

General Fund Revenue Book

- Economic Forecast
- Revenue Projections
- Tax Structure

Fiscal Year 2021

July 1, 2020 - June 30, 2021



BRAD LITTLE
Governor

State of Idaho
Brad Little, Governor

General Fund Revenue Book

**FY 2021 Executive Budget
January 2020**

- Economic Forecast
- Revenue Projections
- Tax Structure

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

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

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

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

¹The IEM is in turn based on the IHS 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 2020 *Idaho Economic Forecast*,
a publication produced by the
Idaho Division of Financial Management.

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EXECUTIVE SUMMARY

Dollar changes in US GDP have been \$804 billion for 2017 over 2016, then \$1.06 trillion for 2018 over 2017. The IHS projection for 2019 over 2018 is for an additional \$844 billion, and the expectation for 2020 over 2019 is for an additional \$909 billion. Adjusting for inflation, these nominal changes become what is termed real growth. As percentages, real growth came in at 2.4% for 2017, then 2.9% for 2018, and IHS is projecting 2.3% for 2019, with an expected 2.1% reading for 2020. The remainder of the forecast shows real growth at 2.0% in 2021, then 1.6% in 2022, and 1.5% in 2023.

Hampering the economy, but not included in the November IHS forecast, because the announcement just came from Boeing in December, is the halting of production of the 737-Max airliner. The firm has a preliminary estimate that real GDP will take a hit of 0.5 percentage points in the quarters of suspended production, should Boeings suppliers slow or halt production. That seems to be happening for supplier in the Wichita area. An unanticipated aid for the economy is the “phase one” trade deal between the US and China announced December 13. IHS had left in place the December 15 enactment of additional tariffs on the remaining Chinese goods imported into the US. Those were called off. Higher equity values have resulted. These raise household wealth and, with it, consumer spending. Consumer spending is the largest component of GDP. Likely, both imports and exports will also be higher due to the trade détente. The remaining key assumptions to the IHS forecast look to be met, and it is worth remembering that the US census will aid the economy in 2020. Jobs numbers will be boosted, and with that boost will be additional personal income.

Job growth at the national level is projected to slow, driven by demographics and low unemployment and underemployment rates. Headline unemployment has held at or below 4.0% since the start of 2019. Underemployment has fallen from 8.1% in January to 6.9% in November. Nonfarm jobs growth has been 1.6–1.8% in 2016–2018, and 1.6% is the projection for 2019. Under the forecast, that slows to 1.2% in 2020, then 0.8% in 2021, with just 0.4% in 2022 and 0.1% in 2023. IHS provides alternative forecasts. In the optimistic case, jobs growth slows to 1.4%, then 0.8%, with 0.3% in both 2022 and 2023. The firm puts this outcome at 10% likely. In the pessimistic case, jobs growth slows to 1.0% before reversing by 1.1% in a mild recession in 2021 which lingers to a further 0.2% nonfarm jobs contraction in 2022. This outcome is 35% likely by the firm’s estimate.

The forecast for Idaho’s nonfarm jobs is growth of 2.9% in 2019 diminishing just slightly to 2.7% in 2020. The figure is then tenaciously 2.0% across 2021–2023. This is quite a bit stronger than the national counterpart. Even in the pessimistic case, growth remains at or above 1.1%, while the optimistic case sees nonfarm jobs growth always above 2.4%. Personal income expands 6.0% in 2019 under the baseline, almost matches that at 5.8% in 2020, then slows a bit to 4.9% in 2021, 4.6% in 2022, and 4.8% in 2023. In the optimistic case, personal income growth stays above 5.5% across the forecast, whereas in the pessimistic case, personal income growth slows to 2.1% in 2021. Total personal income in Idaho is expected to be above \$86 billion in all three cases in 2020.

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2020

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
U.S. GDP (BILLIONS)											
Current \$	16,785	17,527	18,225	18,715	19,519	20,580	21,424	22,333	23,298	24,253	25,217
% Ch	3.6%	4.4%	4.0%	2.7%	4.3%	5.4%	4.1%	4.2%	4.3%	4.1%	4.0%
2009 Chain-Weighted	16,495	16,912	17,404	17,689	18,108	18,638	19,061	19,458	19,846	20,165	20,467
% Ch	1.8%	2.5%	2.9%	1.6%	2.4%	2.9%	2.3%	2.1%	2.0%	1.6%	1.5%
PERSONAL INCOME - CURR \$											
Idaho (Millions)	58,338	61,827	65,825	68,445	72,355	77,012	81,655	86,387	90,589	94,751	99,290
% Ch	3.9%	6.0%	6.5%	4.0%	5.7%	6.4%	6.0%	5.8%	4.9%	4.6%	4.8%
Idaho Nonfarm (Millions)	56,053	59,457	63,598	66,495	70,757	75,497	79,827	84,367	88,427	92,468	96,880
% Ch	3.5%	6.1%	7.0%	4.6%	6.4%	6.7%	5.7%	5.7%	4.8%	4.6%	4.8%
U.S. (Billions)	14,181	14,992	15,718	16,121	16,879	17,819	18,668	19,389	20,185	21,042	21,932
% Ch	1.2%	5.7%	4.8%	2.6%	4.7%	5.6%	4.8%	3.9%	4.1%	4.2%	4.2%
PERSONAL INCOME - 2009 \$											
Idaho (Millions)	57,561	60,123	63,878	65,753	68,301	71,210	74,424	77,305	79,615	81,542	83,632
% Ch	2.5%	4.5%	6.2%	2.9%	3.9%	4.3%	4.5%	3.9%	3.0%	2.4%	2.6%
Idaho Nonfarm (Millions)	55,307	57,819	61,717	63,879	66,792	69,809	72,758	75,497	77,716	79,577	81,601
% Ch	2.2%	4.5%	6.7%	3.5%	4.6%	4.5%	4.2%	3.8%	2.9%	2.4%	2.5%
U.S. (Billions)	13,992	14,579	15,253	15,487	15,933	16,477	17,016	17,351	17,741	18,109	18,473
% Ch	-0.1%	4.2%	4.6%	1.5%	2.9%	3.4%	3.3%	2.0%	2.2%	2.1%	2.0%
HOUSING STARTS											
Idaho	9,053	9,806	10,270	12,406	14,023	16,231	16,149	16,810	17,554	18,300	18,939
% Ch	27.1%	8.3%	4.7%	20.8%	13.0%	15.7%	-0.5%	4.1%	4.4%	4.2%	3.5%
U.S. (Millions)	0.928	1.000	1.107	1.178	1.209	1.250	1.255	1.268	1.256	1.279	1.259
% Ch	18.4%	7.8%	10.7%	6.4%	2.6%	3.4%	0.4%	1.1%	-1.0%	1.9%	-1.6%
TOTAL NONFARM EMPLOYMENT											
Idaho	637,030	653,299	671,414	693,928	715,200	738,680	760,037	780,614	796,613	812,711	828,641
% Ch	2.5%	2.6%	2.8%	3.4%	3.1%	3.3%	2.9%	2.7%	2.0%	2.0%	2.0%
U.S. (Thousands)	136,374	138,941	141,826	144,348	146,611	149,064	151,384	153,251	154,431	155,048	155,161
% Ch	1.6%	1.9%	2.1%	1.8%	1.6%	1.7%	1.6%	1.2%	0.8%	0.4%	0.1%
SELECTED INTEREST RATES											
Federal Funds	0.1%	0.1%	0.1%	0.4%	1.0%	1.8%	2.2%	1.6%	2.0%	2.4%	2.6%
Bank Prime	3.3%	3.3%	3.3%	3.5%	4.1%	4.9%	5.3%	4.8%	5.1%	5.5%	5.7%
Existing Home Mortgage	4.0%	4.3%	4.0%	3.9%	4.2%	4.7%	4.3%	4.1%	4.5%	4.7%	4.8%
INFLATION											
GDP Price Deflator	1.8%	1.8%	1.0%	1.0%	1.9%	2.4%	1.8%	2.1%	2.3%	2.5%	2.4%
Personal Cons Deflator	1.3%	1.5%	0.2%	1.0%	1.8%	2.1%	1.4%	1.9%	1.8%	2.1%	2.2%
Consumer Price Index	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.9%	1.8%	2.5%	2.5%

National Variables Forecast by IHS Economics
Forecast Begins the Third Quarter 2019

