production per cow in the state is up by 20 pounds. With 600,000 dairy cattle at the start 2018, an additional 12 million pounds of milk would come from Idaho dairies due simply to productivity increases in the herd. Overall production is around 14.6 billion pounds of milk per year. A sixth of US milk production is exported when measured by milk solids, so trade developments are important for this industry. The Idaho industry is concentrated in Twin Falls, Gooding, Jerome, Lincoln, Minidoka, and Cassia counties. Potatoes count for around 310,000 acres of harvest, with production around 134 million hundred-weight (13.4 billion pounds of potatoes). Hay and haylage (a wetter, slightly fermented hay product) production is above 5.5 million tons. Loans through Idaho's Farm Service Agency to newer farmers are up 14% in the past year, topping \$59 million. Total indebtedness for the US farm sector is up 46% since 2000, rising to \$407 billion. Adjusted for inflation, farm debt is not far from peak levels in the late 1970s. Real estate is 61% of the debt. Interest rates on farm loans have been rising with the prime rate as well as with the 10-year treasury rate. However, at the moment, labor shortage is a more acute concern than interest rates for many farms in the region. Wheat exports could be at a disadvantage going into 2019. Japan is a large market for Idaho wheat. It signed onto the Comprehensive and Progressive Trans-Pacific Partnership. That agreement favors wheat from Australia and from Canada, and it is set to go into effect by the first of the year. So far, wheat prices have been hit by strong crops in the plains. Pricing is below competitor countries' prices, including Russia, Australia, and Canada.

**Food processing:** Productivity increases will be common for Idaho food processing, much coming from plant expansions, but some coming from better crops entering the factory. As for dairy, there is

Food Processing Employment and Farm Proprietors' Income

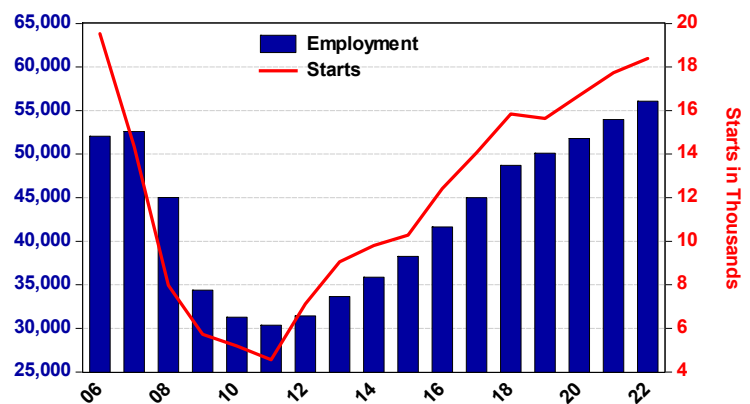


increased productivity in the beef industry. The average weight increase per carcass has been 5 pounds per year. Expanding cattle herds may dampen prices for beef. Cull cattle from the dairy industry are also leading to lower prices. Nationwide, beef cattle expansion is expected to hit 180,000 head in 2019 per USDA figures. Around 12% of beef production is destined for export. Idaho has two new cull-cow processing plants. CS Beef Packers has a plant in Kuna, processing up to 1,700 head per day. Ida-Beef has a plant in Burley, and it will eventually

handle 350–400 cows per day. The latter focuses on cull-cows, primarily from the dairy industry. Dairy cattle lifespans are typically around five years, with milk production occurring during the last three years. That milk production can run to 75 pounds per day, with lactation occurring over 300 days per year. With 420,000 dairy cows in South-Central Idaho, the cheese and yogurt industries are concentrated in and around Jerome and Twin Falls, though a few are in other locales. Salmon has a small cheese making venture called 45 North Farm specializing in raw-milk cheeses including feta, gouda, and gruyere. Its 650 pounds of yearly cheese production from six cows' milk are dwarfed by the extra milk processed just due to the expansion at Idaho Milk Products in Jerome. An additional one million pounds of milk per day will be processed into milk protein concentrate and into cream when the expansion comes online in late summer of 2019. Four expansions were announced in 2018 within Jerome's dairy processing industry, and these should bring 60 new jobs. These may take up some of the excess in local milk production over local processing capacity, as Chobani was able to do in 2012. Chobani released a new product for children called Gimmies, which includes yogurt milkshakes and tubes of yogurt. These are marketed towards inclusion in sack lunches. These products were developed partly at the Twin Falls research and development arm of the company. Food processing employment crossed 18,500 in 2018 and it is projected to surpass 20,500 by 2022. The employment growth rate averages 2.3% across that time.

**Construction:** Housing is a large part of the construction industry, but there are a variety of sources of work in the industry. Large projects are not at all uncommon, and the funds involved are substantial. McAlvain Companies, a Boise construction company since 1980, is being bought by Big-D Construction of Salt Lake City. Annual revenue at the new parent is over \$1 billion per year. Projects for the Boise company have included hotels and multi-family housing projects. About 40 hotels have been constructed in Idaho in the past three years.

Housing Starts and Construction Employment



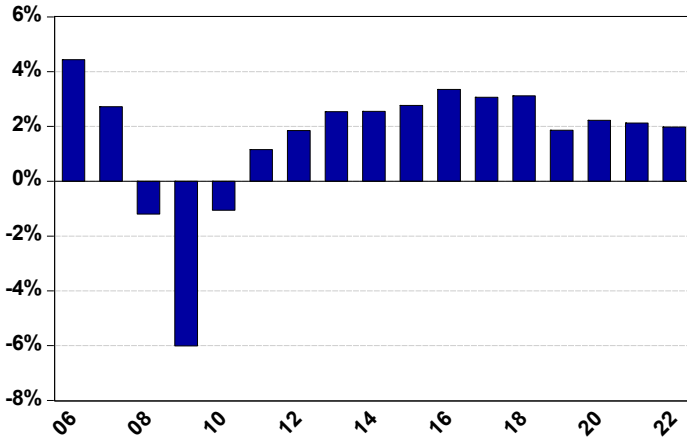
The largest is Residence Inn in Boise, at 185 rooms. It was just refinanced at \$30.5 million, moving from floating-rate loans to a fixed-rate loan. New large projects are also in the works. A 10-story tower is proposed at 11th and Idaho streets. Idaho Central Credit Union (ICCU) is building five stories of office space on the southeast corner of I-84 and Eagle Road, with construction to begin in spring 2019. Other plans near there are for a hotel, medical offices, retail, as well as some apartments. ICCU has also committed to opening a branch in Moscow, just opened a branch on South Vista Ave. in Boise, and is



expanding with a data center in Chubbuck and an office building in Coeur d'Alene. Pocatello's Northgate project is starting construction on the freeway interchange, with completion possible by August 2019. The roadwork in this Pocatello and Chubbuck project is just the beginning of what is likely to be a decade-long build. Between Lenore and Myrtle in Nez Perce County is a single-lane bridge dating from 1919 crossing the Clearwater from US 12. Its current weight limit is below what cement trucks carry per axel. Federal funds will replace this bridge with construction beginning by 2020. Without the bridge, emergency vehicles face a 20-mile detour to reach residences. The current span is over 780 feet with a timber deck. The new construction, 70 feet upriver, will be concrete with two lanes for traffic. Post Falls upgraded part of its wastewater treatment plant last year; the second phase of that plan could cost around three times the amount already spent. The city received a grant from the Idaho Department of Environmental Quality as part of its funding. Overall, the cost is likely to be above \$50 million. Lewiston is also facing bills to update its water system. Intake, distribution, and treatment upgrades are all planned, with the total cost reaching \$42 million. City councilors raised rates 40% to begin saving funds for the costs; bonding will be part of the funding as well. Construction jobs climbed from 45,000 in 2017 to 48,700 in 2018, and they should reach 56,100 by 2022. Growth going forward is projected to average 3.6% per year.

**Housing:** Equity in housing fell in the latest quarter. Equity can be removed from the market through sales. New buyers typically only have the equity of their down payment within the property, whereas previous owners have that in addition to their pay-down through mortgage payments as well as what occurs through appreciation. Nationally, this decline amounted to \$140 billion in the third quarter. Declines were concentrated along the West Coast. The third quarter is traditionally relatively flat for home prices. Tight supply is a factor in local house price appreciation. Only 870 existing homes were for sale in Ada County in October, down 14% from 2017, and down almost 49% from 2014. Ada County had median prices at \$334,400 in August, \$319,000 in September, and \$321,400 in October. The median sales price was \$324,300 in November, confirming locally the national trend for the third quarter, but prices are up around 20% since October 2017. Over the year price increases are spread statewide. Home prices are up around 12% in Kootenai County over a year ago; median prices are just below \$250,000. Post Falls issued over 400 single-family building permits from January through the end of October, surpassing the full-year totals for both 2017 and 2016. Canyon County had median prices of \$220,000 in October. Caldwell issued around 40 new residential building permits in October, a monthly level typical of the past half year for that city. Bonneville County average sales prices are up 11% near \$218,700. Pocatello housing is also appreciating, rising over 17% in the past year. Average selling prices have climbed above \$190,000. Kuna could see a major housing development on its eastern edge. Falcon Crest, a golf course development, is planning on a 20-year project to add 2,000 homes. Price increases from demand may reach limits imposed by incomes. According to comments from Windemere Realty, each percentage point increase in interest rates typically lowers by 10% the loan total that a household can support. Calculation with the payment formula verifies that rule of thumb is applicable for mortgage rates within 4–7%. Rental housing is thus attracting interest. The Cottonwood Apartments in east Boise changed hands at \$24 million. The new owners, Kennedy Wilson, plan a \$6 million renovation of the apartment complex. The firm already controls over 1,100 units in Boise, and it is aiming for 2,000 units in the short-term. It intends to build over 400 multifamily units in Boise. There are areas and market segments which could benefit from more housing availability. Since 2014, downtown Boise has seen the addition of 390 units, with another 340 still under construction, and 250 in the review process. Veterans housing is going to be constructed at State and Fargo streets. The building will be for 26 one-bedroom units by 2020. Vouchers will be provided by both city and county housing authorities. Housing starts in the state crossed 15,000 in 2018. By 2022 they are projected to cross 18,000. The stock of housing units in the state expands by 2.2–2.5% per year of the forecast.

**Nonfarm Employment Percentage Change**

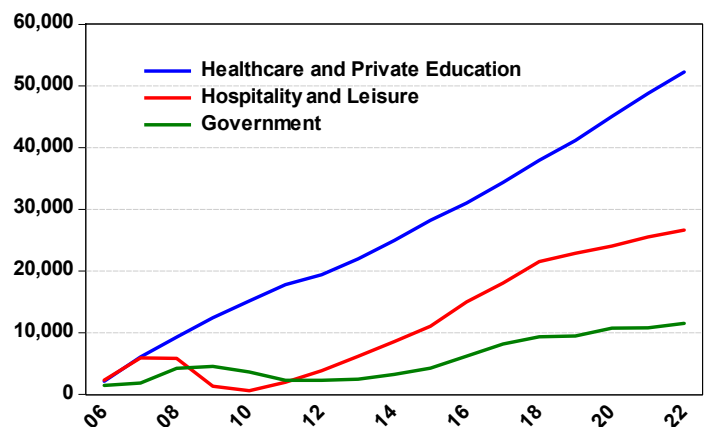


**Employment:** Most employment changes in Idaho in 2018 have either been fulfillments of large pledges and capital investments announced earlier (in 2017) or they have been quiet affairs, with employers adding or subtracting a handful of employees at a time or location. Here are three pieces of the employment changes Idaho faces. Amazon plans to hire around 1,500 workers for its West Plains fulfillment center near Spokane, WA in 2019. Such a large expansion will likely challenge the Spokane-Coeur d’Alene combined area’s workforce. On the Washington side of the border, unemployment is near 4.6%, and the

unemployment count is around 12,000 people. In Coeur d’Alene, across the border, unemployment is near 2.6%, with the unemployment count around 2,000. When workers commute across state borders, their earnings are recognized by the Bureau of Economic Analysis’s (BEA) statistic called residence adjustment, which is included in the Idaho Economic Model. This adjusts income from place of earning to place of residence. The Advanced Mixed Waste Treatment Project, which employs 650 at the Idaho Engineering Laboratory (INL) will shut down in 2019. Other contracts at the site will likely become employers of some of those affected workers. The plant is a \$500 million operation. Guest agricultural workers on H-2A visas were a growing force (up 17%) in Canyon County this past year. At the national level, H-2A usage was up 21%. Over 400 Idaho employers used H-2A workers this year. Previous years have had nearly 3,000 people employed via the visa in Idaho. The minimum wage for the workers is \$11.63 per hour in the state. Housing is part of the agreement, as are transportation and daily meals. Obendorf Farms in Wilder is planning on building housing for 256 guest workers by 2022. It currently rents accommodations for its guest workers. While population within the state is projected to grow by 1.6% on average each year, total employment is expected to grow over 2.0% per year on average over the forecast.