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2020

	2019				2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	21,099	21,340	21,526	21,731	21,960	22,217	22,457	22,699	22,945	23,182	23,414	23,653
% Ch	3.9%	4.7%	3.5%	3.9%	4.3%	4.8%	4.4%	4.4%	4.4%	4.2%	4.1%	4.2%
2009 Chain-Weighted	18,927	19,022	19,113	19,184	19,287	19,408	19,516	19,622	19,720	19,808	19,886	19,968
% Ch	3.1%	2.0%	1.9%	1.5%	2.2%	2.5%	2.2%	2.2%	2.0%	1.8%	1.6%	1.7%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	79,703	81,132	82,443	83,341	84,853	85,939	86,865	87,892	88,818	89,951	91,156	92,429
% Ch	5.7%	7.4%	6.6%	4.4%	7.5%	5.2%	4.4%	4.8%	4.3%	5.2%	5.5%	5.7%
Idaho Nonfarm (Millions)	78,045	79,360	80,468	81,434	82,833	83,924	84,865	85,845	86,963	87,940	88,914	89,890
% Ch	5.0%	6.9%	5.7%	4.9%	7.1%	5.4%	4.6%	4.7%	5.3%	4.6%	4.5%	4.5%
U.S. (Billions)	18,355	18,600	18,772	18,946	19,134	19,297	19,469	19,656	19,876	20,082	20,287	20,497
% Ch	6.2%	5.4%	3.8%	3.8%	4.0%	3.5%	3.6%	3.9%	4.6%	4.2%	4.1%	4.2%
PERSONAL INCOME - 2009 \$												
Idaho (Millions)	73,203	74,079	74,990	75,425	76,455	77,032	77,542	78,190	78,665	79,279	79,915	80,601
% Ch	5.3%	4.9%	5.0%	2.3%	5.6%	3.1%	2.7%	3.4%	2.5%	3.2%	3.3%	3.5%
Idaho Nonfarm (Millions)	71,680	72,460	73,193	73,700	74,635	75,226	75,757	76,369	77,021	77,507	77,949	78,387
% Ch	4.6%	4.4%	4.1%	2.8%	5.2%	3.2%	2.9%	3.3%	3.5%	2.5%	2.3%	2.3%
U.S. (Billions)	16,859	16,983	17,075	17,147	17,240	17,297	17,380	17,486	17,604	17,699	17,785	17,874
% Ch	5.8%	3.0%	2.2%	1.7%	2.2%	1.3%	1.9%	2.5%	2.7%	2.2%	2.0%	2.0%
HOUSING STARTS												
Idaho	15,253	16,116	17,235	15,990	16,557	16,649	16,933	17,101	17,283	17,481	17,629	17,825
% Ch	-27.5%	24.6%	30.8%	-25.9%	15.0%	2.2%	7.0%	4.0%	4.3%	4.7%	3.4%	4.5%
U.S. (Millions)	1,213	1,256	1,282	1,270	1,267	1,267	1,269	1,271	1,245	1,248	1,259	1,271
% Ch	9.8%	14.8%	8.7%	-3.8%	-1.0%	0.2%	0.5%	0.6%	-7.7%	0.8%	3.7%	3.9%
TOTAL NONFARM EMPLOYMENT												
Idaho	752,778	756,829	762,589	767,951	773,647	779,463	782,725	786,621	790,829	794,508	798,471	802,645
% Ch	2.6%	2.2%	3.1%	2.8%	3.0%	3.0%	1.7%	2.0%	2.2%	1.9%	2.0%	2.1%
U.S. (Thousands)	150,675	151,113	151,624	152,122	152,562	153,250	153,462	153,732	154,048	154,343	154,572	154,761
% Ch	1.7%	1.2%	1.4%	1.3%	1.2%	1.8%	0.6%	0.7%	0.8%	0.8%	0.6%	0.5%
SELECTED INTEREST RATES												
Federal Funds	2.4%	2.4%	2.2%	1.7%	1.6%	1.6%	1.6%	1.7%	1.9%	1.9%	2.1%	2.2%
Bank Prime	5.5%	5.5%	5.3%	4.8%	4.7%	4.8%	4.8%	4.8%	5.0%	5.0%	5.3%	5.3%
Existing Home Mortgage	4.6%	4.3%	4.3%	3.9%	4.0%	4.1%	4.2%	4.2%	4.3%	4.4%	4.5%	4.6%
INFLATION												
GDP Price Deflator	1.1%	2.4%	1.7%	2.3%	2.1%	2.2%	2.1%	2.2%	2.3%	2.4%	2.4%	2.4%
Personal Cons Deflator	0.4%	2.4%	1.5%	2.0%	1.8%	2.1%	1.7%	1.4%	1.8%	2.0%	2.1%	2.1%
Consumer Price Index	0.9%	2.9%	1.8%	2.4%	1.6%	2.4%	1.4%	0.7%	1.7%	2.2%	2.6%	2.6%

National Variables Forecast by IHS Economics
Forecast Begins the Third Quarter 2019

NATIONAL FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2019 through the Fourth Quarter of 2022

The second reading for third quarter GDP from the Bureau of Economic Analysis (BEA) showed the US economy continuing to expand. Its summary measurement is the real GDP figure, which adjusts monetary values for inflation. Real GDP grew by 2.1% at an annualized rate. Headline BEA growth rates are annualized as well as seasonally adjusted, meaning that if four consecutive quarters behaved as the quarter under study, then the full-year's growth rate would be the percentage reported. The BEA also publishes nominal figures, commonly called current dollar figures, which do not adjust for inflation. In current dollar figures, the expansion was by a 3.8% rate. Final sales to domestic purchasers were up 3.5%. Gross domestic income was up 4.1%, and disposable income grew at a 4.4% rate. For those who work in sales or in government, these current dollar figures may better fit their conceptualization.

Contributing the bulk of GDP growth is consumer spending, representing 1.97 of the 2.1 percentage points of growth. Trade subtracted from overall growth. Export of services shrank while imports of services increased. Typically, the US runs a service surplus and a goods deficit in trade. That remains true, but to a lesser extent. Government expenditures, both local and federal, contributed 0.28 to the 2.1 percentage points of real GDP growth. Fixed investment in residential structures contributed to real GDP growth for the first time in seven quarters. Its addition was 0.18 percentage points.

Overall, the nominal value of GDP reached above \$21.5 trillion dollars in the third quarter of 2019, having crossed above \$21 trillion just in the first quarter of 2019. For comparison, the total debt by the federal government on December 4, 2019¹ was \$23.1 trillion, with \$6 trillion of that held by other parts of the government. An example of intragovernmental holdings is the Social Security Administration's holdings of US Treasuries. These will be redeemed to pay benefits to future retirees.

IHS Markit's November 2019 is the national forecast on which this publication is based. IHS is one of many economics forecasting firms. It has begun offering context for its projections by comparing some of the key assumptions with those of other professionally prepared forecasts. By and large, IHS is consistent with what others are seeing. The international portion of the forecast is a particularly easy component to make comparisons because forecasts are prepared by the International Monetary Fund (IMF) and similar institutions as well as the Organization for Economic Cooperation and Development (OECD), which is made of the largest 35 economies in the world. These forecasts also provide greater detail than IHS does in its *US Outlook* on international trends. Other points of comparison include the outlook on US housing from Fannie Mae or Freddie Mac.

On the housing front, mortgage rates have held fairly steady since September according to Freddie Mac. Having reached a low of 3.49% in early September, the 30-year fixed rate mortgage averaged 3.73% in mid-September, and by early December, the net change was 5 basis points downward to 3.68%. The

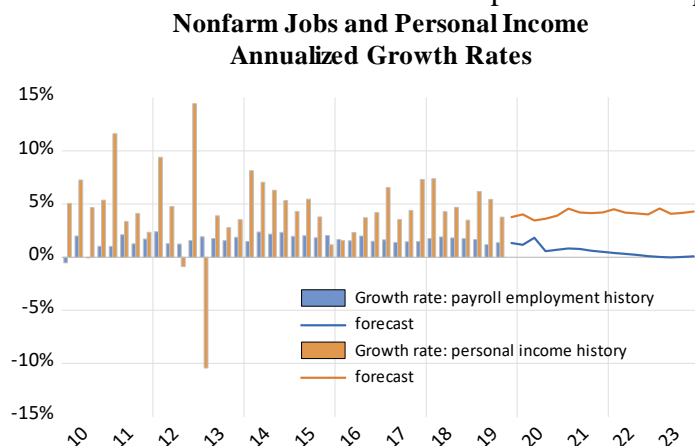
¹ <https://treasurydirect.gov/NP/debt/current>

firm sees home sales rising back to 6.1 million units on an annual rate in the third quarter², with the 6.0–6.1 million-unit transaction rate essentially sustained through 2021. This is the rate of home sales experienced in the first half of 2018, with the latter half cooler at a 5.8 million-unit average. While home values increased 2% in the first quarter of 2018 (or an 8.2% annual rate), that has slowed to a 0.7–0.8% change in recent quarters (corresponding to 3% annual growth). Freddie Mac predicts that a continuation at this rate of appreciation is likely across 2020 and 2021.

The housing story from IHS is similar to the projection from Freddie Mac. Prices are high, but price appreciation seems to be moderating. Appreciation is expected to be just below 3% within a few years. Housing starts are level for the duration of the forecast. Single family housing starts persist near 900,000 per year and multi-family housing starts persist near 400,000 per year. Home sales are forecast to climb from 6.03 million this year to 6.23 million next year. Mortgage rates are expected to rise modestly across the next half of a decade. Part of that rise is mitigated by a narrowing of the spread between mortgage rates and 10-year Treasury securities, from 200 basis points to below 160 basis points (100 basis points is one percentage point). The Treasury yield is the basis for mortgage rates.

To put the IHS baseline forecast in context, the firm indicates that near-term recession risks seem “contained” as one of the lagging segments, manufacturing, seems to have its weakness “abating”. In its executive summary, the firm posits that the recession risk before November 2020 is estimated at less than 20%. The *Pessimistic Scenario* from HIS places a 35% probability of a mild recession occurring in the near future with the particular scenario modeled beginning the downturn in the fourth quarter of 2020. Thus slowing forces must be gathering towards the end of 2020. For context, IHS expects temporary Census hiring will boost government civilian employment by over 400,000 in the second quarter of 2020, with a quick reduction to around 150,000 by the third quarter, and essentially no change from the underlying civilian employment by the fourth quarter. Fiscal stimulus within the pipeline is projected to add 1.2 percentage points of real GDP growth in 2019, cooling to 0.8 percentage points in 2020, and then to 0.6 percentage points in 2021. Thus, the removal of a couple of large stimulative efforts will dissipate going into 2021.