**Hospitality and Leisure:** Idaho regularly makes lists of places that people enjoy visiting and living due to its recreational opportunities, both indoors and outdoors. Here are a few witnesses to these opportunities: Yellowstone National Park surpassed 4 million visitors this year. There is work being done to rebuild a suspension bridge over the Salmon River that was originally built by the Civilian Conservation Corp during the Great Depression. It was located about 30 miles from Cobalt, west of Salmon, in the Frank Church Wilderness. Argyros Performing Arts Center opened in Ketchum, with seating for 460. It will be used by the symphony, ballet, and opera. The Idaho Center in Nampa was busy with over 180 events, covering three quarters of the year. It has been in operation since 1997, hosting the Idaho Stampede basketball team until 2005. This year the center turned its first profit. Winter brings extra life to several resorts, and here are a few developments associated with those. Bogus Basin opened its mountain coaster this summer and road up the mountain was repaved. Extra handicapped parking spaces were also

**Cumulative Job Growth in Select Idaho Sectors**



added. Snow making equipment brought forward the opening day this year. Brundage redid its icebox corner and repaved the road from McCall. Next year, Tamarack is intending to reinstall the Wildwood chairlift which was removed in the resort's initial bankruptcy filing. Tamarack had 85,000 visitors last year. It is planning on beginning construction of its Village Plaza, a retail and restaurant area, in 2019 with the aim of opening in 2020. After a fire claimed its mid-mountain building last season, Sun Valley reopened the Warm Springs day lodge, and it is expanding with more snowmaking guns for the next season. Grand Targhee (in Wyoming, but 12 miles from Driggs, ID, its only point of access) turns 50 years old this year and has had snowboarding at the resort for 30 years. The resort is at the forefront of other winter activities, including fat biking—riding bicycles with extra-wide tires over groomed snow. Schweitzer ski resort is going to replace its Snow Ghost double chairlift by a detachable quad chairlift and a fixed triple lift in 2019. This past year it improved its internet service and bus service (from Selkirk Pend Oreille Transit). These resorts employ workers in restaurant positions, but they also employ electricians, drivers, property managers, and, of course, ski instructors. With the expansion of off-season recreation offerings at these destinations, the seasonality of job openings and employment is changing. While seasonal industries were discussed in this paragraph, the broader hospitality and leisure sector has 78,900 filled jobs in the state, and it is expected to just top 84,000 jobs in 2022. Growth is expected at a more muted 1.6% average going forward compared with annual growth over 4% in 2016–2018. Nationally, IHS predicts slower growth as well.

**Healthcare and Private Education:** BYU-Idaho dominates the private educational component of this sector, but private education includes Montessori schools, for-profit colleges, and many others. A new addition is coming. Ketchum will have a culinary school, occupying the restaurant space at Washington Avenue, between First and Second streets. Healthcare, though, is a much larger employer in the state than private education. Camp Rainbow Gold is purchasing Soldier Mountain Ranch and Resort. The nonprofit helps families deal with pediatric cancer. St. Luke's is expanding its McCall Medical Center, doubling the size and updating the structure, as well as expanding its capabilities for telemedicine. A hospital near Eagle and Overland in southwest Boise has been gutted and remodeled for Cottonwood Creek Behavioral Hospital. It is scheduled to open in mid-January. Total employment is expected to be 150–180 for the hospital, with around one-third being nurses. It has 72 beds. Safe Haven Health Care, which has nursing facilities in Bellevue and Wendell, is selling its 16-bed Boise psychiatric facility to Lifeways of Ontario, Oregon. The sale is part of a restructuring at Safe Haven Health Care, and it could affect the 50 employees at the Boise facility. Care delivery around the clock requires several shifts, so hospital staffing needs are great. Madison Memorial Hospital in Rexburg has about 150 nurses, and Idaho Falls Community Hospital has around 200. Hospitals in the state are competing for employees in a tough job market for employers. Some hospitals in eastern Idaho and western Wyoming are entering a regional cooperative, creating a pool of traveling nurses who are more closely tied to the region than the national pools of traveling nurses that many Idaho hospitals currently must access. St. Luke's placed its sky bridge, linking the new Idaho Elks Children's Pavilion with the existing Children's Hospital. This is part of the \$42 million expansion, which will include 100,000 square-feet for clinical space in the hospital. Education and healthcare surpassed 100,000 jobs in the state in 2017. It is expected to top 120,000 jobs in 2022.

**Government:** Occasionally governmental projects end, but most governmental work is ongoing. It can encompass recurring projects to far-sighted planning for the state. Capital City Development Corporation (CCDC), the urban renewal district for Boise, has closed out its downtown operation, and is moving towards two new urban renewal districts. The industrial one will be near Gowen Road, southeast of Boise. Much of the intended development is infrastructure, including water and sewer improvements, sidewalks, and fiber optic upgrades. For recurring work, the Ada County Highway District (ACHD) has 141 maintenance workers and added 11 snowplows. The Nampa Highway District has a corresponding

staff of 15 with eight snowplows. Caldwell has seven snowplows on dump trucks and three road graders for plowing. Medium-term projects include ones like this: the Idaho Transportation Department (ITD) just finished a \$17 million project along the Lochsa and Middle Fork of the Clearwater River. Fifty-five miles of roadway on US 12 were repaved, with bridge replacements over both Maggie Creek and Fish Creek. In four to five years, ITD will seal coat the roadway to extend the life of the underlying pavement. Idaho Transportation Department also addresses long-term needs beyond bridge replacement. It is using funds, which were freed by the federal government's award of \$90.2 million for I-84 expansion in Canyon County, to buy right-of-way for the planned Central Valley Expressway, which will connect Star to I-84, cutting travel time to six minutes at freeway speeds. Another roadway improvement in that area is the extension of Chinden into a six-lane road between Caldwell and eventually Eagle Road. Just over \$34 million will be directed towards achieving that goal as far as Middleton Road. The full project timeframe goes until 2024. By 2065 the Idaho Water Resource Board says that 1.6 million people could be living in the Treasure Valley, and to accommodate the water needs of that population, the board is looking at the system of three reservoirs feeding the valley. Arrowrock, Anderson Ranch, and Lucky Peak collectively have 1 million acre-feet of water storage capacity. Nearly four-fifths of this water is contracted for agriculture. Improvements at the dams could increase storage capacity, with the total increase being almost 3%. That is for the most cost-effective option, which involves raising the top of Anderson Ranch Dam by six feet. Total employment across federal, state, and local governments, including tribal employment, is expected to close 2018 at 111,300. Jobs gains are expected to lag most industries in the state, with growth averaging just 0.5% on average across the forecast.

**Wood:** Woodgrain Millwork from Fruitland has bought more Boise Cascade sawmills, having acquired the Emmett mill in 2016. This year it bought the eastern Oregon plants in La Grande, Pilot Rock, and Island City. Currently, logs from southwest Idaho are transported to La Grande for sawing. The firm employs about 750 in southwestern Idaho—in Fruitland, Emmett, and Nampa. The new mills add 250 employees. Boise Cascade's earnings in the third quarter met Wall Street analysts' expectations. The company focuses on engineered wood products, including plywood, joists, and glue-laminated timbers. Revenue was \$1.34 billion. The new trade agreement between the US, Canada, and Mexico does not address softwood lumber. Currently there are 20% tariffs on Canadian lumber, dating from 2017. Some of the competition that northwestern US lumber has with Canadian lumber has been shifting to competition with southern US lumber. This is partly due to quicker growing times in that region coupled with incentives going back 40 years to private land owners to grow timber. These are resulting in harvestable trees now. Trees in northern Idaho grow more slowly, but the wood can result in lumber with higher grades and greater prices. Idaho has brought timber sales forward through the Good Neighbor Authority, a joint program between the US Forest Service and state forestry programs, and Idaho just signed an agreement to extend that partnership. Logging and wood products employment counts just over 8,000 in the state, and this employment is expected to expand just a bit to above 8,400 by the end of 2022.

## ALTERNATIVE FORECAST

IHS places the likelihood of its November 2018 *Optimistic Scenario* at 15% and its *Pessimistic Scenario* at 25%. This leaves the baseline forecast at 60% likely. These were the same probabilities in October.

A snapshot of the *Baseline Scenario* across 2018–2022 is:

- Real GDP growth is forecast at 2.9%, 2.7%, 2.1%, 1.6% and 1.5%.
- Nonfarm payrolls grow registers 1.6%, 1.5%, 1.1%, 0.6%, and 0.4%.
- Headline (U-3) unemployment runs 3.9%, 3.4%, 3.4%, 3.6%, and 3.8%.
- CPI inflation is forecast at 2.5%, 2.5%, 1.9%, 2.2%, and 2.3%.
- The US governmental deficit rounds to \$1 trillion in federal fiscal years 2019 through 2020, \$1.1 trillion in 2021, and \$1.2 trillion in 2022.

## PESSIMISTIC SCENARIO

Economic growth falls below the baseline forecast in 2019 and the economy contracts 0.4% in 2020 in this scenario. A recession runs from the first quarter of 2020 through its third quarter. Housing starts drop below those in the baseline by the end of 2019, and they never reach above 1.3 million across the forecast horizon. In the baseline, there is a gradual improvement in housing starts to just over 1.4 million. As may be expected of a recession, consumer spending stalls in 2020, and the Federal Reserve responds by dropping its short-term borrowing rate. The federal government is not assumed to offer any fiscal stimulus different from that in the baseline, though, and banks are expected to maintain high lending standards throughout the recession.

The recession knocks stocks (S&P500) back by 3.8%, and the rest of the world also experiences slower growth. The rebound overseas is only back to the baseline growth rate. Due to lower interest rates, the dollar depreciates in this scenario.

IHS again foresees that the current expansion does reach record length at 123 months before this slow-down occurs. A catalyst for it is a correction within commercial real estate. That is part of what brings about a broader loss of confidence which eventually slows consumer spending. Notable among the metrics adversely affected in this scenario is a rise in the unemployment rate to just under 4% by the end of 2019, then a further rise to 5.5% by the end of 2020. Almost unaffected in this scenario is the price of oil.

Within Idaho, personal income holds up through 2019 in this scenario, but drops behind the baseline by \$1.2 billion dollars in 2020 (out of more than \$80 billion dollars). That drop then expands to \$3.9 billion by 2022. Compared with the baseline, nonfarm jobs are also reduced in the state, by around 2,200 in 2020 and by 20,100 by 2022. The bulk of that loss would occur in the nongoods-producing sector, where a change of 18,000 would be accumulating. The baseline forecast for nonfarm jobs has 799,900 jobs in the state by 2022, so the change in outlook between the pessimistic and baseline forecasts for nonfarm jobs amounts to 2.5% of the total.

**IDAHO ECONOMIC FORECAST  
BASELINE AND ALTERNATIVE FORECASTS  
JANUARY 2019**

	BASELINE					OPTIMISTIC					PESSIMISTIC				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
<b>U.S. GDP (BILLIONS)</b>															
Current \$	20,504	21,555	22,537	23,472	24,420	20,504	21,635	22,772	23,906	25,096	20,498	21,470	21,783	22,526	23,517
% Ch	5.2%	5.1%	4.6%	4.1%	4.0%	5.2%	5.5%	5.3%	5.0%	5.0%	5.2%	4.7%	1.5%	3.4%	4.4%
2009 Chain-Weighted	18,575	19,082	19,480	19,789	20,086	18,575	19,159	19,711	20,211	20,718	18,573	19,078	19,006	19,201	19,565
% Ch	2.9%	2.7%	2.1%	1.6%	1.5%	2.9%	3.1%	2.9%	2.5%	2.5%	2.9%	2.7%	-0.4%	1.0%	1.9%
<b>PERSONAL INCOME - CURR \$</b>															
Idaho (Millions)	75,409	78,838	83,086	87,258	91,479	75,346	78,846	83,257	87,493	91,728	75,347	78,755	81,846	84,245	87,593
% Ch	5.0%	4.5%	5.4%	5.0%	4.8%	4.9%	4.6%	5.6%	5.1%	4.8%	4.9%	4.5%	3.9%	2.9%	4.0%
U.S. (Billions)	17,585	18,378	19,284	20,131	20,974	17,585	18,427	19,445	20,423	21,410	17,584	18,311	18,777	19,255	20,060
% Ch	4.5%	4.5%	4.9%	4.4%	4.2%	4.5%	4.8%	5.5%	5.0%	4.8%	4.5%	4.1%	2.5%	2.5%	4.2%
<b>PERSONAL INCOME - 2009 \$</b>															
Idaho (Millions)	69,630	71,178	73,572	75,662	77,637	69,572	71,206	73,842	76,105	78,151	69,580	71,264	72,887	73,531	74,848
% Ch	2.9%	2.2%	3.4%	2.8%	2.6%	2.8%	2.3%	3.7%	3.1%	2.7%	2.8%	2.4%	2.3%	0.9%	1.8%
U.S. (Billions)	16,237	16,592	17,076	17,456	17,800	16,237	16,641	17,247	17,765	18,241	16,237	16,569	16,722	16,806	17,141
% Ch	2.3%	2.2%	2.9%	2.2%	2.0%	2.3%	2.5%	3.6%	3.0%	2.7%	2.3%	2.0%	0.9%	0.5%	2.0%
<b>TOTAL NONFARM EMPLOYMENT</b>															
Idaho	737,511	751,275	767,981	784,296	799,825	737,334	751,170	769,437	787,456	804,104	737,300	751,210	765,769	771,769	779,760
% Ch	3.1%	1.9%	2.2%	2.1%	2.0%	3.1%	1.9%	2.4%	2.3%	2.1%	3.1%	1.9%	1.9%	0.8%	1.0%
U.S. (Thousands)	149,011	151,292	152,990	153,849	154,516	149,011	151,246	152,861	153,859	154,845	149,005	150,995	150,441	150,103	151,208
% Ch	1.6%	1.5%	1.1%	0.6%	0.4%	1.6%	1.5%	1.1%	0.7%	0.6%	1.6%	1.3%	-0.4%	-0.2%	0.7%
<b>GOODS-PRODUCING SECTOR</b>															
Idaho	120,587	123,427	126,556	129,746	132,991	120,583	123,513	126,740	130,065	133,514	120,539	123,304	126,029	128,250	130,920
% Ch	5.0%	2.4%	2.5%	2.5%	2.5%	5.0%	2.4%	2.6%	2.6%	2.7%	4.9%	2.3%	2.2%	1.8%	2.1%
U.S. (Thousands)	20,684	21,164	21,391	21,550	21,683	20,681	21,137	21,319	21,491	21,731	20,667	21,055	20,878	20,468	20,863
% Ch	3.0%	2.3%	1.1%	0.7%	0.6%	3.0%	2.2%	0.9%	0.8%	1.1%	2.9%	1.9%	-0.8%	-2.0%	1.9%
<b>NONGOODS-PRODUCING SECTOR</b>															
Idaho	616,924	627,848	641,426	654,550	666,835	616,750	627,658	642,698	657,392	670,590	616,761	627,906	639,740	643,519	648,841
% Ch	2.8%	1.8%	2.2%	2.0%	1.9%	2.7%	1.8%	2.4%	2.3%	2.0%	2.7%	1.8%	1.9%	0.6%	0.8%
U.S. (Thousands)	128,328	130,128	131,599	132,299	132,833	128,330	130,108	131,542	132,368	133,114	128,338	129,940	129,564	129,635	130,344
% Ch	1.4%	1.4%	1.1%	0.5%	0.4%	1.4%	1.4%	1.1%	0.6%	0.6%	1.4%	1.2%	-0.3%	0.1%	0.5%
<b>SELECTED INTEREST RATES</b>															
Federal Funds	1.8%	2.8%	3.4%	3.4%	3.4%	1.8%	2.4%	2.7%	3.0%	3.4%	1.8%	2.6%	0.8%	0.2%	1.0%
Bank Prime	4.9%	5.9%	6.4%	6.5%	6.5%	4.9%	5.7%	5.7%	6.0%	6.4%	4.9%	5.7%	3.9%	3.3%	4.1%
Existing Home Mortgage	4.7%	5.2%	5.3%	5.3%	5.3%	4.7%	5.2%	5.2%	5.3%	5.3%	4.7%	4.7%	3.9%	3.1%	3.6%
<b>INFLATION</b>															
GDP Price Deflator	2.2%	2.4%	2.4%	2.5%	2.5%	2.2%	2.3%	2.3%	2.4%	2.4%	2.2%	2.0%	1.8%	2.4%	2.5%
Personal Cons Deflator	2.1%	2.3%	2.0%	2.1%	2.2%	2.1%	2.2%	1.8%	2.0%	2.1%	2.1%	2.1%	1.6%	2.0%	2.1%
Consumer Price Index	2.5%	2.5%	1.9%	2.2%	2.3%	2.5%	2.5%	1.8%	2.1%	2.2%	2.5%	2.3%	1.5%	2.0%	2.3%