Payroll employment is expected to increase by 1.2% in 2020 and by 0.8% the next year. These growth rates are slower than the 1.6–1.8% expansions of the past three years. Wage growth was 3.0% in 2018



and is expected to finish 2019 at that level. An increase to 3.3% is predicted for 2020, and the level is again expected to repeat in 2021.

Personal income growth is expected at 3.9% in 2020 and 4.1% in 2021, both less than the 4.7% to 4.8% in 2017 and 2019. Further into the forecast, jobs growth slows to 0.4% and then 0.1% at the national level in 2022 and 2023.

Wage growth further accelerates to 3.5% growth

² http://www.freddiemac.com/research/forecast/20191127_housing_market_continues_to_stand_firm.page?

in 2022–2023. Personal income growth continues upwards by 4.2% in both 2022 and 2023.

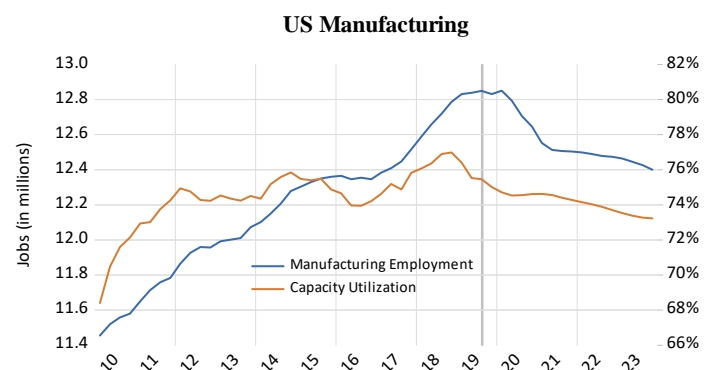
Real GDP growth is predicted to be 2.1% in 2020 and 2.0% in 2021. These are just a bit slower than the 2.3% predicted for 2019, though quite a bit slower than the 2.9% recorded in 2018. Consumer Price Index (CPI) inflation is expected to be 1.9% in 2020 and 1.8% in 2021, both very much like the experience in 2019. Worldwide, real economic growth is expected to slow from 3.2% in 2018 to 2.6% in 2019, then further to 2.5% in 2020 before recovering to 2.7% in 2021. Toward the end of the forecast, US real GDP is predicted to expand 1.5–1.6% in 2022 and 2023, while CPI inflation is expected to hold at 2.5% both years.

Business investment: Inventory of product is too high, by IHS measurements, but it has been correcting recently, and by the firm's estimate, the process is mid-way to complete. Inventory building was stronger last year than it will be going forward, which means that inventory will drag real GDP growth down by 0.27 percentage points in 2020. Other near-term influences include weather holding back utility output. The rolling blackouts which affected California during its Santa Ana winds and fire season also held back output. Exports less imports are expected to be neutral. The resumption of production at General Motors is expected to bring a rebound in the first half of 2020. IHS still predicts a resumption of deliveries of Boeing 737 Max planes in the first quarter of 2020.

Business fixed investment grew 6.4% in 2018. A 2.2% expansion is forecast for 2019. Average annual growth is expected at 2.5% in 2020–2023. IHS suggests that investment is following output, which is quieting. Is the slowing output demand driven or capacity constraints? The firm sees that capacity is following sales, that is weakening demand. Uncertainty is part of the weakening in demand. Business fixed investment is estimated to be lower by \$100 billion per year due to trade uncertainty. Low oil prices hinder drilling activity. Currently, the financial sector is also pushing oil companies to complete drilled wells (companies bring oil production online rather than adding to their proven reserve) which is also hindering drilling activity. Industrial output is now suppressed by low oil prices, counter to the consumer side of the economy which is boosted by low oil, and hence gasoline, prices. Consumer demand weakening in the future is a longer-term influence constraining output.

Probably the most telling insight IHS provides on business activity starts by observing that manufacturing capacity utilization dropped from over 76% to below 75% in the past year, with a forecast of a small reprieve with a horizontal trajectory for a couple of quarters before a continued decline towards 73% by 2023. When capacity utilization gets too high, inflation is likely to rise, but these figures are all lower than that trigger.

Hence, following two to three quarters of lag, employment in manufacturing is poised to drop by 300,000 within the next year to two, with a brief flat period before resumed, but less drastic, decline towards 2023. Rising productivity, which is one of the basic assumptions within the IHS forecast, can be consistent with falling

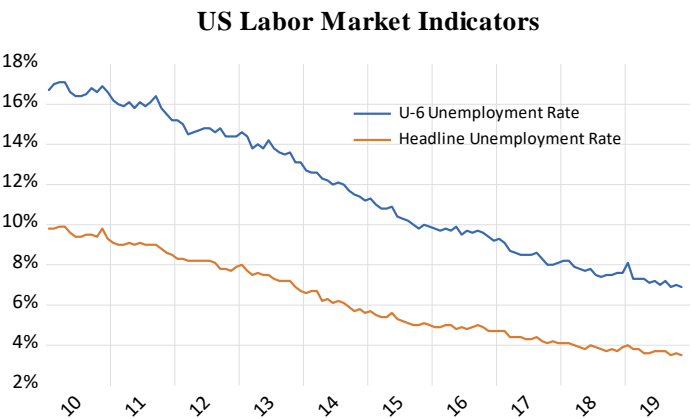


employment. If, with the remaining employees, companies hold similar production levels, productivity has increased.

Employment: Productivity features highly in the forecasts by IHS. Changes in productivity assumptions are among the determinants for the alternative scenarios the firm provides with the baseline forecast. In the baseline, IHS is assuming that productivity grows at an average of 1.5% per year across 2019–2022. This is up by two tenths of a percentage point from the recent annual measurements provided by the Bureau of Labor Statistics (BLS). Growth of 1.3% held in both 2018 and 2017, with quarterly readings of the annual rate fluctuating from a low of 0.1% to a high of 3.0% during that time period. The past three quarters have shown change at annual rates of 3.5%, 2.5%, and a decline of 0.2% in the third quarter of 2019. The agency also provides productivity measurements for a few sectors of the economy. Durable manufacturing has shown productivity growth of 1.7% in 2017 and 1.1% in 2018, while nondurable manufacturing registered growth of 0.2% and 0.6% then.

Earnings for production workers in manufacturing had traditionally been stronger than other sectors. However, the BLS has studied what has transpired in the past few decades, looking from 1990 to 2018³. It found that wage growth in manufacturing lagged behind other areas. Average manufacturing wage growth was 2.5% per year. For construction, the average was 2.6%. For financial activities, the average was 3.6%. For private education and health care the average was 3.1%. The average hourly earnings of manufacturing were higher than the average hourly earnings in all private jobs until 2006. In 2016, total private average hourly earnings surpassed even durable goods average hourly earnings, which had always (across 1990–2015) been higher than nondurable goods manufacturing earnings. Earnings in manufacturing were also boosted by longer workweeks. These averaged 40.5 hours in 1990 and averaged 42.2 hours in 2018. Total private average work weeks averaged 34.3 hours in 1990 and 33.8 hours in 2018.

The unemployment rate in November registered 3.5%. One year prior the rate was 3.7%. Across the same time, the labor force participation rate increased from 62.9% to 63.2%, with a similar rise of 0.3 percentage points in the employment to population ratio. The broader U-6 rate, which measures under employment, not just unemployment, was 7.6% a year ago, and is 6.9% as of November. Multiple job holders have increased from 5.1% of workers to 5.2% of those employed. This represents about 345,000

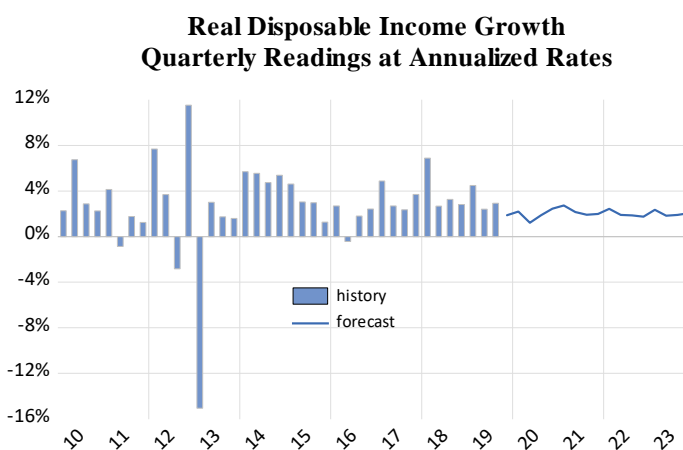


additional people holding multiple jobs. Roughly 1.79 million jobs have been added while the labor force increased by 1.58 million people and the civilian non-institutional population increased by 1.31 million (that population is those at least 16 years of age, not in the penal system, homes for the aged, or in the military; it is the ambient population BLS statistics refer to by default). Each of these statistics indicate a robust labor market.