## **OPTIMISTIC SCENARIO**

Real GDP growth bests its baseline reading for 2019 at 3.1% versus 2.7%, and over the 2.9% of 2018, in this scenario. Further into the forecast, real GDP advances around 1.0 percentage point higher than in the baseline forecast. Housing starts climb above 1.5 million by 2021, higher than reached by the end of the baseline forecast. IHS maintains the same fiscal assumptions for this forecast as for the baseline, so the growth is from the private economy. Partly that is due to better productivity growth, 0.9 percentage points above the baseline. Also contributing is the assumption of a lower natural rate of unemployment than in the baseline: near 4.0% rather than 4.8% as in the baseline. This last assumption means that the economy is currently running beyond its long-range ability to a lesser extent than in the baseline. The drift back (up) towards a normal unemployment rate is thus less sudden. A lower natural rate of unemployment also slows inflation a bit more than in the baseline.

No particular narrative accompanies this scenario within IHS's narrative. Productivity growth and the lower natural unemployment rate largely explain the extra gains under the scenario. Notably, payroll growth, the unemployment rate, and oil prices are nearly indistinguishable from the baseline forecast.

Overall, the baseline and the optimistic forecasts for Idaho are quite close. Much like in the national forecast, employment gains in Idaho in this scenario are quite similar to those in the baseline forecast. In 2020, there are about 1,500 more nonfarm jobs within the state. This gain is just two-tenths of a percent of the total for the state. By 2022, the gain has increased over the baseline to 4,300 jobs, which is a half of a percent improvement over the baseline. Personal income would be up by \$170 million in 2020 over the base forecast, and up \$250 million by 2022. The totals for those years would be near \$83 billion and \$91 billion, respectively.

# *Idaho General Fund Revenue*

## History and Forecasts

The following pages describe the sources of General Fund revenue, provide both tax rates and distribution formulas, historical and projected collections, and summarize the basis of each revenue source's forecast.

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 2019 *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 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.



**IDAHO GENERAL FUND REVENUE  
(\$ MILLION)**

SOURCE	ACTUAL						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>INDIVIDUAL INCOME TAX</b>	<b>\$1,429.739</b>	<b>\$1,167.889</b>	<b>\$1,061.875</b>	<b>\$1,152.651</b>	<b>\$1,206.407</b>	<b>\$1,284.384</b>	<b>\$1,329.265</b>
% CHANGE	2.1%	-18.3%	-9.1%	8.5%	4.7%	6.5%	3.5%
<b>CORPORATE INCOME TAX</b>	<b>\$189.284</b>	<b>\$141.025</b>	<b>\$97.021</b>	<b>\$168.950</b>	<b>\$187.014</b>	<b>\$198.659</b>	<b>\$188.291</b>
% CHANGE	-0.5%	-25.5%	-31.2%	74.1%	10.7%	6.2%	-5.2%
<b>SALES TAX</b>	<b>\$1,141.440</b>	<b>\$1,022.202</b>	<b>\$955.909</b>	<b>\$972.380</b>	<b>\$1,027.344</b>	<b>\$1,109.829</b>	<b>\$1,145.732</b>
% CHANGE	5.9%	-10.4%	-6.5%	1.7%	5.7%	8.0%	3.2%
CIGARETTE TAX	\$6.535	\$7.770	\$16.900	\$14.400	\$11.600	\$13.077	\$3.696
TOBACCO PRODUCTS	\$7.201	\$7.358	\$7.819	\$8.475	\$8.925	\$10.013	\$9.884
BEER TAX	\$2.148	\$2.039	\$2.070	\$1.971	\$1.944	\$1.928	\$1.891
WINE TAX	\$2.582	\$3.280	\$3.000	\$3.211	\$3.454	\$3.909	\$4.135
LIQUOR SURCHARGE	<u>\$8.379</u>	<u>\$9.294</u>	<u>\$11.394</u>	<u>\$14.761</u>	<u>\$17.248</u>	<u>\$20.925</u>	<u>\$24.210</u>
<b>PRODUCT TAXES</b>	<b>\$26.843</b>	<b>\$29.741</b>	<b>\$41.183</b>	<b>\$42.819</b>	<b>\$43.172</b>	<b>\$49.851</b>	<b>\$43.815</b>
% CHANGE	19.8%	10.8%	38.5%	4.0%	0.8%	15.5%	-12.1%
KILOWATT-HOUR TAX	\$1.599	\$2.018	\$2.138	\$2.430	\$2.982	\$1.920	\$1.840
MINE LICENSE TAX	\$2.525	\$0.942	\$1.797	\$1.536	\$2.025	\$0.531	\$0.519
INTEREST EARNINGS	\$11.366	\$0.760	(\$1.318)	(\$0.431)	(\$0.604)	\$0.356	(\$0.366)
COURT FEES AND FINES	\$5.332	\$5.354	\$5.384	\$5.117	\$4.849	\$4.592	\$4.356
INSURANCE PREMIUM TAX	\$56.343	\$55.479	\$53.632	\$54.118	\$56.580	\$55.622	\$59.356
ALCOHOLIC BEVERAGE LICENSES	\$1.920	\$1.610	\$1.469	\$1.524	\$1.557	\$0.128	\$0.000
UCC FILINGS	\$2.821	\$2.424	\$2.419	\$2.413	\$2.428	\$2.538	\$2.702
UNCLAIMED PROPERTY	\$5.627	\$1.782	\$8.225	\$4.512	\$8.888	\$6.997	\$5.655
LANDS	\$0.688	\$0.978	\$0.647	\$0.622	\$1.042	\$0.830	\$1.231
ONE-TIME TRANSFERS	\$2.244	\$1.426	\$1.544	\$4.882	\$16.155	\$4.530	\$4.222
ESTATE TAX	\$0.029	\$0.238	(\$0.173)	\$0.521	(\$0.022)	\$0.063	\$0.304
OTHER DEPTS & TRANSFERS	<u>\$30.177</u>	<u>\$31.701</u>	<u>\$32.706</u>	<u>\$30.433</u>	<u>\$27.897</u>	<u>\$29.453</u>	<u>\$28.508</u>
<b>MISC. REVENUE</b>	<b>\$120.671</b>	<b>\$104.712</b>	<b>\$108.469</b>	<b>\$107.676</b>	<b>\$123.777</b>	<b>\$107.559</b>	<b>\$108.327</b>
% CHANGE	-1.3%	-13.2%	3.6%	-0.7%	15.0%	-13.1%	0.7%
<b>TOTAL GENERAL FUND*</b>	<b>\$2,907.976</b>	<b>\$2,465.569</b>	<b>\$2,264.457</b>	<b>\$2,444.475</b>	<b>\$2,587.713</b>	<b>\$2,750.282</b>	<b>\$2,815.429</b>
% CHANGE	3.4%	-15.2%	-8.2%	7.9%	5.9%	6.3%	2.4%

**IDAHO GENERAL FUND REVENUE  
(\$ MILLION)**

SOURCE	ACTUAL				FORECAST		
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>INDIVIDUAL INCOME TAX</b>	<b>\$1,470.857</b>	<b>\$1,513.169</b>	<b>\$1,651.196</b>	<b>\$1,828.282</b>	<b>\$1,773.800</b>	<b>\$1,954.259</b>	<b>\$2,057.100</b>
% CHANGE	10.7%	2.9%	9.1%	10.7%	-3.0%	10.2%	5.3%
<b>CORPORATE INCOME TAX</b>	<b>\$215.403</b>	<b>\$186.869</b>	<b>\$214.020</b>	<b>\$238.708</b>	<b>\$223.181</b>	<b>\$256.323</b>	<b>\$268.022</b>
% CHANGE	14.4%	-13.2%	14.5%	11.5%	-6.5%	14.8%	4.6%
<b>SALES TAX</b>	<b>\$1,218.770</b>	<b>\$1,303.028</b>	<b>\$1,382.418</b>	<b>\$1,490.015</b>	<b>\$1,575.564</b>	<b>\$1,667.036</b>	<b>\$1,764.097</b>
% CHANGE	6.4%	6.9%	6.1%	7.8%	5.7%	5.8%	5.8%
CIGARETTE TAX	\$3.338	\$7.900	\$9.975	\$7.306	\$10.388	\$7.939	\$9.513
TOBACCO PRODUCTS	\$10.505	\$11.596	\$12.652	\$13.253	\$14.177	\$14.581	\$14.967
BEER TAX	\$1.911	\$1.934	\$1.935	\$1.965	\$1.972	\$1.989	\$2.006
WINE TAX	\$4.238	\$4.481	\$4.652	\$4.815	\$5.043	\$5.324	\$5.626
LIQUOR SURCHARGE	<u>\$25.480</u>	<u>\$25.890</u>	<u>\$28.880</u>	<u>\$30.960</u>	<u>\$33.235</u>	<u>\$33.866</u>	<u>\$35.696</u>
<b>PRODUCT TAXES</b>	<b>\$45.471</b>	<b>\$51.801</b>	<b>\$58.094</b>	<b>\$58.299</b>	<b>\$64.815</b>	<b>\$63.700</b>	<b>\$67.807</b>
% CHANGE	3.8%	13.9%	12.1%	0.4%	11.2%	-1.7%	6.4%
KILOWATT-HOUR TAX	\$1.918	\$1.877	\$2.108	\$2.592	\$2.200	\$2.000	\$2.000
MINE LICENSE TAX	\$0.069	(\$0.247)	\$0.050	\$0.024	\$0.100	\$0.125	\$0.150
INTEREST EARNINGS	(\$1.571)	\$0.324	(\$0.147)	\$4.654	\$6.389	\$12.390	\$13.002
COURT FEES AND FINES	\$6.141	\$6.025	\$8.444	\$9.184	\$7.852	\$7.886	\$8.007
INSURANCE PREMIUM TAX	\$61.747	\$72.123	\$75.423	\$70.486	\$67.886	\$68.416	\$70.409
ALCOHOLIC BEVERAGE LICENSES	(\$0.003)	\$0.000	\$0.000	(\$0.000)	\$0.000	\$0.000	\$0.000
UCC FILINGS	\$2.765	\$3.009	\$3.169	\$3.484	\$3.684	\$3.885	\$4.085
UNCLAIMED PROPERTY	\$6.293	\$9.928	\$10.369	\$8.507	\$9.000	\$9.000	\$9.000
LANDS	\$0.720	\$0.000	\$0.130	\$1.141	\$0.032	\$0.031	\$0.031
ONE-TIME TRANSFERS	\$1.987	\$8.596	\$14.338	\$8.806	\$3.053	\$0.000	\$0.000
ESTATE TAX	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
OTHER DEPTS & TRANSFERS	<u>\$26.198</u>	<u>\$27.192</u>	<u>\$28.796</u>	<u>\$7.424</u>	<u>\$12.766</u>	<u>\$12.379</u>	<u>\$12.582</u>
<b>MISC. REVENUE</b>	<b>\$106.265</b>	<b>\$128.828</b>	<b>\$142.679</b>	<b>\$116.301</b>	<b>\$112.961</b>	<b>\$116.113</b>	<b>\$119.267</b>
% CHANGE	-1.9%	21.2%	10.8%	-18.5%	-2.9%	2.8%	2.7%
<b>TOTAL GENERAL FUND*</b>	<b>\$3,056.77</b>	<b>\$3,183.694</b>	<b>\$3,448.407</b>	<b>\$3,731.606</b>	<b>\$3,750.321</b>	<b>\$4,057.430</b>	<b>\$4,276.293</b>
% CHANGE	8.6%	4.2%	8.3%	8.2%	0.5%	8.2%	5.4%

\* 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 are 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	Single and Married Filing Separately income tax rates. Double bracket income for other filers.								
	\$0-1,000	\$1,001-\$2,000	\$2,001-\$3,000	\$3,001-4,000	\$4,001-5,000	\$5,001-6,000	\$6,001-7,500	\$7,501-20,000	\$20,001+
1931	1.000%	1.000%	2.000%	2.000%	3.000%	3.000%	4.000%	4.000%	4.000%
1933	1.000%	2.000%	3.000%	4.000%	5.000%	6.000%	6.000%	6.000%	6.000%
1935	1.500%	3.000%	4.000%	5.000%	6.000%	8.000%	8.000%	8.000%	8.000%
1955	1.613%	3.225%	4.300%	5.375%	6.450%	8.600%	8.600%	8.600%	8.600%
1957	2.000%	4.000%	5.500%	6.600%	7.700%	8.800%	8.800%	8.800%	8.800%
1959	3.500%	5.000%	6.500%	7.500%	8.500%	9.500%	9.500%	9.500%	9.500%
1963	3.400%	5.500%	7.200%	8.250%	9.350%	10.500%	10.500%	10.500%	10.500%
1965	2.500%	5.000%	6.000%	7.000%	8.000%	9.000%	9.000%	9.000%	9.000%
1972	2.000%	4.000%	4.500%	5.500%	6.500%	7.500%	7.500%	7.500%	7.500%
1987	2.000%	4.000%	4.500%	5.500%	6.500%	7.500%	7.500%	7.800%	8.200%
2000	1.900%	3.900%	4.400%	5.400%	6.400%	7.400%	7.400%	7.700%	8.100%
2001	1.600%	3.600%	4.100%	5.100%	6.100%	7.100%	7.100%	7.400%	7.800%
2012	1.600%	3.600%	4.100%	5.100%	6.100%	7.100%	7.100%	7.400%	7.400%
2018	1.125%	3.125%	3.625%	4.625%	5.625%	6.625%	6.625%	6.925%	6.925%

Statutory income brackets used for table. Brackets have been adjusted for inflation since 2000.

Idaho taxable income is derived from federal taxable income. 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. Idaho also provides a number of credits that are not included in the federal tax code. 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. A notable exception is withholding collections on Idaho lottery winnings that are distributed to public schools and counties. An amount equal to 20% of the individual income taxes collected by the Idaho State Tax Commission is required to be deposited in the State Refund Fund. Any balance exceeding \$1,500,000 in this 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 checkoffs 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 Forecast:**

The forecasts of General Fund revenue from the individual income tax for FY 2019 through FY 2021 are based on a combination of econometric analysis and judgment.

Idaho wage and salary payments data and seasonal 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. 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 is consistent with current laws; it anticipates no further law changes over the forecast period.

**HISTORICAL AND FORECASTED INDIVIDUAL INCOME TAX  
(\$1,000)**

Year		Gross Collections	Distribution			
			Refunds	General Fund	Permanent Building Fund	Miscellaneous
FY08	Actual	\$1,705,036	\$267,118	\$1,429,739	\$6,390	\$1,789
FY09	Actual	\$1,478,273	\$302,639	\$1,167,889	\$6,379	\$1,366
FY10	Actual	\$1,370,681	\$301,304	\$1,061,875	\$6,065	\$1,437
FY11	Actual	\$1,454,669	\$284,806	\$1,152,651	\$5,888	\$11,324
FY12	Actual	\$1,514,529	\$300,615	\$1,206,407	\$5,793	\$1,714
FY13	Actual	\$1,609,390	\$316,171	\$1,284,384	\$6,452	\$2,383
FY14	Actual	\$1,654,830	\$317,555	\$1,329,265	\$6,297	\$1,713
FY15	Actual	\$1,809,575	\$330,705	\$1,470,857	\$6,283	\$1,730
FY16	Actual	\$1,889,855	\$367,859	\$1,513,169	\$7,136	\$1,692
FY17	Actual	\$2,035,921	\$376,103	\$1,651,196	\$7,008	\$1,614
FY18	Actual	\$2,238,674	\$401,157	\$1,828,282	\$7,103	\$2,132
FY19	Projection	\$2,188,543	\$405,106	\$1,773,800	\$7,212	\$2,425
FY20	Projection	\$2,403,219	\$439,004	\$1,954,259	\$7,323	\$2,633
FY21	Projection	\$2,537,674	\$470,265	\$2,057,100	\$7,436	\$2,872

## CORPORATE INCOME TAX

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

Collections from the corporate income tax are based on a flat rate of 6.925% 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. Idaho requires corporations to file quarterly payments of estimated taxes.

### 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	1.000%	1.000%	2.000%	2.000%	3.000%	3.000%	4.000%
1933	1.000%	2.000%	3.000%	4.000%	5.000%	6.000%	6.000%
1935	1.500%	3.000%	4.000%	5.000%	6.000%	6.000%	8.000%
1954	1.275%	2.550%	3.400%	4.250%	5.100%	5.100%	6.800%
1955	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%	7.500%
1957	8.000% + 10% Surcharge in 1957 and 1958.						
1959	9.500%	9.500%	9.500%	9.500%	9.500%	9.500%	9.500%
1963	10.500%	10.500%	10.500%	10.500%	10.500%	10.500%	10.500%
1965	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%	6.000%
1972	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
1981	6.500% + 0.2% franchise tax up to \$250,000.						
1983	7.700%	7.700%	7.700%	7.700%	7.700%	7.700%	7.700%
1987	8.000%	8.000%	8.000%	8.000%	8.000%	8.000%	8.000%
2001	7.600%	7.600%	7.600%	7.600%	7.600%	7.600%	7.600%
2012	7.400%	7.400%	7.400%	7.400%	7.400%	7.400%	7.400%
2018	6.925%	6.925%	6.925%	6.925%	6.925%	6.925%	6.925%

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 Idaho State Tax Commission and deposited with the Idaho State Treasurer is required by statute to be deposited in the State Refund Fund. Any balance exceeding \$1,500,000 in this fund at the end of the fiscal 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 Forecast:**

Forecasts of the General Fund revenue from the corporate income tax in FY 2019 through FY 2021 are based on a combination of econometric analysis and judgment.

**HISTORICAL AND FORECASTED CORPORATE INCOME TAX  
(\$1,000)**

Year		Gross Collections	Distribution			
			Refunds	General Fund	Permanent Building Fund	Miscellaneous
FY08	Actual	\$212,880	\$22,685	\$189,284	\$471	\$440
FY09	Actual	\$174,503	\$32,263	\$141,025	\$504	\$711
FY10	Actual	\$136,835	\$38,508	\$97,021	\$490	\$816
FY11	Actual	\$191,155	\$20,941	\$168,950	\$455	\$809
FY12	Actual	\$206,627	\$18,037	\$187,014	\$453	\$1,122
FY13	Actual	\$223,114	\$22,773	\$198,659	\$543	\$1,138
FY14	Actual	\$217,544	\$27,209	\$188,291	\$479	\$1,564
FY15	Actual	\$236,860	\$19,778	\$215,403	\$615	\$1,064
FY16	Actual	\$222,753	\$33,758	\$186,869	\$694	\$1,432
FY17	Actual	\$242,765	\$26,124	\$214,020	\$572	\$2,049
FY18	Actual	\$267,239	\$26,430	\$238,708	\$822	\$1,279
FY19	Projection	\$264,540	\$39,681	\$223,181	\$835	\$843
FY20	Projection	\$303,824	\$45,574	\$256,323	\$848	\$1,079
FY21	Projection	\$317,690	\$47,654	\$268,022	\$861	\$1,154

## SALES TAX

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

Idaho's sales tax rate is 6% and applies to the sale, rental, or lease of tangible personal property and some services. In addition to Idaho-based sellers, retailers without a physical presence in the state are required to collect and remit sales taxes on Idaho transactions once their remote sales top \$10,000 during a twelve-month period. Sales tax receipts are distributed in the following manner. Revenue sharing receives 11.5% of the gross sales tax collections less refunds and multistate compact revenues. The Transportation Expansion and Congestion Mitigation Fund is allocated 1.0% of the amount remaining after the revenue sharing distribution. The Permanent Building Fund receives \$5,000,000. The Water Pollution Control Fund gets \$4,800,000. Another \$8,487,103 funds the Agricultural Equipment Property Tax Exemption and approximately \$18.8 million is currently dedicated to Personal Property Tax Relief. Other distributions are made to fund the Demonstration Pilot Project and Election Consolidation. All remaining revenue accrues to the General Fund.

Sales tax funds must be allocated to the Idaho Housing and Finance Association if, within 60 days of the close of the fiscal year, the Chairman of the Housing and Finance Association Board of Commissioners certifies to the State Tax Commission that a deficiency exists in the agency's Capital Reserve Fund. No such certification has 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.



## SALES TAX RATE AND DISTRIBUTION HISTORY (\$1,000)

Effective Date	Tax Rate	General Fund	Permanent Building Fund	Revenue Sharing	Alloc. to Counties	Water Pollution Control Fund	Public School Income Fund	Agricultural Equipment Property Tax Exemption	Personal Property Tax Exemption	Trans. Expansion & Congest. Mitigation Fund
Jul-1965	3.0%	Balance	\$500							
Jul-1968	3.0%	Balance	\$500		5.0%					
Jul-1969	3.0%	Balance	\$500		10.0%					
Jul-1970	3.0%	Balance	\$500		15.0%					
Jul-1971	3.0%	Balance	\$500		20.0%					
Jul-1975	3.0%	Balance	\$500		20.0%					
Jul-1976	3.0%	Balance	\$500		20.0%					
Jul-1977	3.0%	Balance	\$500		20.0%					
Jul-1980	3.0%	Balance	\$500		10.0%		10.0%			
Mar-1983	4.0%	Balance	\$500		10.0%		10.0%			
Jun-1983	4.5%	Balance	\$500		10.0%		10.0%			
Jul-1984	4.0%	Balance	\$500	6.25%	7.5%	\$4,800				
Apr-1986	5.0%	Balance	\$500	6.25%	7.5%	\$4,800				
Jul-1987	5.0%	Balance	\$500	7.75%	6.0%	\$4,800				
Jul-1988	5.0%	Balance	\$500	7.75%	6.0%	\$4,800				
Jul-1995	5.0%	Balance	\$500	7.75%	6.0%	\$4,800				
Jul-1998	5.0%	Balance	\$500	7.75%	6.0%	\$4,800				
Jul-2000	5.0%	Balance	\$5,000	13.75%	0.0%	\$4,800				
May-2003	6.0%	Balance	\$5,000	13.75%	0.0%	\$4,800				
Jun-2003	6.0%	Balance	\$5,000	11.50%	0.0%	\$4,800				
Jul-2004	6.0%	Balance	\$5,000	11.50%	0.0%	\$4,800		\$13,448		
Jul-2005	5.0%	Balance	\$5,000	11.50%	0.0%	\$4,800		\$13,448		
Aug-2005	5.0%	Balance	\$5,000	13.75%	0.0%	\$4,800		\$13,448		
Oct-2006	6.0%	Balance	\$5,000	13.75%	0.0%	\$4,800		\$13,448		
Nov-2006	6.0%	Balance	\$5,000	11.50%	0.0%	\$4,800		\$8,487		
Jul-2007	6.0%	Balance	\$5,000	11.50%	0.0%	\$4,800		\$8,487		
Jan-2013	6.0%	Balance	\$5,000	11.50%	0.0%	\$4,800		\$8,487	\$18,934	
Jul-2017	6.0%	Balance	\$5,000	11.50%	0.0%	\$4,800		\$8,487	\$18,934	1.00%

**Basis of Forecast:**

The forecasts of FY 2019 through FY 2021 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, housing starts, and seasonal factors are then used to predict gross sales tax collections. Projected refunds are subtracted from gross collections to arrive at net sales tax receipts. The balance remaining after each fund receives its statutory portion of the net receipts accrues to the General Fund.

**SALES TAX HISTORY AND FORECAST  
(\$1,000)**

Year		Gross Collections	Distribution									
			Refunds	General Fund	Permanent Building Fund	Revenue Sharing	Allocation to Counties	Water Pollution Control Fund	Circuit Breaker	Personal Property Tax Exemption	Agricultural Equipment Property Tax Exemption	Transportation Expansion & Congest. Mitigation Fund
FY08	Actual	\$1,339,278	\$9,606	\$1,141,440	\$5,000	\$152,578	\$0	\$4,800	\$15,406	\$0	\$8,487	\$1,961
FY09	Actual	\$1,201,248	\$5,963	\$1,022,202	\$5,000	\$136,995	\$0	\$4,800	\$15,459	\$0	\$8,487	\$2,342
FY10	Actual	\$1,123,885	\$3,088	\$955,909	\$5,000	\$128,496	\$0	\$4,800	\$15,707	\$0	\$8,487	\$2,398
FY11	Actual	\$1,166,272	\$21,124	\$972,380	\$5,000	\$131,215	\$0	\$4,800	\$16,002	\$0	\$8,487	\$7,264
FY12	Actual	\$1,216,228	\$8,738	\$1,027,344	\$5,000	\$138,440	\$0	\$4,800	\$16,070	\$0	\$8,487	\$7,348
FY13	Actual	\$1,313,372	\$11,088	\$1,109,829	\$5,000	\$149,426	\$0	\$4,800	\$15,901	\$0	\$8,487	\$8,841
FY14	Actual	\$1,369,522	\$3,781	\$1,145,732	\$5,000	\$156,569	\$0	\$4,800	\$15,728	\$18,934	\$8,487	\$10,492
FY15	Actual	\$1,456,971	\$5,535	\$1,218,770	\$5,000	\$166,329	\$0	\$4,800	\$16,319	\$18,922	\$8,487	\$12,810
FY16	Actual	\$1,553,034	\$4,840	\$1,303,028	\$5,000	\$177,834	\$0	\$4,800	\$16,606	\$18,890	\$8,487	\$13,550
FY17	Actual	\$1,643,649	\$5,313	\$1,382,418	\$5,000	\$188,175	\$0	\$4,800	\$16,968	\$18,852	\$8,487	\$13,637
FY18	Actual	\$1,784,749	\$4,552	\$1,490,015	\$5,000	\$204,146	\$0	\$4,800	\$17,427	\$18,837	\$8,487	\$15,713
FY19	Projection	\$1,885,964	\$6,260	\$1,575,564	\$5,000	\$215,650	\$0	\$4,800	\$17,692	\$18,837	\$8,487	\$16,596
FY20	Projection	\$1,993,478	\$6,724	\$1,667,036	\$5,000	\$227,931	\$0	\$4,800	\$19,032	\$18,837	\$8,487	\$17,541
FY21	Projection	\$2,106,185	\$7,190	\$1,764,097	\$5,000	\$240,808	\$0	\$4,800	\$19,323	\$18,837	\$8,487	\$18,532

# CIGARETTE TAX

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

Idaho's cigarette tax rate is 57 cents per pack of 20 cigarettes. Each year the net amount collected is distributed as follows. The Public School Income Fund and Department of Juvenile Corrections each receive \$3,315,000. The Permanent Building Fund receives \$5,000,000. The Central Tumor Registry Fund receives \$120,000. The Cancer Control Fund receives \$300,000. The General Fund receives an amount needed to fund the School Bond Levy Equalization Program. All remaining revenues are distributed as follows. The first \$4,700,000 is deposited in the Grant Anticipation Revenue Vehicle (GARVEE) Debt Service Fund. The next \$5,000,000 is dedicated to the Secondary Aquifer Planning, Management, and Implementation Fund. All remaining revenue is deposited into the Transportation Expansion and Congestion Mitigation Fund.