³ <https://www.bls.gov/opub/mlr/2019/article/earnings-of-production-workers-in-manufacturing-1990-2018.htm>

IHS sees monthly payroll gains averaging 148,000 through March. It expects the labor force participation rate to remain steady. Consequently, the unemployment rate is expected to stay near 3.5%, close to what the firm predicts is the ultimate low of 3.4% which is predicted for the second quarter of 2020 through the first quarter of 2021. Thereafter, the dominant features of the labor market are slowing population growth and a decline in the labor force participation rate “driven by aging of the population.” The unemployment rate is expected to stay below 4% through 2022, and to rise to 4.5% by 2024. That is the value the firm ascribes to full employment in the baseline forecast. In this, IHS agrees with recent Federal Reserve assessments of that unemployment rate at full employment.

Consumers: Consumer spending dominates GDP in the US economy, so absent major disruptions, the picture drawn by the GDP trajectory largely reflects the picture drawn by consumers. IHS sees GDP growth slowing from 2.9% in 2018 to 2.3% in 2019, then 2.1% in 2020, 2.0% in 2021, and 1.6% in 2022. The nadir is 1.5% in 2023 before a pick-up to 1.9% in 2024. Given this slowing in growth, one would expect a slowdown in consumer activity to accompany it. Of the six reasons IHS lists which lead to slower future GDP growth, several apply to consumers. The labor market is stretched, which limits the growth of labor income. IHS expects decelerating wealth growth due to flattening house price appreciation and less growth in the stock market. The former is likely intertwined with the expected upward drift in treasury yields; the 10-year treasury yield most closely influences the 30-year mortgage rate. The remaining reasons for slower GDP growth are waning stimulus, tariffs and uncertainty, and other monetary policy.



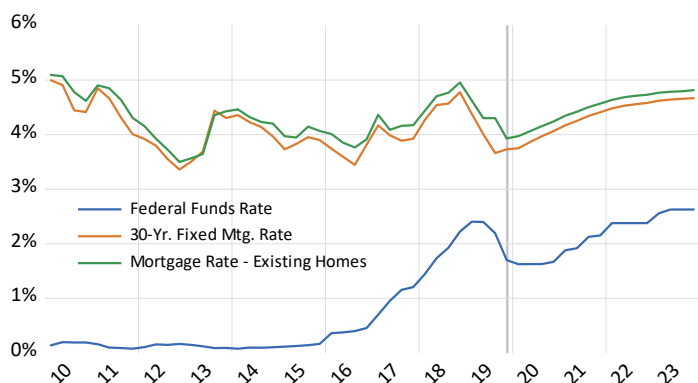
In its forecast, IHS expects that the tariffs which were planned for December 15 on Chinese goods are enacted. This means that all Chinese goods would have been subject to tariffs. Those tariffs have now been taken off the table, but their imposition was expected to boost CPI inflation in the short run. The forecast shows 1.8% CPI inflation for the rate in the third quarter of 2019, 2.4% in the fourth quarter, and 1.6% in the first quarter of 2020.

Holiday shopping is expected to be up by 4.6% over the comparable value from 2018. The online portion is expected to be up by 19% and will represent roughly one-fifth of all holiday shopping according to IHS. These growth figures contrast with what is occurring in the auto sector. Sales are predicted to register weaker numbers going forward. October was estimated at a 16.5 million units per year pace. The rate has been above 17 million per year for four years prior, as well as for the first half of 2019. IHS forecasts 2019 as coming in just below 17 million units, falling to 16.7 million in 2020, then gradually winnowing to 16.4 million in 2023.

Disposable income is after-tax income. Growth of real disposable income is projected to be 2–2.2% for each of the next four years. The most comparable recent year was 2016 when growth was 1.8%. The intervening years saw this measure grow by 2.9%, 4.0%, and 3.2%. Two conspiring forces beyond employment gains drove this. Inflation has been low, and that is forecast to persist. Real income is synonymous with inflation adjusted income. The Tax Cuts and Jobs Act lowered tax collections from individuals and spurred some bonus payments to workers.

Overall real personal consumption expenditures (PCE) growth is predicted to end 2019 at 2.6%. The baseline has that at 2.8% in 2020, then 2.4% in 2021. In the optimistic case, these future figures are 3.2% and 3.4%, whereas in the pessimistic case these figures are 2.4% and 0.8%. The temporary hiring for census work brings additional personal income in 2020. For the baseline, this places core PCE, which excludes food and energy prices, and is the Federal Reserve’s preferred measure of inflation, in the 2.0–2.1% range through 2023.

Select US Interest Rates



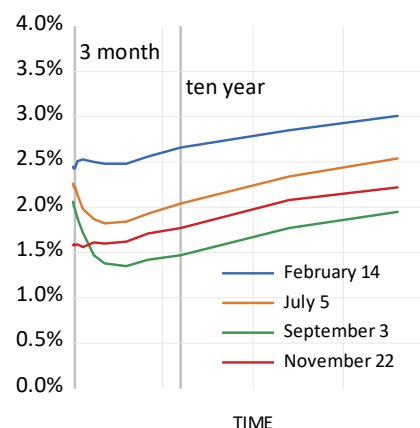
Inflation and Monetary Policy: Tariffs are expected to boost inflation in the fourth quarter of 2019 and through the first half of 2020. IHS believes that the Federal Reserve is done lowering short-term interest rates. The firm expects rates to resume rising going into 2021, with a 100 basis point increase expected to transpire through 2023. There are no further cuts to short term interest rates within the baseline forecast. Federal Reserve balance sheet growth is expanding beginning in the fourth quarter of

2019 according to the forecast. This is in line with commentary from the Fed. IHS notes that this leads yields lower within its model.

Behind these decisions are the expectation that inflation will meet the Federal Reserve’s “symmetric 2% inflation objective.” This objective has been above actual inflation, as measured by core PCE for the past few years. IHS sees this gauge registering 1.8% in the final quarter of 2019, and then to sustain 2.0–2.1% for several years. This means that the Federal Reserve would have met its symmetric objective.

Earlier in 2019 a lot of attention was paid to the inversion of the treasury yield curve. Ordinarily, longer dated treasury securities offer higher yields than shorter duration securities. The understanding is that the higher yield compensates for the greater risk of holding longer duration bonds. In terms of treasuries, that risk is often considered as missed opportunity to capitalize on other opportunities arising before maturity of the bond. However, yields fluctuate on the market as treasuries are traded, sometimes above their face value, the value to be repaid when the bond is due.

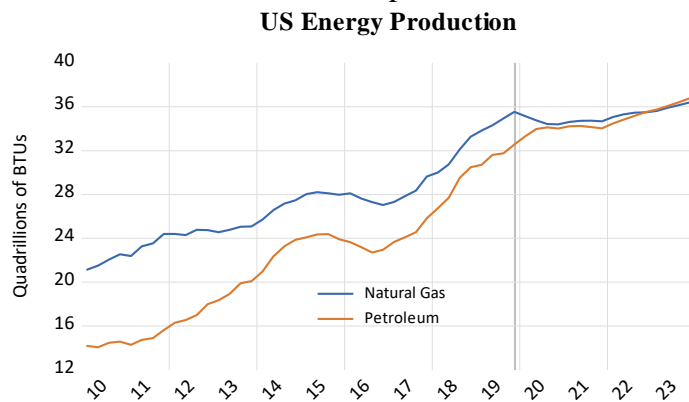
US Yield Curves



The inversion of the treasury yield curve occurred as traders bid up the value of longer dated securities, which dropped their yields below those paid on shorter duration securities. Slow and steady interest accumulation was considered more lucrative; short duration investors were expected to have poorly performing options when they needed to reinvest in the near future. That pessimism suggested a slow-down or perhaps a contraction in the near future, say, 12 to 18 months. By November, the treasury yield curve had subsequently righted itself. Note, this does not remove the risk assessment the bond market saw for a slow-down or recession. Should one not appear in the next 15 months or so, then most watchers of the bond market would likely say that the US escaped unscathed.

All treasury yields continue to suggest that long-term inflation expectations are muted. Of course, long term expectations are informed by near-term trends. Energy prices are expected to continue to exert downward pressure on inflation. Countering that, compensation has been gently pushing inflation upwards. IHS notes that average hourly earnings have increased 3% from a year ago in October, a reading met or beat by most months of 2019.

Energy: Falling oil prices were one of the larger forces holding inflation in check this past year. This is more remarkable given the disruptions in the Middle East, including attacks on refineries and on ships carrying oil. Further down the line, gasoline prices are not quite as low as the price of oil would indicate. Some of this is due to disruptions at California refineries. The firm also recognizes that oil prices may



move quickly in either direction, but for gasoline, prices fall more slowly than they rise. Gasoline prices have fallen about 10 cents since October.

Natural gas and renewable energy sources are replacing coal and oil in the energy mix. This is occurring not just in the US, but across the developed economy worldwide. In the past decade, the 5-percentage slide in the share of electricity generated from coal and oil has been met by a 3-

percentage point rise in the use of gas and a stronger rise in the use of renewable sources.