## CIGARETTE TAX RATE AND DISTRIBUTION HISTORY

Effective Date	Rate per Cigarette				Distribution								
	Total	Public School Income Fund	County Juvenile Probation Fund	Gen. Fund	Central Tumor Registry Fund <sup>2,3</sup>	Permanent Building Fund <sup>4</sup>	Water Pollution Control Fund	Cancer Control Fund	Economic Recovery Reserve Fund	GARVEE Debt Service Fund <sup>5</sup>	Aquifer Fund <sup>6</sup>	State Highway Account <sup>6</sup>	Transportation Expansion & Congest. Mitigation Fund
May-1945	\$0.001000			100.0%									
Jul-1947	\$0.001500			100.0%									
Jul-1955	\$0.002000			100.0%									
Jul-1959	\$0.002500			100.0%									
Jul-1961	\$0.003000			\$0.00250									
Jul-1963	\$0.003500			\$0.00300									
Jul-1972	\$0.004550			\$0.00350	\$0.00005 to \$40,000	\$0.0005	\$0.0005						
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	\$0.009000			Balance <sup>1</sup>	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	\$0.014000	\$0.005000		Balance	1.000%	43.300%	6.700%	2.500%					
Mar-1995	\$0.014000	\$0.002500	\$0.002500	Balance	1.000%	43.300%	6.700%	2.500%					
Jul-2000	\$0.014000	\$0.002500	\$0.002500	Balance	1.000%	43.300%	0.000%	2.500%					
Jun-2003	\$0.028500	\$0.002587	\$0.002587	Balance	1.000%	43.300%	0.000%	2.500%					
Jul-2003	\$0.028500	\$0.002587	\$0.002587	21.25% plus balance up to \$23.5 M	0.400%	17.300%	0.000%	1.000%	Balance > \$23.5M				
Jul-2004	\$0.028500	\$0.002587	\$0.002587	21.25%	0.400%	17.300%	0.000%	1.000%	Balance				
Jul-2006	\$0.028500	\$0.002587	\$0.002587	Bond Levy Equalization Appropriation	0.400%	17.300%	0.000%	1.000%					
Jul-2009	\$0.028500	\$0.002587	\$0.002587	Bond Levy Equalization Appropriation less Lottery Contribution.	0.400%	+ Remainder 17.300%	0.000%	1.000%					
Jul-2014	\$0.028500	\$3,315,000	\$3,315,000	Bond Levy Equalization Appropriation less Lottery Contribution.	\$120,000	+ \$5,000,000 + Building Bond Balance	\$0	\$300,000	\$0	\$4,700,000	\$5,000,000	Remainder	
Jul-2017	\$0.028500	\$3,315,000	\$3,315,000	Bond Levy Equalization Appropriation less Lottery Contribution.	\$120,000	\$5,000,000	\$0	\$300,000	\$0	\$4,700,000	\$5,000,000	\$0	Remainder

1. From March 1, 1987 to July 1, 1987 the additional \$0.00445 per cigarette was directed to the General Fund.
2. The Central Tumor Registry Fund received 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. Permanent Building Fund received balance until the Capitol restoration is funded.
5. Fixed distribution to Public School Income and County Juvenile Probation Funds replaced per cigarette distribution.
6. These distributions began after the Capitol restoration was funded.

**Basis of Forecast:**

Gross cigarette tax collections for FY 2019 through FY 2021 are based on a subjective assessment of recent collections history, Idaho population growth, cigarette taxes in bordering states, and the trend toward decreased per capita cigarette consumption.

**CIGARETTE TAX COLLECTION HISTORY AND FORECAST  
(\$1,000)**

Year		Gross Collections	Distribution												
			Refunds	General Fund	Base Permanent Building Fund	Additional Permanent Building Fund	Cancer Control Fund	Central Tumor Registry Fund	Public School Income Fund	County Juvenile Probation Fund	GARVEE Debt Service Fund	Aquifer Fund	State Highway Account	Transportation Expansion & Congest. Mitigation Fund	
FY08	Actual	\$46,216	\$106	\$6,535	\$6,487	\$23,949	\$375	\$150	\$4,307	\$4,307					
FY09	Actual	\$44,392	\$4	\$7,770	\$6,233	\$21,522	\$360	\$144	\$4,179	\$4,179					
FY10	Actual	\$39,697	\$39	\$16,900	\$5,563	\$9,244	\$322	\$129	\$3,750	\$3,750					
FY11	Actual	\$39,477	\$16	\$14,400	\$5,540	\$11,635	\$320	\$128	\$3,719	\$3,719					
FY12	Actual	\$38,250	\$3	\$11,600	\$5,370	\$13,636	\$310	\$124	\$3,604	\$3,604					
FY13	Actual	\$37,846	\$1	\$13,077	\$5,306	\$11,858	\$307	\$123	\$3,587	\$3,587					
FY14	Actual	\$36,471	\$5	\$3,696	\$5,208	\$20,779	\$301	\$120	\$3,181	\$3,181					
FY15	Actual	\$36,364	\$0	\$3,338	\$5,000	\$9,961	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$1,315		
FY16	Actual	\$37,016	\$17	\$7,900	\$5,000	\$0	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$7,349		
FY17	Actual	\$36,303	\$0	\$9,975	\$5,000	\$0	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$4,578		
FY18	Actual	\$35,960	\$8	\$7,306	\$5,000	\$0	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$0	\$6,896	
FY19	Projection	\$34,912	\$69	\$10,388	\$5,000	\$0	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$0	\$2,705	
FY20	Projection	\$34,154	\$69	\$7,939	\$5,000	\$0	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$0	\$4,396	
FY21	Projection	\$33,490	\$69	\$9,513	\$5,000	\$0	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$0	\$2,158	

# TOBACCO PRODUCTS TAX

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

Idaho levies a 35% tax on the wholesale price of tobacco products, except cigarettes. This 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 \$200,000 appropriated to Idaho State Police and \$80,000 to the Commission on Hispanic Affairs. 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	General 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% <sup>1</sup>	2.5%
Jul-2000	0.0%	35.0%	2.5% <sup>1</sup>	2.5%
Jul-2014	0.0%	35.0%	2.5% <sup>2</sup>	2.5%

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

2. \$200,000 of this amount goes to Idaho State Police and \$80,000 goes to the Commission on Hispanic Affairs.

### Basis of Forecast:

The forecasts of General Fund revenues from this source for FY 2019 through FY 2021 are based on a subjective assessment of recent collections history and forecasted national tobacco expenditures.

## TOBACCO TAX HISTORY AND FORECAST (\$1,000)

Year		Gross Collections	Distribution				
			Refunds	General Fund	Water Pollution Control Fund	Public School Income Fund	County Juvenile Probation Fund
FY08	Actual	\$8,350	\$120	\$7,201	\$0	\$514	\$514
FY09	Actual	\$8,467	\$58	\$7,358	\$0	\$526	\$526
FY10	Actual	\$8,962	\$26	\$7,819	\$0	\$558	\$558
FY11	Actual	\$9,849	\$163	\$8,475	\$0	\$605	\$605
FY12	Actual	\$10,204	\$4	\$8,925	\$0	\$638	\$638
FY13	Actual	\$11,460	\$17	\$10,013	\$0	\$715	\$715
FY14	Actual	\$11,318	\$22	\$9,884	\$0	\$706	\$706
FY15	Actual	\$12,025	\$19	\$10,505	\$0	\$750	\$750
FY16	Actual	\$13,397	\$145	\$11,596	\$0	\$828	\$828
FY17	Actual	\$14,519	\$60	\$12,652	\$0	\$904	\$904
FY18	Actual	\$15,159	\$13	\$13,253	\$0	\$947	\$947
FY19	Projection	\$16,229	\$24	\$14,177	\$0	\$1,014	\$1,014
FY20	Projection	\$16,692	\$24	\$14,581	\$0	\$1,043	\$1,043
FY21	Projection	\$17,133	\$24	\$14,967	\$0	\$1,071	\$1,071

## BEER TAX

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

A 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 taxed as wine. Of the total beer tax, 20% is distributed to the Substance Abuse Treatment Fund, 33% to the Permanent Building Fund, and the remaining 47% goes 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-Gallon 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.

**Basis of Forecast:**

The forecasts of General Fund revenue from this source for FY 2019 through FY 2021 are based on an assessment of recent collections, Idaho per capita personal income, and a trend factor.

### BEER TAX HISTORY AND FORECAST (\$1,000)

Year	Gross Collections	Distribution				
		Refunds	General Fund	Permanent Building Fund	Substance Abuse Treatment Fund	
FY08	Actual	\$4,588	\$18	\$2,148	\$1,508	\$914
FY09	Actual	\$4,354	\$16	\$2,039	\$1,432	\$868
FY10	Actual	\$4,404	\$1	\$2,070	\$1,453	\$881
FY11	Actual	\$4,214	\$20	\$1,971	\$1,384	\$839
FY12	Actual	\$4,139	\$2	\$1,944	\$1,365	\$827
FY13	Actual	\$4,105	\$3	\$1,928	\$1,354	\$820
FY14	Actual	\$4,025	\$2	\$1,891	\$1,328	\$805
FY15	Actual	\$4,067	\$0	\$1,911	\$1,342	\$813
FY16	Actual	\$4,116	\$0	\$1,934	\$1,358	\$823
FY17	Actual	\$4,118	\$1	\$1,935	\$1,359	\$823
FY18	Actual	\$4,182	\$0	\$1,965	\$1,380	\$836
FY19	Projection	\$4,199	\$3	\$1,972	\$1,385	\$839
FY20	Projection	\$4,235	\$3	\$1,989	\$1,397	\$847
FY21	Projection	\$4,270	\$3	\$2,006	\$1,408	\$854

## 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 remaining 83% goes 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
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 (IGGWPC).
Jul-2007	\$0.45	All	83% to GF; 12% to Substance Abuse Treatment Fund (SATF) & 5% IGGWPC.

**Basis of Forecast:**

The forecasts of General Fund revenue from this source for FY 2019 through FY 2021 are based on Idaho per capita personal income and a trend factor.

**WINE TAX HISTORY AND FORECAST  
(\$1,000)**

Year		Gross Collections	Distribution				
			Refunds	General Fund	Alcoholism Treatment Fund	Substance Abuse Treatment Fund	ID Grape Growers & Wine Producers Commission Fund
FY08	Actual	\$3,125	\$14	\$2,582	\$0	\$373	\$156
FY09	Actual	\$3,965	\$13	\$3,280	\$0	\$474	\$198
FY10	Actual	\$3,636	\$22	\$3,000	\$0	\$434	\$181
FY11	Actual	\$3,881	\$12	\$3,211	\$0	\$464	\$193
FY12	Actual	\$4,164	\$2	\$3,454	\$0	\$499	\$208
FY13	Actual	\$4,713	\$3	\$3,909	\$0	\$565	\$235
FY14	Actual	\$4,989	\$7	\$4,135	\$0	\$598	\$249
FY15	Actual	\$5,116	\$10	\$4,238	\$0	\$613	\$255
FY16	Actual	\$5,408	\$9	\$4,481	\$0	\$648	\$270
FY17	Actual	\$5,617	\$12	\$4,652	\$0	\$673	\$280
FY18	Actual	\$5,809	\$8	\$4,815	\$0	\$696	\$290
FY19	Projection	\$6,083	\$7	\$5,043	\$0	\$729	\$304
FY20	Projection	\$6,421	\$7	\$5,324	\$0	\$770	\$321
FY21	Projection	\$6,785	\$7	\$5,626	\$0	\$813	\$339



## 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. However, 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 Forecast:**

Projected kilowatt-hour tax receipts for FY 2019 through FY 2021 are based on an assessment of recent collection history in comparison to water availability.

### KILOWATT HOUR TAX HISTORY AND FORECAST (\$1,000)

Year		Gross Collections	Distribution	
			Refunds	General Fund
FY08	Actual	\$1,599	\$0	\$1,599
FY09	Actual	\$2,018	\$0	\$2,018
FY10	Actual	\$2,138	\$0	\$2,138
FY11	Actual	\$2,430	\$0	\$2,430
FY12	Actual	\$2,982	\$0	\$2,982
FY13	Actual	\$1,920	\$0	\$1,920
FY14	Actual	\$1,840	\$0	\$1,840
FY15	Actual	\$1,918	\$0	\$1,918
FY16	Actual	\$1,877	\$0	\$1,877
FY17	Actual	\$2,152	\$45	\$2,108
FY18	Actual	\$2,592	\$0	\$2,592
FY19	Projection	\$2,200	\$0	\$2,200
FY20	Projection	\$2,000	\$0	\$2,000
FY21	Projection	\$2,000	\$0	\$2,000

## MINE LICENSE TAX

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

Revenue is derived from a 1% “profit” tax on Idaho mining operations that 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 remaining 34% goes to the Abandoned Mine Reclamation Fund. The distribution for the mine license tax collected from mining operations with cyanidation facilities is slightly different. Thirty-three percent of the net tax collected from operations with a cyanidation facility is distributed to the General Fund, 33% goes to the Cyanidation Facility Closure Fund, and the remaining 34% goes to the Abandoned Mine Reclamation Fund.

**Basis of Forecast:**

The forecasts of General Fund revenue from this source for FY 2019 through FY 2021 are based on a subjective assessment of recent collections history, employment in mining, and mineral prices.