Federal Policy: Direct fiscal stimulus, from federal as well as state and local government, is estimated by IHS to peak now (in late 2019) at 1.2 percentage points of real GDP growth. Next year it is pegged at 0.8 percentage points, and the decline continues through 2022 when stimulus is expected to amount to 0.5 percentage points of growth. The firm points out that the 2020 Census is not yet fully funded, but that it is expected that the agency will receive the funding needed to hire, what IHS estimates is “several hundred thousand” temporary workers. This hiring is expected to add 0.25 percentage points to the second quarter’s GDP figure.

While the forecast assumed all tariffs announced would go into effect, the December 15 implementation of tariffs on the remaining duty-free Chinese goods were not imposed. There have been indications that a “phase-one” trade deal is in agreement. The content of the deal is for China to buy \$40 billion of

agricultural goods in 2020 and again in 2021. In exchange, the US refrained from imposing the December 15 tariffs, and some news stories have indicated a roll-back by half of their value on some of the already existing tariffs. The actual text of the phase one deal is not yet public, so details are unconfirmed.

Another negotiation with large monetary impact is the Federal Aviation Administration's (FAA) review of the Boeing 737-Max. Communication from the agency is diluting the hope that the plane would be recertified by year's end. IHS has in its forecast the resumption of deliveries within the first quarter of 2020. Reasonable interpretation of the agency position could indicate that deliveries will be delayed beyond the first quarter. Foreign aviation certification appears further behind the FAA.

While the negotiation between Canada, the US, and Mexico for the revision to the NAFTA occurred earlier in 2019, it appears that negotiation between the US House and the administration has brought about changes which should allow the treaty to be ratified by Congress. Mexico has already passed the treaty through its legislative branch. Canada introduced the legislation but closed the legislative session without passing the measure. It is expected to be reintroduced in the new parliament.

International: Some of the expectations within the outlook from the Organization for Economic Cooperation and Development (OECD) are quite similar with those from IHS. The firm expects China's growth to hit 6.2% in 2019, then slow to 5.7% in 2020, and 5.6% in 2021. The Euro area is also seen decelerating, with growth figures from IHS showing 1.9% growth in 2018 slowing to 1.1% in 2019, 0.8% in 2020, and a little recovery to 1.0% in 2021. World economic growth is weaker within the IHS forecast for 2020 and 2021 with 2.5% and 2.7% in the firm's assessment.

In its 2019 Economic Outlook, the OECD suggests that world economic growth will average 2.9% in both 2019 and 2020, descending from 3.5% in 2018. Growth is then expected back at 3.0% in 2021. These are inflation and purchasing power adjusted figures. The organization sees US real GDP growth at 2.3% in 2019 and 2.0% for both 2020 and 2021. China is expected to slow from 6.6% in 2018 to 6.2% in 2019, then further to 5.7% in 2020 and 5.5% in 2021. India is expected to resume 6+% growth in 2020 and 2021 with a brief stay at 5.8% in 2019⁴.

The organization points out that business uncertainty is elevated, with better than 30% of US firms citing government policies as a factor. Over 20% cite weak demand as a factor⁵. The slowing in world growth is spread worldwide⁶: the US contributed at least 35 basis points towards growth in 2017–2019 but is expected to contribute around 30 basis points in 2020 and 2021. The Euro area contributed over 30 basis points in 2017, over 20 basis points in 2018, and is in the low-teens in basis point contribution across 2019–2021. China slowed from 121 basis points to 117 basis points and is expected to close at 109 basis points in 2021. India has fluctuated between 44 and 54 basis points in the past three years and is expected near 50 basis points in 2020 and 2021. These basis points are contributions towards the 300 to 370 basis points corresponding to growth of 3% to 3.7%.

⁴ <https://doi.org/10.1787/888934044784>

⁵ <https://doi.org/10.1787/888934044309>

⁶ <https://doi.org/10.1787/888934044404>

In its November outlook, the OECD sees US deficits rising to nearly 7% of GDP in 2021. The organization also sees demographics bringing about slower labor force growth. It also sees tariffs as aiding in raising inflation to just slightly above the Federal Reserve's 2% target. In its analysis, underlying GDP growth in the US has been on a gentle decline from 2017 through 2019 save for the fiscal stimulus provided by the US government. This amounts to over 0.5 percentage point in both 2018 and 2019 by the organization's estimate.

In work from a year and a half ago, it compares the US, Japan, and Great Britain, as well as the OECD average for prime age labor force participation. In all cases, these participation rates were between 83% and 85% prior to the great recession. Subsequently, the US participation rate has fallen to near 81% from 2013 through 2015 and has climbed back to 82% at the time of publication of the OECD research. Elsewhere participation rates have climbed, towards 87% in Britain, even further in Japan, and the OECD average is above 85%⁷. The early working years, ages 20–24, show the US just slightly below the OECD average in terms of people not in employment, education, or training. Combining these facts suggests that the bulk of the participation drag (in comparison with other countries) is above age 24 in the US. The most recent reading from the BLS on participation rates for workers in the age range 20–24 is 71.7%⁸, and for workers in the age range of 20–54 is 82.8% according to data on the from Federal Reserve Economic Data (FRED) at the St. Louis Federal Reserve⁹.

⁷ <http://www.oecd.org/economy/united-states-economic-snapshot/> Slide presentation.

⁸ <https://fred.stlouisfed.org/series/LNS11300036>

⁹ <https://fred.stlouisfed.org/series/LNS11300060>

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IDAHO FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2019 through the Fourth Quarter of 2023

The Bureau of Economic Analysis just released GDP figures at the county level, the first at this geographic detail.¹ Annual values are given for 2016–2018. Ada County represents a bit over one-third of the state GDP, and this share appears to be increasing. Kootenai and Canyon counties are each around one-thirteenth of the state's domestic product, with Bonneville county not far behind, at roughly one-fourteenth. Twin Falls and then Bannock counties are next in line, with the latter representing one-twenty sixth of the economy. In total, these six of the forty-four counties represent almost two-thirds of Idaho's GDP contribution.

The Census Bureau has long provided county-level data. In its 2018 vintage population estimates², Ada County is estimated near 470,000 people, or around one-fourth of the state population of 1.75 million people. In similar fashion, Canyon county is an eighth, Kootenai county is an eleventh, Bonneville county is one-fifteenth, and Bannock and Twin Falls counties are one-twentieth. These six are the largest counties by population in the state, representing just about two-thirds of Idaho's population. While there is not a one-for-one relationship between population and economic activity, there is a strong relation between the two measures. Commuter patterns and the location of production facilities in adjacent communities are factors affecting the direct relationship. As an example, Jerome Cheese (part of Agropur) is not far from the Twin Falls area.

Census data for 2018 indicates that of the newcomers to Idaho, about one-quarter are from California, nearly a fifth are from Washington, a twelfth are from Utah, and roughly a twentieth each are from Oregon and Texas. All told, these five states represent six-in-ten of those who move to Idaho. In this forecast, net migration to the state remains high, with an expectation for over 20,000 new Idahoans moving into the state each year.

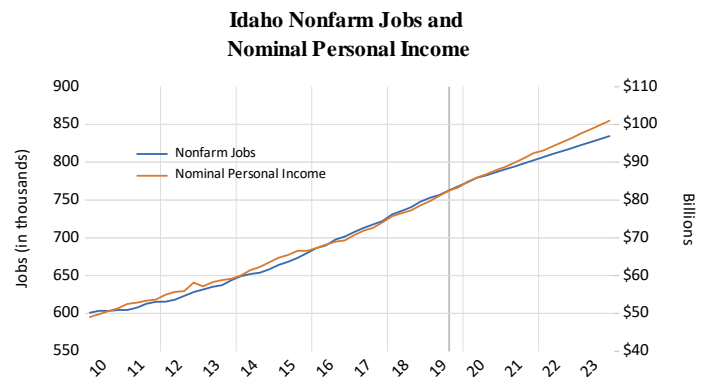
One feature of the Idaho economy which has lagged has been the wages paid. There are some local pressures building on that front beyond the low unemployment rate, which has been at or below 3% for many months. These complement the national pressures IHS reflects in its US outlook. In Idaho, H-2A wages will be \$13.62, up from \$13.48 per hour. This is the program which brings workers in for agricultural concerns. Canyon County could see 1,500 census jobs this spring/summer, where the agency will pay \$13.50 per hour. The US Census is hiring for positions state-wide, with reports of as many as 9,000 temporary positions in Idaho. Starting wage at Bogus Basin is now \$10, and as usual there are perks for working at a ski resort. Sun Valley pays \$9–12 per hour and offers reduced food costs as well as laundry services. The resort has 520 spots for employees to live at the resort. Brundage uses another federal program to bring in workers, the J-1 visa program. One-in-twenty to one-in-ten ski workers nationally are brought in by that visa program. Amazon, which will have a large presence in Nampa

¹ <https://www.bea.gov/system/files/2019-12/lagdp1219.pdf>

² <https://www.census.gov/quickfacts/fact/map/ID/PST045218>

towards the end of 2020, has a company-wide minimum wage of \$15 per hour. Currently the average annual wage in Idaho is just above \$45,500 per year. The forecast sees growth above 3% each year.

The telltale metrics this report provides for Idaho are: nonfarm jobs are expected to reach 780,600 in 2020, showing growth at 2.7%, which is 1.5 percentage points quicker than the national counterpart. Growth then slows to 2.0% each year through 2023, while the national figure drops to 0.8%, then 0.4%, and finally 0.1% in the IHS national forecast. Nominal personal income growth in Idaho is expected to be 5.8% in 2020, then 4.9%, 4.6%, and 4.8% in 2023. Total personal income would, under these projections, expand from from \$86.4 billion to \$99.3 billion. Housing starts are expected to increase around 4% per year, moving from the low-16 thousand range to the upper-18 thousand range by the end of 2023.