### MINE LICENSE TAX HISTORY AND FORECAST (\$1,000)

Year		Gross Collections	Distribution			
			Refunds	General Fund	Cyanidation Facility Closure Fund	Abandoned Mine Reclamation Fund
FY08	Actual	\$3,830	\$4	\$2,525	\$0	\$1,301
FY09	Actual	\$1,430	\$3	\$942	\$0	\$485
FY10	Actual	\$2,723	\$0	\$1,797	\$0	\$926
FY11	Actual	\$2,418	\$90	\$1,536	\$0	\$791
FY12	Actual	\$3,220	\$153	\$2,025	\$0	\$1,043
FY13	Actual	\$959	\$154	\$531	\$0	\$274
FY14	Actual	\$843	\$57	\$519	\$0	\$267
FY15	Actual	\$776	\$671	\$69	\$0	\$36
FY16	Actual	\$31	\$406	(\$247)	\$0	(\$127)
FY17	Actual	\$76	\$0	\$50	\$0	\$26
FY18	Actual	\$52	\$16	\$24	\$0	\$12
FY19	Projection	\$222	\$70	\$100	\$0	\$52
FY20	Projection	\$259	\$70	\$125	\$0	\$64
FY21	Projection	\$297	\$70	\$150	\$0	\$77

## LIQUOR FUND

**Description:** (Title 23, Chapters 2 and 4, *Idaho Code*)

A portion of the net income of the State Liquor Division flows to the General Fund. Two percent of net income is dedicated to the Drug Court, Mental Health Court, and Family Court Services Fund. Half of the amount remaining is distributed to cities and counties. The other half is distributed as follows: the Substance Abuse Treatment Fund receives \$2.08 million; the Community College Fund receives \$0.8 million; the Public School Income Fund receives \$1.2 million; the Cooperative Welfare Fund receives \$0.65 million; the Drug Court, Mental Health Court and Family Court Services Fund receives \$0.68 million; the Drug and Mental Health Court Supervision Fund receives \$0.44 million; and the General Fund receives the remainder.

### LIQUOR FUND HISTORY AND FORECAST (\$1,000)

Year		Gross Dist.	Distribution								
			General Fund	Community College Fund	Coop. Welfare Fund	Public School Income Fund	Drug Cr., Mental Health Cr., & Family Cr. Services Fund	Warehouse Remodel Fund	Substance Abuse Treatment Fund	Drug & Mental Health Cr. Supervision Fund	Cities & Counties
FY08	Actual	\$43,774	\$8,379	\$300	\$650	\$1,200	\$3,189	\$3,245	\$2,080	\$440	\$24,292
FY09	Actual	\$44,476	\$9,294	\$600	\$650	\$1,200	\$3,316	\$0	\$2,080	\$440	\$26,896
FY10	Actual	\$44,091	\$11,394	\$600	\$650	\$1,200	\$3,301	\$0	\$2,080	\$440	\$24,426
FY11	Actual	\$49,699	\$14,761	\$600	\$650	\$1,200	\$3,417	\$0	\$2,080	\$440	\$26,551
FY12	Actual	\$53,001	\$17,248	\$600	\$650	\$1,200	\$3,581	\$0	\$2,080	\$440	\$27,202
FY13	Actual	\$59,065	\$20,925	\$600	\$650	\$1,200	\$3,825	\$0	\$2,080	\$440	\$29,345
FY14	Actual	\$63,525	\$24,210	\$600	\$650	\$1,200	\$3,905	\$0	\$2,080	\$440	\$30,440
FY15	Actual	\$65,721	\$25,480	\$600	\$650	\$1,200	\$4,071	\$0	\$2,080	\$440	\$31,200
FY16	Actual	\$66,657	\$25,890	\$600	\$650	\$1,200	\$4,297	\$0	\$2,080	\$440	\$31,500
FY17	Actual	\$72,909	\$28,880	\$600	\$650	\$1,200	\$4,529	\$0	\$2,080	\$440	\$34,530
FY18	Actual	\$77,297	\$30,960	\$600	\$650	\$1,200	\$4,757	\$0	\$2,080	\$440	\$36,610
FY19	Projection	\$82,241	\$33,235	\$800	\$650	\$1,200	\$4,931	\$0	\$2,080	\$440	\$38,905
FY20	Projection	\$83,894	\$33,866	\$800	\$650	\$1,200	\$5,142	\$0	\$2,080	\$440	\$39,716
FY21	Projection	\$87,754	\$35,696	\$800	\$650	\$1,200	\$5,343	\$0	\$2,080	\$440	\$41,546

## 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 securities permitted per Idaho Code. All net interest earnings, except those derived from the trust and agency funds, accrue to the General Fund.

For historical and projected data see the "Miscellaneous Revenues" table.

### **Basis of Forecast:**

The forecasts of General Fund revenue from this source for FY 2019 through FY 2021 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2019 forecast includes the approximately \$4.6 million net cost associated with the issuance of this year's tax anticipation note. The FY 2020 and FY 2021 forecasts do not include tax anticipation note earnings or costs.

## COURT FEES AND FINES

**Description:** (Sections 1-402, 19-4705, and 31-3201H, *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. In addition to the previous two items, 80% of the court surcharge fees are distributed to the General.

For historical and projected data see the "Miscellaneous Revenues" table.

### **Basis of Forecast:**

The forecasts of General Fund revenue from this source for FY 2019 through FY 2021 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*)

Idaho assesses a 1.5% tax on insurance premiums for policies written in Idaho. 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. The balance is due in March. Up to 20% of the tax collections may 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. In addition to the refund fund, distributions are made to the Fireman's Retirement and Insolvency Administration funds. Twenty-five percent of the net tax collected in excess of \$45 million is

paid to the Idaho High Risk Individual Reinsurance Pool and the remainder is deposited into the General Fund.

For historical and projected data see the “Miscellaneous Revenues” table.

**Basis of Forecast:**

The forecasts of General Fund revenue from this source for FY 2019 through FY 2021 are based on forecasts of insurance premium growth, trends in insurance rates and coverage, and company insolvencies that result in credits taken for guaranty association assessments. These variables and parameters are 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*)

Revenues from the sale of alcoholic beverage licenses to retailers, wholesalers, and manufacturers were deposited in the state’s General Fund through FY 2012. Beginning in FY 2013, these revenues have been directed to the Alcohol Beverage Control Fund.

## **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 other intangible property accrue to the state after five years. The state serves as the custodian of these unclaimed properties until they are claimed by their owners. Unclaimed Property Fund balances exceeding \$250,000 are transferred to the General Fund by the end of each fiscal year.

For historical and projected data see the “Miscellaneous Revenues” table.

**Basis of Forecast:**

Forecasts 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 other miscellaneous fees, such as Uniform Commercial Code filing fees and notary fees.

For historical and projected data see the “Miscellaneous Revenues” table.

**Basis of Forecast:**

Forecasts 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 miscellaneous revenue category includes receipts from other sources, such as the Idaho Department of Lands.

For historical and projected data see the “Miscellaneous Revenues” table.

**Basis of Forecast:**

The forecasts of miscellaneous General Fund revenues for FY 2019 through FY 2021 are based on a subjective assessment of recent collection history, and expected transfers.

## ESTATE AND TRANSFER TAX

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

Previously, federal tax law allowed a decedent’s estate to take a credit against state estate taxes paid. The amount of Idaho estate and transfer tax due was equal to this credit. 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 state estate tax credit was scheduled to return when this bill sunset in 2010. However, it did not. Thus, under current federal law there is no federal credit for state estate taxes paid and no Idaho estate and transfer tax due.

For historical and projected data see the “Miscellaneous Revenues” table

## MISCELLANEOUS REVENUE HISTORY AND FORECAST (\$1,000)

Year		General Fund Portion									
		Estate Tax	Interest Earnings	Court Fees & Fines	Insurance Premium Tax	Alcoholic Beverage Licenses	Unclaimed Property	UCC Filings	Lands	One-Time Transfers	Other Depts. and Transfers
FY08	Actual	\$29	\$11,366	\$5,332	\$56,343	\$1,920	\$5,627	\$2,821	\$688	\$2,244	\$30,177
FY09	Actual	\$238	\$760	\$5,354	\$55,479	\$1,610	\$1,782	\$2,424	\$978	\$1,426	\$31,701
FY10	Actual	(\$173)	(\$1,318)	\$5,384	\$53,632	\$1,469	\$8,225	\$2,419	\$647	\$1,544	\$32,706
FY11	Actual	\$521	(\$431)	\$5,117	\$54,118	\$1,524	\$4,512	\$2,413	\$622	\$4,882	\$30,433
FY12	Actual	(\$22)	(\$604)	\$4,849	\$56,580	\$1,557	\$8,888	\$2,428	\$1,042	\$16,155	\$27,897
FY13	Actual	\$63	\$356	\$4,592	\$55,622	\$128	\$6,997	\$2,538	\$830	\$4,530	\$29,453
FY14	Actual	\$304	(\$366)	\$4,356	\$59,356	\$0	\$5,655	\$2,702	\$1,231	\$4,222	\$28,508
FY15	Actual	\$0	(\$1,571)	\$6,141	\$61,747	(\$3)	\$6,293	\$2,765	\$720	\$1,987	\$26,198
FY16	Actual	\$0	\$324	\$6,025	\$72,123	\$0	\$9,928	\$3,009	\$0	\$8,596	\$27,192
FY17	Actual	\$0	(\$147)	\$8,444	\$75,423	\$0	\$10,369	\$3,169	\$130	\$14,338	\$28,796
FY18	Actual	\$0	\$4,654	\$9,184	\$70,486	(\$0)	\$8,507	\$3,484	\$1,141	\$8,806	\$7,424
FY19	Projection	\$0	\$6,389	\$7,852	\$67,886	\$0	\$9,000	\$3,684	\$32	\$3,053	\$12,766
FY20	Projection	\$0	\$12,390	\$7,886	\$68,416	\$0	\$9,000	\$3,885	\$31	\$0	\$12,379
FY21	Projection	\$0	\$13,002	\$8,007	\$70,409	\$0	\$9,000	\$4,085	\$31	\$0	\$12,582

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# *Idaho's Tax Structure*

## Exemptions, Credits, Exclusions, and Deductions



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## INTRODUCTION

This is a 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 typically 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.

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 good (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. 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.

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, practical ramifications prevent Idaho from making large deviations from federal tax law. 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 applies 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 is because all income that falls into a particular bracket is taxed at that bracket's rate.

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. 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 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. 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.

Sales and income tax expenditures 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 6.925% on corporate income. Individual income tax rates progress from a bottom rate of 1.125% to a top rate of 6.925%. 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: expenditures based on the source of income (exclusions) and expenditures 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 regarding 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  
Right Income Adjustment Credit  
Riparian Land Improvements Credit (Sunset 2002)  
Broadband Investment Credit  
County Incentive Investment Tax Credit (Sunset 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 (Sunset 2020)  
Small Employer Real Property Improvement Credit (Sunset 2020)  
Small Employer New Jobs Credit (Sunset 2020)  
Live Organ Donation Expenses Credit  
Biofuel Investment Tax Credit (Sunset 2011)  
Special Job Credit (Sunset 2016)  
Reimbursement Incentive Credit  
Certain Charitable Contributions Deduction  
Child Income Tax Credit (Sunset 2025)

**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, fabricating, 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)
- Vehicles and Vessels Sold to Nonresidents
- 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 Snow grooming 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 (Sunset 2016)  
State Tax Anticipation Revenue  
Motor Vehicles of Nonresident Students  
Personal Property of Military Personnel  
Beverage and Food Samples  
Beverage and Food Donations  
Prepared Beverage and Food Given to Employees

**Principal Idaho sales tax expenditures relating to specific goods and services are:**

**Goods Not Taxed**

Motor Fuels  
Heating Materials  
Utility Sales  
Used Manufactured 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  
Remotely-Accessed Computer Software

**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

	CY2017	CY2018	CY2019	CY2020
<b>1</b>	<b>Income Tax Expenditures (Calendar Year Basis)</b>			
1.1	<b>Uses of Income Not Taxed</b>			
1.1.01	\$43,379	\$46,505	\$49,084	\$51,045
1.1.02	\$83,649	\$87,837	\$91,831	\$96,780
1.1.03	\$917	\$955	\$996	\$1,038
1.1.04	\$9,946	\$10,444	\$10,919	\$11,507
1.1.05	\$9,674	\$10,183	\$10,646	\$11,220
1.1.06	\$149,836	\$152,426	\$154,555	\$156,926
1.1.07	\$15	\$15	\$15	\$15
1.1.08	\$73	\$72	\$75	\$80
1.1.09	\$1,581	\$1,499	\$1,525	\$1,565
1.1.10	\$537	\$525	\$549	\$578
1.1.11	\$1,576	\$1,539	\$1,609	\$1,696
1.1.12	\$400	\$400	\$400	\$400
1.1.13	\$4,568	\$4,281	\$4,326	\$4,368
1.1.14	\$3,501	\$3,534	\$3,690	\$3,871
1.1.15	\$22,742	\$22,061	\$23,187	\$24,526
1.1.16	\$50	\$48	\$50	\$52
1.1.17	\$43	\$133	\$133	\$133
1.1.18	\$1,356	\$1,325	\$1,385	\$1,460
1.1.19	\$40	\$37	\$37	\$37
1.1.20	Sunset	Sunset	Sunset	Sunset
1.1.21	\$4,523	\$4,849	\$5,118	\$5,322
1.1.22	\$261	\$261	\$261	\$261
1.1.23	\$12,643	\$13,554	\$14,306	\$14,878
1.1.24	\$9	\$9	\$9	\$9
1.1.25	Repealed	Repealed	Repealed	Repealed
1.1.26	Repealed	Repealed	Repealed	Repealed
1.1.27	Repealed	Repealed	Repealed	Repealed
1.1.28	\$646	\$646	\$646	\$646
1.1.29	\$157	\$157	\$157	\$157
1.1.30	\$52	\$52	\$52	\$52
1.1.31	\$35	\$35	\$35	\$35
1.1.32	Sunset	Sunset	Sunset	Sunset
1.1.33	Sunset	Sunset	Sunset	Sunset
1.1.34	\$9,000	\$12,000	\$15,000	\$18,000
1.1.35	\$25	\$23	\$23	\$23
1.1.36	\$0	\$67,300	\$68,300	\$69,100
1.2	<b>Sources of Income Not Taxed</b>			
1.2.01	\$27,121	\$27,069	\$28,277	\$29,776
1.2.02	\$1,901	\$1,848	\$1,923	\$2,043
1.2.03	\$86,944	\$84,235	\$87,980	\$92,995
1.2.04				
1.2.05	\$8,978	\$8,626	\$9,008	\$9,521
1.2.06	\$5,339	\$5,483	\$5,579	\$5,678
1.2.07	\$804	\$790	\$826	\$870
1.2.08	\$0	\$0	\$0	\$0
1.2.09	\$0	\$0	\$0	\$0
1.2.10	\$250	\$234	\$234	\$234
1.2.11	\$440	\$412	\$412	\$412