Some Idaho Economic History³: A bit over three decades ago sales tax collections were recording numbers stronger than the forecast. Total collections for July–December back then were \$131.3 million dollars. Adjusting for inflation⁴, that would be \$292.7 million dollars now. This year, collections by September had already surpassed that inflation adjusted value, and while this includes the back-to-school shopping season, it does not yet include the holiday shopping season. Consumption does drive a lot of the Idaho economy, just as it does nationally.

Of course, adjusting for inflation is only one of the major adjustments which should be made when looking at historical economic figures. Sales tax rates have changed over the years, and the consumer has shifted buying towards services, which are generally not subject to sales tax. However, an easier to describe change is that the Idaho economy is larger because more people are working in the state. Total employment about three decades ago had just crossed 400,000 in the state. Non-agricultural employment was near 340,000. Current employment figures within the state are almost 860,000 according to Idaho Department of Labor⁵, but the most reliable and frequently measured employment number within the state is nonfarm jobs, which sits now above 754,000⁶. Employment in Idaho has roughly doubled compared with three decades ago.

Idaho's population, though, has not doubled in the intervening three decades. Indeed, Idaho was just traversing the million people mark. Today, Idaho's population is estimated near 1.75 million. Some of the relative gains in employment come from the demographic composition of Idaho shifting away from youth towards middle age. Currently the unemployment rate has been under 3.0% for well over half of a year. Unemployment in the state routinely was near 5% in the mid-1980s.

³ Joint Revenue Projections Committee 1988 historical documents, DFM, and 1993 *Idaho Economic Forecast*.

⁴ <https://data.bls.gov/cgi-bin/cpicalc.pl>

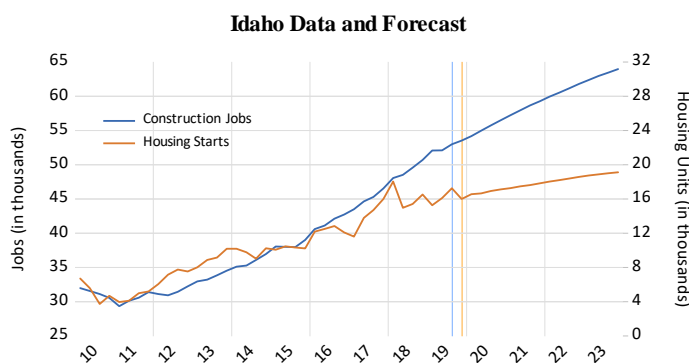
⁵ <https://lmi.idaho.gov/>

⁶ <https://lmi.idaho.gov/qcew>

Also near 5% was the typical growth in nominal personal income within the state. Inflation, though, was not nearly as tame as it currently is. The early 1980s was a time of the Federal Reserve fighting to lower inflation, not raise inflation as it is currently. Short-term interest rates were raised into the double-digits; now they are in the range of 1.5–1.75%. Indeed, inflation was likely the driving force in the changes in personal income during the 1980s. Total covered employment only increased by 0.4% *in total* from 1979 through 1986 in the state (not per year).

Moving forward by half a decade, this office noted in its *Idaho Economic Forecast* that per capita personal income in the state was about 80% of the national average, with the forecast suggesting a narrowing of the gap by two percentage points going forward. This year's figures for per capita personal income put the Idaho value at 80.9% of the national one. Construction numbers had housing starts in Idaho around 11,000 units per year with a workforce approaching 25,000 jobs. Construction jobs are now over 50,000 and housing starts are above 16,000 units per year. The gap between the federal funds rate and new mortgages was 4.2 percentage points. The current gap is 2.1 percentage points (mortgage rates are above the federal funds rate). Jobs in the goods producing sector were just under 22% of the nonfarm jobs in the state and now they are less than 17% of the nonfarm jobs in the state.

Construction and Infrastructure: As we transition into the 2020s, the numbers for this sector could hardly be more different from just a decade ago. Due to the collapse of the housing market, the construction sector had shrunk by double digit percentages in 2008 and 2009 and would shrink a further 9% in 2010 and then by only 3% in 2011. Finally, in 2012 growth would resume, with jobs expanding by 3.5%. The trough for construction in the state was just over 30,000 jobs. Moving towards today, construction topped 49,000 jobs in the state in 2018, a 9.4% increase. For 2019, the figures are projected to be north of 52,000 jobs, or 7% growth. The outlook is not quite as heady, but it remains strong. Annual growth just above 5% is expected in 2020 and 2021, with growth slowing towards 4% thereafter. Some of the expansion is accounted for directly by housing starts. Those fell to near 4,500 per year in



2011 and have since recovered to above 16,000. That level is expected to hold across 2018–2020, with 17,500 for 2021, and more than 18,000 in both 2022 and 2023.

Housing starts come with other construction activity. Roads are widened. Commercial construction serves growing communities. Periodically, major infrastructure upgrades occur. Infrastructure improvements are often

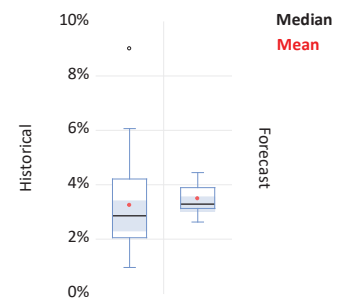
coordinated between the public and private sector: for instance, improvements to high-speed internet lines. Fiber optic internet lines are being installed in Coeur d'Alene, Hayden, Post Falls, and Rathdrum by a company from Madison, Wisconsin. Farmers' Mutual Telephone Company, a cooperative, is installing high-speed internet line in Fruitland. Tek-Hut Inc is installing fiber optic network in Burley. This company works with over 70 school districts in Idaho to provide services. The Burley expansion is aided by a Small Business Administration (SBA) loan. Another common infrastructure upgrade is to water delivery or treatment facilities and collection systems. New Meadows is working on one currently.

Infrastructure offers economic advantages to communities. News reporting of an Idaho Transportation Department (ITD) study suggests that the Boise Airport contributes \$2.7 billion to the local economy. The Lewiston Nez-Perce County Airport adds \$65 million to that community, while the Moscow-Pullman airport adds \$115 million. These last two airports are not within the top gross state product counties in Idaho nor the top population counties in Idaho. Both airports, though are near cities in Washington as well as higher-education institutions. However, the overlap between local commercial airport services and local population suggests another connection between local population and economic activity.

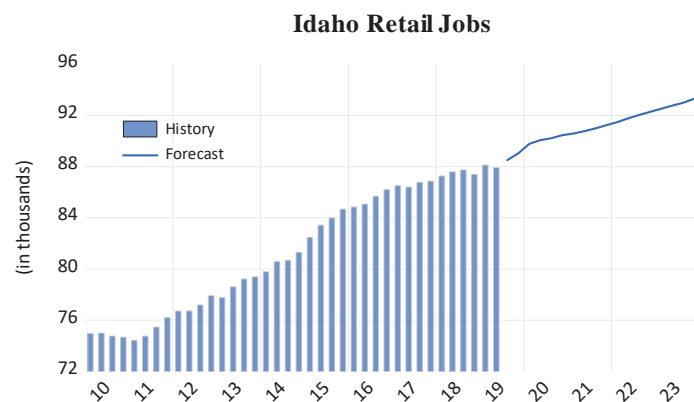
Healthcare and Private Education: Earnings in healthcare and social assistance represent 12.1% of total earnings by place of work. Healthcare jobs, social assistance jobs, and private education jobs total 110,500 within the state. The average earnings for this sector is \$57,300 per year. That average, of course, comes from a wide spectrum of actual earnings, including those that a CNA makes and those that an orthopedic surgeon makes. Private education also has incomes well separated on the scale, from Montessori instructors to part-time music teachers at private primary and secondary schools all the way through to faculty at Idaho College of Osteopathic Medicine (ICOM). Note that healthcare and private education wages are, on average, more than \$10,000 per year higher than overall wages in the state.

Healthcare and private education has been a steadily growing sector within the Idaho economy. In 2020, it is expected to be the largest employment sector if the two parts of trade, retail and wholesale, are thought of separately. That caveat will not be needed if the growth in these sectors occurs along the lines of the forecast. Healthcare and private education is expected to eclipse the trade sector going into 2023. Going forward, growth in healthcare is expected to be 3.3–3.7% per year.

Idaho Healthcare and Private Education Quarterly Job Growth at Annualized Rates



Trade and Transport: Transportation has over 45,000 workers earning on average a bit over \$35,000 per year. Tractor-trailer truck drivers are a fourth of this population and they earn on average more than the sector as a whole: over \$42,000 per year.⁷ School bus drivers, while only a third as common, average near \$29,000 per year. The retail trade sector is expected to have 90,000 jobs in Idaho in 2020. Recently, over 17,000 of those would be cashiers, where the average wage is around \$23,000 per year.



General retail salespersons are more common, near the 25,000-job count, and they earn \$28,000 on average. Supervisors of sales people count for over 6,000 jobs in the state, with earnings in the mid-\$40,000s per year.

These figures give context to trade and transportation's fraction of Idaho's earnings by place of work. About 11.5% of earnings by place of work are associated with trade and

⁷ <https://lmi.idaho.gov/oes>

transport. This is a smaller share than healthcare and private education despite the more jobs in the sector. There are about 9,000 more jobs in trade, and about 35,000 more when including transport. An average figure of \$43,900 in annual earnings comes from looking at trade (retail and wholesale) and transportation (including warehousing, and utilities, which comes with transportation and warehousing in the *Idaho Economic Model*). This average is close to the overall state average wage.

Growth in trade is still projected to be stronger than at the national level, which is expecting to show declines in each of 2021–2023. Idaho jobs growth is projected to be no lower than 0.9% each year. For transportation, warehousing, and utilities, growth is no weaker than 1.7% per year in the forecast, whereas the national counterpart shrinks across 2021–2023.

Durable Manufacturing: There is diversity of durable manufacturing in the state. Aviation occurs in the northern part. Ammunition is an industry in the Lewiston area. Camp trailers are made in the Magic Valley. Food processing equipment is built in Idaho Falls. Semiconductor manufacturing occurs in Boise, Pocatello, and Nampa. Then there are widely distributed parts of the sector as well. Sheet metal manufacturing is common to most cities and towns because HVAC systems and drainage systems are needed for most buildings. The loss of Motive Power’s locomotive (re)manufacturing facility in Boise is one of the most notable changes in the past year. The company, though, has said that it plans on keeping some engineering work in Idaho. Growth in durable goods manufacturing is expected to stay above 1.3% per year in Idaho, while nationally mild contractions are expected in 2020 and 2022–2023, with a more pronounced 1.8% drop in 2021.

Nondurable manufacturing: Measured by workforce, this category has one dominant subcategory within the *Idaho Economic Model*, and that is food processing. Roughly two-thirds of the sector is associated with food production. The Snake River Plane covers much of that, with some in the Coeur d’Alene area. Dairy is preeminent but malting, meat, and potato processing are also large portions. After food processing, the next largest subsector is chemical manufacturing, but it accounts for only one-tenth of the nondurable manufacturing in the state. The processing of gasses, fertilizers, and making of foam insulation are typical endeavors for chemical firms within Idaho. Printing is then half as large and is the other subsector before a catch-all of the remaining parts of nondurable manufacturing. That catch-all is twice as large as the chemical manufacturing component. Paper manufacturing is one part of that, but another industry in the Lewiston area, ammunition manufacturing, is not. That falls under metal manufacturing which is housed under durable goods manufacturing.

Due to the predominance of food manufacturing within the nondurable goods sector, and due to the activity unfolding within that sector, it often features more prominently within this publication than the other subsectors. This is not a recent phenomenon. Going back just over 30 years, the dairy industry has been important in describing the economic picture of Idaho. The Idaho dairy industry outlook then foresaw fewer farms with larger herds, something still within the forecast today. The older outlook also foresaw fewer plants for processing. At the time, Idaho’s dairy farmers ranked third nationally in milk production per cow. At that time, a typical cow in the US produced around 13,300 pounds of milk per year; the average is now above 17,500 pounds per cow per year. Efficiency continues to be an Idaho hallmark, and the large herd size means that there are frequent needs for more or larger processing

plants. Idaho cows produce over 24,500 pounds of milk per year on average now⁸. Recently, many plants have made upgrades or expansions to take advantage of the supply of milk. One sentence from that old report rings perhaps even truer today: “The milk is here, and the plants are here.”

Food processing jobs are expected to grow each year of the forecast, stretching from 19,300 for the expected final count in 2019 to 20,600 for the anticipated final count for 2023. Growth in the broader nondurable sector is slightly stronger than food processing each year of 2020–2022 in the forecast and matches the expected 2.6% growth for food processing in 2023.

Mining: This is not a large employment part of the Idaho economy. It accounts for about 2,300 jobs in the state. Outside of sand and gravel mining, the industry, though, is highly concentrated. Soda Springs, in southeastern Idaho, is the center of phosphate mining in the state. The region produces 15% of US phosphate and 4% of worldwide. The operations in that area have been extracting minerals for 80 years, and new mining operations are expected to extend the life of phosphate mining there for another generation or more. Simplot will be transitioning from the Smokey Canyon Mine to the Dairy Syncline Mine. Bayer will be transitioning to the Caldwell Canyon Mine from the Blackfoot Bridge mine. Itafoss mines at Lanes Creek and Rasmussen Valley. Together these mines lead to 1,800 jobs in southeastern Idaho through the mines, transport, and processing. The latter happens in Soda Springs as well as Pocatello.⁹ Some transport and processing jobs linked to mining are counted in other sectors by the Idaho Department of Labor, and so appear within those other sectors within this report as well.



Other mining sites could become major centers of activity in the state. These include the Midas Gold project at the old Stibnite site east of McCall and the Idaho Cobalt Project southeast of Salmon. Older sites can also be quite active for reclamation and remediation. The Lucky Friday mine near Mullan was recently recognized for ongoing pollution prevention efforts, including reduced concentrations of heavy metals in wastewater. The Idaho Department of Environmental Quality will spend \$1.5 million across the next decade for remediation at the old Triumph mine near Ketchum. In southeastern Idaho, selenium leach is the difficulty coming from phosphate mining. Each mine transition now involves remediation and wastewater collection or treatment efforts that continue after final extraction.

There are over 1,500 permitted sand and gravel mines in the state. As construction uses a lot of gravel to stabilize roadways and buildings, a large number of mines could be expected in a state with as much building occurring as Idaho currently has. Indeed, a map of quarries for stone and aggregate in Idaho shows clearly the trace of some of the larger cities, prominent highways, and the interstate highways which pass through Idaho.

⁸ https://www.nass.usda.gov/Quick_Stats/Ag_Overview/stateOverview.php?state=IDAHO

⁹ https://www.mtech.edu/mwtp/2019_presentations/tuesday/Todd-Drage.pdf

Government: Multiple levels of government often work together. The Department of Justice awarded \$4.2 million to the Coeur d'Alene and Shoshone-Bannock tribes to enhance law enforcement. Federal money also flows into the state through Community Development Block Grants. Fruitland roadways will benefit from two of these grants, with projects on 7th and 9th NW both receiving funds. The Bureau of Reclamation is helping the Hansen area line part of the High Line Canal. This project, at $\frac{3}{4}$ of a mile and \$450,000, is expected to conserve 50 acre-feet of water per day for more intentional irrigation use when the canal is full.

A salvage logging operation will occur near Smith's Ferry, harvesting trees damaged by moths. Replanting will use ponderosa, lodgepole, Engelmann spruce, and western larch. These should be less susceptible to such infestations. This is an example of the activities, whether through Good Neighbor Authority on federal lands or directly by Idaho Department of Lands on state lands, to mitigate fire danger and to use the resources available on Idaho lands. In Blaine County, the Idaho Department of Environmental Quality and the Idaho Department of Lands are monitoring the remediation efforts at the Triumph mine, which was in operation from 1882 through 1957. Reports on the effectiveness of the measures are due every five years. Water discharge from the mine has been reduced in volume by at least 90%. Idaho Fish and Game stocks about 30 million fish into Idaho waterways per year. Some of these are for recovery efforts. Some are for opportunities for the public. As for forest health, environmental improvements often require long-term governmental commitments.

The FBI center in Pocatello is now open. Three hundred jobs are associated with the site now. In the next two to five years an additional 250 jobs are possible. This center is to be one of three centers remaining once the FBI consolidation procedure has been carried out nationwide. Another opening in that area has been the Northgate interchange. Funding for the project came from a variety of sources including Idaho Department of Transportation, Bannock County, Pocatello and Chubbuck cities, the Pocatello Development Authority and Millennial Development.

Education accounts for the largest slice of general funds and it accounts for a bit over half of state and local government employment. The College of Southern Idaho (CSI) in Twin Falls has 26.3% of its student body being of Hispanic background. A 25% threshold is needed for an institution to be designated as a Hispanic Serving Institution. That designation allows schools to apply for special grants. At Idaho State University, the Eames Complex renovation should be completed in June. Funding for this \$19 million project came from grants, state appropriation, ISU reserves, and gifts from Bill Eames, an ISU pharmacy graduate, as well as from the Albertsons Family Foundation. The University of Idaho is participating in a spore trapping network monitoring the Snake River Plane from Parma to Tetonia. This collaborative effort, with McCain, Simplot, Basic American Foods, and Lamb Weston, monitors spores and weather conditions (weather is a vector which spreads the pathogens) primarily for potato fungus, but also for bean molds, sugar beet mildew, and grain rusts. The fall enrollment tally showed 310,628 students in K-12 in Idaho, up about 3,400 from last year. These snippets are just a few indications why education is such an important service of state and local government.

Federal employment within the state is not expected to change much on an annual measurement across the forecast. There will be measured impacts from the temporary nature of census jobs, so when

quarterly figures are reported, the (annualized) growth and decay rates could look unusual. At the state and local level, growth of 0.8–1.0% in government jobs per year is expected.

ALTERNATIVE FORECASTS

IHS places the likelihood of its November 2019 *Optimistic Scenario* at 10% and its *Pessimistic Scenario* at 35%. This leaves the baseline forecast at 55% likely.