# Idaho's Tax Structure

## Fiscal Summary

\$ Thousands

	FY2018	FY2019	FY2020	FY2021
<b>2 Sales Tax Expenditures (Fiscal Year Basis)</b>				
<b>2.1 Specific Uses Not Taxed</b>				
2.1.01 Production Exemption - Equipment	\$119,634	\$126,340	\$132,835	\$137,254
2.1.02 Production Exemption - Supplies	\$90,563	\$95,640	\$100,556	\$103,901
2.1.03 Irrigation Equipment and Supplies	\$4,546	\$4,660	\$4,776	\$4,896
2.1.04 Pollution Control Equipment	\$13,455	\$14,401	\$15,369	\$16,265
2.1.05 Broadcast Equipment and Supplies	\$3,063	\$3,235	\$3,401	\$3,514
2.1.06 Publishing Equipment and Supplies	\$196	\$207	\$218	\$225
2.1.07 Commercial Aircraft	\$2,154	\$2,154	\$2,154	\$2,154
2.1.08 Railroad Rolling Stock and Remanufacturing	\$2,550	\$2,550	\$2,550	\$2,550
2.1.09 Interstate Trucks	\$8,286	\$8,492	\$8,706	\$9,094
2.1.10 Out-of-State Contracts	\$5,103	\$5,390	\$5,667	\$5,855
2.1.11 Trade-in Value	\$35,377	\$36,254	\$37,167	\$38,823
2.1.12 Sale or Lease of Businesses or Business Assets	\$2,422	\$2,558	\$2,689	\$2,779
2.1.13 SNAP/WIC	\$15,462	\$15,986	\$16,405	\$16,887
2.1.14 Vehicles and Vessels Sold to Nonresidents	\$19,949	\$20,444	\$20,959	\$21,893
2.1.15 Common Carrier Purchases and Out-of-State Sales	NA	NA	NA	NA
2.1.16 Donations of Real Property to Idaho Government	\$4	\$4	\$4	\$4
2.1.17 Incidental Sales of Tangible Personal Property	\$12	\$12	\$12	\$12
2.1.18 Lodging, Eating, and Drinking Places	\$93	\$98	\$102	\$105
2.1.19 School Lunches and Senior Citizen Meals	\$5,073	\$5,207	\$5,405	\$5,631
2.1.20 Drivers Education Automobiles	\$38	\$38	\$38	\$38
2.1.21 Ski Lifts and Snowgrooming Equipment	\$600	\$600	\$600	\$600
2.1.22 Clean Rooms	\$480	\$480	\$480	\$480
2.1.23 Alternative Electricity-Producing Equipment	Sunset	Sunset	Sunset	Sunset
2.1.24 Research and Development Equipment	\$7,200	\$7,200	\$7,200	\$7,200
2.1.25 Corporate Headquarters Construction	Repealed	Repealed	Repealed	Repealed
2.1.26 Small Employer Headquarters Construction	\$115	\$115	\$115	\$115
2.1.27 Glider Kit Vehicles	\$364	\$373	\$382	\$399
2.1.28 Media Production Projects	Sunset	Sunset	Sunset	Sunset
2.1.29 State Tax Anticipation Revenue	\$10,061	\$10,861	\$11,661	\$12,461
2.1.30 Motor Vehicles of Nonresident Students	\$25	\$25	\$26	\$26
2.1.31 Personal Property of Military Personnel	NA	NA	NA	NA
2.1.32 Beverage and Food Samples	\$17	\$18	\$18	\$19
2.1.33 Beverage and Food Donations	\$10	\$10	\$10	\$10
2.1.34 Prepared Beverage and Food Given to Employees	\$159	\$160	\$162	\$165
<b>2.2 Goods Not Taxed</b>				
2.2.01 Motor Fuels	\$158,986	\$181,227	\$186,492	\$177,918
2.2.02 Heating Materials	\$4,076	\$5,235	\$5,728	\$5,556
2.2.03 Utility Sales	\$111,473	\$114,817	\$118,262	\$121,809
2.2.04 Used Manufactured Homes	\$2,760	\$2,760	\$2,760	\$2,760
2.2.05 Vending Machines and Amusement Devices	\$0	\$0	\$0	\$0
2.2.06 Prescriptions and Durable Medical Equipment	\$65,348	\$69,015	\$73,083	\$78,689
2.2.07 Funeral Caskets	\$1,672	\$1,722	\$1,774	\$1,827
2.2.08 Containers	\$43	\$46	\$47	\$49
2.2.09 Nonprofit Literature	\$146	\$148	\$150	\$153
2.2.10 Official Documents	\$72	\$73	\$74	\$76
2.2.11 Precious Metal Bullion	\$558	\$558	\$558	\$558
2.2.12 Idaho Commemorative Silver Medallions	\$2	\$2	\$2	\$2
2.2.13 New Manufactured Homes or Modular Buildings	\$2,645	\$2,714	\$2,802	\$2,893
2.2.14 Telecommunications Equipment	\$3,019	\$3,321	\$3,653	\$4,019
2.2.15 Personal Property Tax on Rentals	\$400	\$400	\$400	\$400
2.2.16 Remotely-Accessed Computer Software	\$8,745	\$9,158	\$9,457	\$9,762

# Idaho's Tax Structure

## Fiscal Summary

\$ Thousands

	FY2018	FY2019	FY2020	FY2021
<b>2.3 Services Not Taxed</b>				
2.3.01 Construction	\$182,301	\$198,191	\$212,639	\$229,365
2.3.02 Agricultural and Industrial Services	\$5,267	\$5,361	\$5,471	\$5,584
2.3.03 Transportation Services	\$53,534	\$55,116	\$57,033	\$58,647
2.3.04 Information Services	\$104,818	\$106,229	\$108,008	\$109,671
2.3.05 Repairs	\$63,180	\$66,477	\$69,907	\$73,372
2.3.06 Professional Services	\$243,571	\$256,282	\$269,507	\$282,865
2.3.07 Business Services	\$156,997	\$165,190	\$173,714	\$182,324
2.3.08 Personal Services	\$13,112	\$13,796	\$14,508	\$15,227
2.3.09 Health and Medical Services	\$554,368	\$581,510	\$613,156	\$648,341
2.3.10 Social Services	\$85,044	\$89,208	\$94,062	\$99,460
2.3.11 Educational Services	\$58,081	\$61,112	\$64,266	\$67,451
2.3.12 Lottery Tickets and Pari-Mutuel Betting	\$15,157	\$15,763	\$16,394	\$17,049
2.3.13 Media Measurement Services	\$79	\$81	\$84	\$86
2.3.14 Miscellaneous Services	\$5,149	\$5,418	\$5,698	\$5,980
2.3.15 Nonprofit Shooting Range Fees	\$45	\$48	\$50	\$53
2.3.16 Gratuities for Meals	\$236	\$244	\$250	\$258
<b>2.4 Specific Entities Not Taxed</b>				
2.4.01 Educational Institution Purchases	\$9,766	\$10,646	\$11,091	\$11,402
2.4.02 Hospital Purchases	\$32,239	\$33,827	\$35,668	\$37,715
2.4.03 Health Entity Purchases	\$512	\$548	\$574	\$599
2.4.04 Canal Company Purchases	\$1,095	\$1,118	\$1,143	\$1,165
2.4.05 Forest Protective Association Purchases	\$48	\$49	\$50	\$51
2.4.06 Food Bank Purchases	\$366	\$386	\$404	\$421
2.4.07 Nonsale Clothier Purchases	\$1	\$1	\$1	\$1
2.4.08 Centers for Independent Living	\$7	\$7	\$7	\$7
2.4.09 State of Idaho and Local Government Purchases	\$31,974	\$35,450	\$37,216	\$38,815
2.4.10 Ronald McDonald House Rooms	\$1	\$1	\$1	\$1
2.4.11 INL Research and Development Purchases	\$6,366	\$6,695	\$7,093	\$7,419
2.4.12 Motor Vehicle Purchases by Family Members	\$2,319	\$2,376	\$2,436	\$2,545
2.4.13 Sales by 4-H and FFA Clubs at Fairs	\$28	\$28	\$28	\$28
2.4.14 Sales by Non-Retailers (Yard and Occasional Sales)	\$4,207	\$4,426	\$4,633	\$4,834
2.4.15 Sales by Indian Tribes on Reservations	\$5,996	\$6,326	\$6,564	\$6,750
2.4.16 Sales of Meals by Churches to Members	\$15	\$15	\$16	\$16
2.4.17 Sales by Outfitters and Guides	\$16	\$16	\$16	\$16
2.4.18 Sales Through Vending Machines	\$2,840	\$2,936	\$3,013	\$3,102
2.4.19 Auto Manufacturer Rebates	\$765	\$784	\$804	\$839
2.4.20 Incidental Sales by Churches	\$1,054	\$1,109	\$1,160	\$1,211
2.4.21 Federal Excise Tax Imposed at Retail Level	NA	NA	NA	NA
2.4.22 Federal Constitutional Prohibitions	NA	NA	NA	NA
2.4.23 Other Federal and State Statutory Prohibitions	NA	NA	NA	NA
2.4.24 Volunteer Fire Departments and Emergency Medical Servi	\$237	\$250	\$261	\$273
2.4.25 Senior Citizens Centers	\$57	\$60	\$62	\$65
2.4.26 Blind Services Foundation, Inc.	\$10	\$10	\$11	\$11
2.4.27 Advocates for Survivors of Domestic Violence and Sexual ,	\$12	\$13	\$13	\$14
2.4.28 Free Dental Clinics	\$14	\$14	\$15	\$16
2.4.29 Museums	\$259	\$272	\$285	\$297

## TAX STRUCTURE DETAIL

Specific Idaho tax expenditures are detailed in the sections below. Each section contains the relevant *Idaho Code* reference, a brief description of the expenditure, 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 income tax 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 to include part-year residents. 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; North Idaho Children's Home; Idaho Youth Ranch; 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.; Shepherd's Home, Inc.; Project Safe Place; 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 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; to the Idaho Council for the Deaf and Hard of Hearing; to the Idaho STEM action center; or to Idaho-based, accredited medical education residency programs or their nonprofit support organizations. 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. Deductions for donations to certain educational foundations, trusts, or associations are not allowed after December 31, 2019.

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 charitable contributions are monetary donations less the value of any benefits received. Amended in 2016 to include donations to the Idaho STEM action center. Medical residency contributions were added in 2018.

#### **1.1.06 Grocery Credit *Idaho Code 63-3024A***

Description: Idaho grants a \$100 grocery tax credit for each taxpayer and their dependents. 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 residents under 65 years of age. In 2008, Idaho households with no more than \$1,000 of taxable income received a \$50 grocery tax credit for each taxpayer and each dependent. After that year, the credit increased by \$10 per year until it reached \$100.

The grocery tax credit for households with more than \$1,000 of taxable income started at \$30 in 2008 and increased by \$10 annually until it reached \$100.

#### **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 exceed the taxpayer's cost of the technological equipment or 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 to replace wood stoves in taxpayers' residences that do not meet environmental protection agency certification requirements. 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 Idaho residences that “existed” as of January 1, 2002 and served as the primary residence of the taxpayer. A building “existed” if it was already built, under construction, or subject to an outstanding building permit.

History: Enacted in 1976 for buildings existing as of January 1, 1976. Amended in 2012 to include residences existing as of January 1, 2002. Amended in 2013 to include only primary residences.

### **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 defined in Chapter 54, Title 33, *Idaho Code*. The amount of the deduction is limited to a maximum of \$6,000 per tax year or \$12,000 per tax year for married couples filing a joint return.

History: Enacted in 2000. Amended in 2017 to increase maximum for single filers from \$4,000 to \$6,000 and joint filers from \$8,000 to \$12,000.

### **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 at least 65 years old 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 \$10,000 of actual legal fees and medical costs incurred in an adoption.

History: This deduction was enacted in 1994 with a ceiling of \$3,000.

#### **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 \$10,000 per taxpayer each year. The limit for married couples filing joint returns is \$20,000. Other restrictions apply.

History: This deduction was enacted in 1994 as Title 41, Chapter 53. It was amended in 1995 to eliminate a restriction to high-deductible insurance policies, to eliminate administrative responsibilities from the depository institution, and to allow taxpayer funded accounts to qualify. Also, it was moved to 63-3022K in 1995. The maximum deduction was raised to \$10,000 per taxpayer in 2014. The previous cap was \$2,000 per taxpayer.

#### **1.1.19 Right Income Adjustment Credit *Idaho Code 63-3029F***

Description: A refundable credit for the difference between the Idaho state income tax liability for the year income was included in taxable income and the Idaho state income tax that would have been paid had the income not been included in taxable under the claim of right doctrine. Applies in situations where a taxpayer does not receive a benefit from the deduction thereby effectively paying tax on income they had fully repaid.

History: Enacted in 2015.

#### **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: Effective January 1, 1998 through 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 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. Sunset in 2001.

History: Enacted in 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 which 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 which 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 expenses associated with a live organ donation. Only the portion of direct expenses that are not reimbursed is eligible. 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.

#### **1.1.34 Reimbursement Incentive Credit *Idaho Code 67-4737***

Description: A refundable income tax credit of up to 30% for up to 15 years on new corporate business income tax (from corporations, pass through entities and proprietorships), sales and use tax, and personal income tax withheld from employees paid as a result of a qualifying project. The actual tax credit percentage and project term is negotiated by the Director of the Idaho Department of Commerce based upon the quality of jobs created, regional economic impact, and return on investment for Idaho, subject to the approval of the Idaho Economic Advisory Council. The Governor may suspend the issuance of new credits if a holdback is issued. However, all credits set prior to any holdback will be honored by the state.

History: Effective July 1, 2014.

#### **1.1.35 Certain Charitable Contributions Deduction *Idaho Code 63-3022U***

Description: This deduction is allowed when a net operating loss occurs in the same tax period as a charitable contribution and causes the taxpayer to lose part of the charitable contribution deduction. This allows an additional deduction in the amount of the charitable contribution deduction that was lost.

History: Enacted in 2015. Effective January 1, 2014.

#### **1.1.36 Child Income Tax Credit *Idaho Code 63-3029L***

Description: The state provides a nonrefundable \$205 individual income credit per qualifying child of the taxpayer.

History: Effective from January 1, 2018 to December 31, 2025.

#### **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. These properties include: 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. Amended in 2015 to allow exclusion to owners for

income from pass-through entities that derive at least half their gross income from farming or ranching. Amended in 2015 to include qualified conservation easements, certain grazing permits and leases, and any 1250 property as defined in the Internal Revenue Code.

#### **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 the interest earned on federal government securities. 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. Expanded in 2015 to include benefits of the Foreign Service Retirement and Disability System.

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 100% exclusion. Amended in 1997 to limit the income exclusion to prizes of less than \$600 starting on January 1, 1998. Amended in 1998 to restrict the exclusion to Idaho State Lottery winnings.

#### **1.2.07 Indian Earnings on Reservation Exclusion *Idaho Code 63-3022S***

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

History: This exclusion is the result of various treaties and case law. Codified in 2014 and is retroactive to January 1, 2013.

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

Description: Amounts paid to individuals from the US 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. Since 2003 the federal standard deduction for joint filers has been twice the standard deduction for single filers.

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.

#### **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 threshold 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 2.1.34 cover sales tax expenditures that are related to the specific uses of goods and services; 2.2.01 through 2.2.16 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 produced by the 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 entitled 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, mining, and fishing and hunting operations. 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.

Certain specific exclusions from the production exemption exist. They include: 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, the 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 to produce energy. Amended in 2015 to include hand tools with a unit purchase price of \$100 or less and fishing and hunting operations. Expanded in 2016 to include hand tools used in other industries.

### **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. However, 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 to produce energy.

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

Description: Exempts agricultural irrigation equipment and supplies, including those attached to real property and regardless 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).

### **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).

### **2.1.07 Commercial Aircraft *Idaho Code 63-3622GG***

Description: Exempts aircraft purchased for commercial transport of passengers or freight and 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 to include parts used in nonresident, private aircraft. Expanded in 2016 to exempt aircraft primarily contracted by government entities in supervising wildfire fighting operations.

### **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 the sale or lease of trucks weighing over 26,000 pounds when immediately registered in the international registration plan, as well as their trailers. Ten percent of the total fleet miles outside of Idaho in any fiscal year.

History: Enacted in 1989.

**2.1.10 Out-of-State Contracts *Idaho Code 63-3622B***

Description: Exempts goods purchased by contractors to install into real property in nontaxing states.

History: Originally enacted in 1965 as 63-3622(b), it was amended in 1993 to extend to non-Idaho contractors.

**2.1.11 Trade-in Value *Idaho Code 63-3613(b)2***

Description: Excludes from the taxable sales price any amounts allowed for merchandise traded in on other like goods.

History: Enacted in 1965. Amended in 1990 to include trade-downs and barter.

**2.1.12 Sale or Lease of Businesses or Business Assets *Idaho Code 63-3622K(b)(2-5)***

Description: Exempts sales of otherwise taxable merchandise, equipment, and supplies in cases where the entire business operation is undergoing transfer of ownership and the business itself will continue its operations. It also exempts sales of businesses that amount to a change in the form of business ownership. It also exempts sales and leases of capital assets between closely related businesses, but only if the sales tax has previously been paid on the capital asset.

History: Originally enacted as 63-3622(l), it was amended in 1967 to add bulk sales and change in form of doing business by adopting a new definition (Section 63-3612A). 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 Vehicles and Vessels Sold to Nonresidents *Idaho Code 63-3622R(a)***

Description: Exempts from the sales tax certain vehicles and vessels sold to nonresidents for use outside the state.

History: Originally enacted as 63-3622(q) in 1965, it exempted motor vehicles and trailers sold in Idaho for use out-of-state. Amended in 2015 to exempt utility type vehicles and other specialty off-highway vehicles.

**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 the State of Idaho, its political subdivisions, or a nonprofit listed in 63-3622O, where the donated 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.

**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 through December 31, 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. Sunset 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 threshold from \$8 million to \$6 million.

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

Description: Exempts full-time, nonresident post-secondary students' vehicles 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.

**2.1.33 Beverage and Food Donations *Idaho Code 63-3621(o)***

Description: Exempts beverages and food donated to individuals or nonprofit organizations.

History: Enacted in 2014.

**2.1.34 Prepared Beverage and Food Given to Employees *Idaho Code 63-3621(p)***

Description: Exempts food or beverages provided free of charge to their employees by food and beverage retailers.

History: Enacted in 2015.

### **2.2.01 Motor Fuels *Idaho Code 63-3622C***

Description: Exempts on-road use of motor fuels subject to motor fuels tax and 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 any material burned to heat buildings or homes.

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 Manufactured Homes *Idaho Code 63-3622R(b)***

Description: Exempts sales of used manufactured homes from the sales tax.

History: Original 63-3622(u) amended in 1976 to exempt sales of used manufactured homes.

### **2.2.05 Vending Machines and Amusement Devices *Idaho Code 63-3622II***

Description: Exempts money-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, artificial 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 dental fillings and qualified items prescribed by physician assistants. Amended in 2015 to include eyeglasses and contact lenses.

### **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.

### **2.2.16 Remotely-Accessed Computer Software *Idaho Code 63-3616(b)***

Description: Certain computer software are not tangible personal property by definition and therefore not subject to the Idaho sales tax. They are: custom computer programs;



computer software that is delivered electronically; remotely-accessed computer software; and computer software that are delivered by the load and leave method. Digital music, digital books, digital videos, and digital games are not tangible personal property subject to the sales tax if purchaser does not have permanent rights to the product.

History: Enacted in 2013. Amended in 2014 to exclude computer software delivered electronically or by the load and leave method. Amended in 2015 to specify that digital music, digital books, digital videos, and digital games are not tangible personal property subject to the sales tax if purchaser does not have permanent rights to the product.

### **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 per 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 under 63-3612. In 63-3609(a) 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.”

### **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. Exceptions (i.e., taxable transportation charges) include transportation of manufactured homes by the dealer and the cost of transportation prior to the sale. NAICS major groups 481 through 492 are included in this category.

History: Transportation services have generally been exempt since the enactment of the 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, telephone call centers, 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, and funeral 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, and hospitals 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: Child day care, elderly and disabled, and community food 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, 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 exemption 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 following: Idaho Cystic Fibrosis Foundation, Idaho Epilepsy League, Idaho Lung Association, March of Dimes, American Cancer Society, Camp Rainbow Gold, 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, Idaho Diabetes Youth Program, Idaho Women’s and Children’s Alliance, Special Olympics Idaho and the Idaho Association of Free and Charitable Clinics. It also includes the local or regional chapters or divisions of these entities.

History: Amended in 1980 to add a 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 under the Idaho Forestry Act.

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 that furnishes 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 that provides 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 retailers. 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 made by Idaho Indian tribal businesses on an Indian reservation from sales and use taxes. This exemption includes a detailed definition of a 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 a 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 emergency medical service agencies.

History: Enacted in 2002.

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

Description: Exempts purchases by senior citizen centers.

History: Enacted in 2002.

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

Description: Exempts purchases by Blind Services Foundation, Inc.

History: Enacted in 2004.

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

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

History: Enacted in 2006

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

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

History: Enacted in 2006

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

Description: Exempts purchases by and admissions to nonprofit museums.

History: Enacted in 2006

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63-3613(b)4	2.3.05	Repairs
63-3613(b)5	2.4.21	Federal Excise Tax Imposed at Retail Level
63-3613(b)7	2.3.03	Transportation Services
63-3613(b)8	2.4.19	Auto Manufacturer Rebates
63-3613(b)9	2.4.17	Sales by Outfitters and Guides
63-3613(b)10	2.2.14	Telecommunications Equipment
63-3613(c)	2.2.13	New Manufactured Homes or Modular Buildings
63-3613(e)	2.4.18	Sales Through Vending Machines
63-3613(f)	2.3.16	Gratuities for Meals
63-3616(b)	2.2.16	Remotely-Accessed Computer Software
63-3620C(3)(b)	1.1.24	Promoter Sponsored Events Credit
63-3621(a)	2.2.14	Telecommunications Equipment
63-3621(k)	2.1.30	Motor Vehicles of Nonresident Students
63-3621(l)	2.1.31	Personal Property of Military Personnel
63-3621(m)	2.1.16	Donations of Real Property to Idaho Government
63-3621(n)	2.1.32	Beverage and Food Samples
63-3621(o)	2.1.33	Beverage and Food Donations
63-3621(p)	2.1.34	Prepared Beverage and Food Given to Employees
63-3622A	2.4.22	Federal Constitutional Prohibitions
63-3622AA	2.2.10	Official Documents
63-3622B	2.1.10	Out-of-State Contracts
63-3622BB	2.4.11	INL Research and Development Purchases
63-3622C	2.2.01	Motor Fuels
63-3622CC	2.1.08	Railroad Rolling Stock and Remanufacturing
63-3622D	2.1.01 2.1.02	Production Exemption - Equipment Production Exemption - Supplies
63-3622DD	2.1.08	Railroad Rolling Stock and Remanufacturing
63-3622E	2.2.08	Containers
63-3622EE	2.1.13	SNAP/WIC
63-3622F	2.2.03	Utility Sales
63-3622FF	2.1.13	SNAP/WIC
63-3622G	2.2.02	Heating Materials
63-3622GG	2.1.07	Commercial Aircraft
63-3622I	2.2.09	Nonprofit Literature
63-3622II	2.2.05	Vending Machines and Amusement Devices
63-3622J	2.1.19 2.4.16	School Lunches and Senior Citizen Meals Sales of Meals by Churches to Members
63-3622JJ	2.1.01 2.1.02	Production Exemption - Equipment Production Exemption - Supplies
63-3622K(b)(1,6,8)	2.4.14	Sales by Nonretailers (Yard and Occasional Sales)
63-3622K(b)(2-5)	2.1.12	Sale or Lease of Businesses or Business Assets
63-3622K(b)7	2.4.13	Sales by 4-H and FFA Clubs at Fairs
63-3622K(c)	2.4.12	Motor Vehicle Purchases by Family Members
63-3622KK	2.4.20	Incidental Sales by Churches

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63-3622LL	2.3.13	Media Measurement Services
63-3622N	2.2.06	Prescriptions and Durable Medical Equipment
63-3622NN	2.1.22	Clean Rooms
63-3622O(1)(a)	2.4.01 2.4.02 2.4.03 2.4.04 2.4.05	Educational Institution Purchases Hospital Purchases Health Entity Purchases Canal Company Purchases Forest Protective Association Purchases
63-3622O(1)(b,c)	2.4.06	Food Bank Purchases
63-3622O(1)(d)	2.4.07	Nonsale Clothier Purchases
63-3622O(1)(e)	2.4.08	Centers for Independent Living
63-3622O(1)(f)	2.4.09	State of Idaho and Local Government Purchases
63-3622O(1)(g)	2.4.24	Volunteer Fire Departments and Emergency Medical Service Agencies
63-3622O(1)(h)	2.4.25	Senior Citizens Centers
63-3622O(1)(i)	2.4.26	Blind Services Foundation, Inc.
63-3622O(1)(j)	2.4.27	Advocates for Survivors of Domestic Violence and Sexual Assault
63-3622O(1)(k)	2.4.28	Free Dental Clinics
63-3622O(1)(l)	2.4.29	Museums
63-3622O(5)	2.4.10	Ronald McDonald House Rooms
63-3622P	2.1.15	Common Carrier Purchases and Out-of-State Sales
63-3622PP	2.2.12	Idaho Commemorative Silver Medallions
63-3622Q	2.1.15	Common Carrier Purchases and Out-of-State Sales
63-3622QQ	2.1.23	Alternative Electricity-Producing Equipment
63-3622R(a)	2.1.14	Vehicles and Vessels Sold to Nonresidents
63-3622R(b)	2.2.04	Used Manufactured Homes
63-3622R(c)	2.1.09	Interstate Trucks
63-3622R(d)	2.1.27	Glider Kit Vehicles
63-3622R(e)	2.1.20	Drivers Education Automobiles
63-3622RR	2.1.24	Research and Development Equipment
63-3622S	2.1.05	Broadcast Equipment and Supplies
63-3622SS	2.3.15	Nonprofit Shooting Range Fees
63-3622T	2.1.06	Publishing Equipment and Supplies
63-3622TT	2.1.28	Media Production Projects
63-3622U	2.2.07	Funeral Caskets
63-3622UU	2.2.15	Personal Property Tax on Rentals
63-3622V	2.2.11	Precious Metal Bullion
63-3622W	2.1.03	Irrigation Equipment and Supplies
63-3622X	2.1.04	Pollution Control Equipment
63-3622Y	2.1.21	Ski Lifts and Snowgrooming Equipment
63-3622Z	2.4.15	Sales by Indian Tribes on Reservations
63-3641	2.1.29	State Tax Anticipation Revenue
63-4403	1.1.28	Small Employer Capital Investment Credit
63-4404	1.1.29	Small Employer Real Property Improvement Credit
63-4405	1.1.30	Small Employer New Jobs Credit
63-4408	2.1.26	Small Employer Headquarters Construction
67-4737	1.1.34	Reimbursement Incentive Credit
67-7439	1.2.06 2.3.12	Idaho Lottery Winnings Exclusion Lottery Tickets and Pari-Mutuel Betting