A snapshot of the national *Baseline Scenario* using annual rates across 2019–2023 is:

- Real GDP growth: 2.3, 2.1, 2.0, 1.6, and 1.5 percent.
- Nonfarm payrolls: 1.6, 1.2, 0.8, 0.4, and 0.1 percent.
- Headline (U-3) unemployment: 3.7, 3.4, 3.5, 3.8, and 4.3 percent.
- CPI inflation: 1.8, 1.9, 1.8, 2.5, and again 2.5 percent.
- Publicly held debt as a fraction of GDP: 80.3, 82.5, 84.5, 86.6, and 88.6 percent.

A snapshot of the Idaho economy under the *Baseline Scenario* is:

- Nonfarm payroll growth: 2.9, 2.7, and then three readings of 2.0 percent.
- Nominal personal income growth: 6.0, 5.8, 4.9, 4.6, and 4.8 percent.

PESSIMISTIC SCENARIO

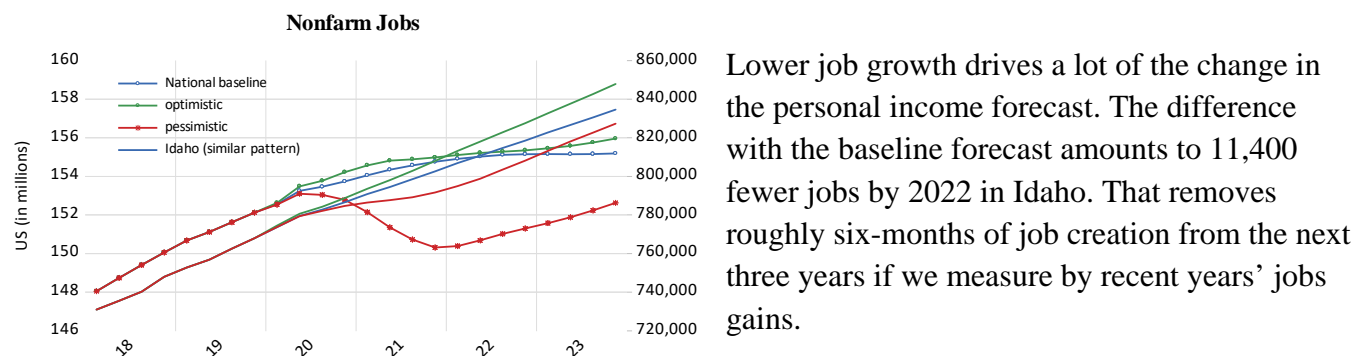
A couple of features of the IHS *Pessimistic Scenario* hold across most of the firm's such outlooks. For instance, this case usually features a mild recession expected to begin in a few quarters into the future. In this particular forecast, expansion stops in the third quarter of 2020. The duration of agreement with the baseline can be as short as one quarter but is often two to three quarters, and then the recession typically lasts two to three quarters. What often changes in the firm's outlook are the triggers for the downturn as well as the probability of a similarly adverse scenario playing out. In the November forecast, that probability is 35%, a rate which has been assigned by the firm for around six months to the pessimistic case. Prior to that the probability was lower.

Real estate pricing has been one of the triggers common to IHS pessimistic outlooks in 2019. Recently, the firm has pegged commercial real estate as vulnerable. This month marks a shift towards assigning greater vulnerability to residential real estate. In both cases, dramatic rises in prices have left parts of the sector vulnerable. Should mortgage rates rise, demand would likely fall. While the 30-year mortgage is tied to the 10-year treasury security, there is some play between treasury security yields and the short-term rates the Federal Reserve sets. Looking at the yields for mortgages this past year, they fell before the Federal Reserve lowered interest rates, and they have risen subsequent to the last cut in short-term interest rates. This is simply a reminder that interest rates consumers encounter can move even if the Federal Reserve is standing on the sidelines, neither cutting interest rates nor raising them.

In this case, housing starts drop through the first quarter of 2021, leading to a 30% differential with the baseline forecast. Foreign growth is also slower in this case. General unease causes equity values to fall, though modestly, at a haircut of under 5% as measured by the S&P500, when comparing the fourth quarter of 2020 with current valuations. Unemployment increases through 2021, with a peak unemployment rate of 5.8% at the close of that year.

Fiscal stimulus and monetary policy attempt to minimize the effects of the recession. The Federal Reserve re-lowers short-term interest rates almost to 0%, holding that across 2021 and 2022. The federal deficit grows by an extra \$80 billion in 2021, \$150 billion in 2022, and almost \$200 billion in 2023.

Within Idaho's economy, the brunt of the less favorable scenario falls on 2021. Personal income gains retreat from 4.9% growth in the baseline to 2.1%. This change is less dramatic than at the national level, where projected income growth is 1.0% rather than the 4.1% of the baseline figure for 2021. Some effects linger into 2022.



OPTIMISTIC SCENARIO

Like in its pessimistic case, the optimistic case for IHS has common features across time. As the US economy has been doing well for quite a while, the common features tend to be increased productivity and a light probability of such a scenario occurring. That light probability reflects, it seems, not much room left for increased optimism because the baseline forecast is already rosy. Increased productivity is a common feature because recent productivity readings have been low by historical standards. During 2011–2018, productivity growth averaged only 0.8%. The optimistic forecast places the average at 2.7% across the next decade. Productivity increased by 3.6% in 2009 and by 3.4% in 2010 but has registered between 0.0% and 1.3% since then. Productivity was higher in 2009 and 2010 because of low employment during and after the recession. Productivity growth was 2.9–3.8% in 2003–2004, between the Dot-Com recession and the housing market euphoria just prior to the Great Recession.

Another common feature in optimistic outlook is a lower natural rate of unemployment. The baseline case for the natural rate of unemployment is around 4.5%. Currently, unemployment is at 3.5%. This means that the economy is operating beyond full employment. Thus, with time, and absent any shocks, economic models would predict a rise in unemployment by about 1% of the labor force. In the optimistic case, the natural rate of unemployment is lower, at 4.0%. The smaller discrepancy between the current reading of unemployment and that natural rate means that there is less pressure for the unemployment rate to creep upwards, which in this case allows the unemployment rate to fall further before an upward drift begins. Inflation, as measured by the Federal Reserve's preferred gage, is just one- to two-tenths of a percentage point weaker in this case compared with the baseline. The unemployment rate drifts down to 3.2% across 2020–2021, and it remains below 4% through 2024. Again, there are demographic pressures which are predicted by IHS to pull the unemployment rate upwards, and in the US economy, some unemployment is inevitable if it takes workers longer than a month to transition between jobs.

Federal deficits are hardly different from those in the baseline. Oil prices are higher, by about \$10 per barrel, beginning in late 2020. Higher oil prices help business investment in the US, though they dampen consumer activity. Housing starts are higher than in the baseline by a bit over 100,000 units per year by late 2021. This is despite a higher average mortgage rate on existing homes by a bit more than half of a percentage point. Overall housing starts top 1.4 million units per year in 2022 and persist with that level, whereas housing starts stay near 1.25 million units per year in the baseline.

Total nonfarm jobs in Idaho increase by 2.9% in both the baseline and the optimistic cases in 2019, but the optimistic route sees 2.9% growth repeating in 2020, avoiding for one year the slight slowing in growth expected in the baseline. In 2021 and 2022, nonfarm jobs are expected to expand 2.3–2.4% each year rather than the 2.0% common to those years in the baseline. These higher growth rates amount to a total of 6,300 additional jobs by the end of 2022. Recent years have seen 20,000 or more additional nonfarm jobs within the state, so the optimistic view sees roughly an extra four months of job creation squeezed into the next three years.

Personal income gains are stronger in the optimistic case as well. In the baseline, nominal personal income gains dip below 5% in both 2021 and 2022. In this sunnier scenario, personal income grows by over 5.4% each year. Total personal income reaches \$1.6 billion higher by 2022 as a result. Recently, personal income has grown by \$4–5 billion per year, so like for nonfarm jobs, the higher growth case fits another four months of income gains within the next three years.

IDAHO ECONOMIC FORECAST
BASELINE AND ALTERNATIVE FORECASTS
JANUARY 2020

	BASELINE					OPTIMISTIC					PESSIMISTIC				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
U.S. GDP (BILLIONS)															
Current \$	21,424	22,333	23,298	24,253	25,217	21,424	22,458	23,628	24,805	26,080	21,424	22,171	22,402	23,295	24,140
% Ch	4.1%	4.2%	4.3%	4.1%	4.0%	4.1%	4.8%	5.2%	5.0%	5.1%	4.1%	3.5%	1.0%	4.0%	3.6%
2009 Chain-Weighted	19,061	19,458	19,846	20,165	20,467	19,061	19,542	20,132	20,678	21,268	19,061	19,322	19,120	19,531	19,901
% Ch	2.3%	2.1%	2.0%	1.6%	1.5%	2.3%	2.5%	3.0%	2.7%	2.9%	2.3%	1.4%	-1.0%	2.2%	1.9%
PERSONAL INCOME - CURR \$															
Idaho (Millions)	81,655	86,387	90,589	94,751	99,290	81,654	86,670	91,396	96,383	101,883	81,654	86,095	87,882	91,597	96,011
% Ch	6.0%	5.8%	4.9%	4.6%	4.8%	6.0%	6.1%	5.5%	5.5%	5.7%	6.0%	5.4%	2.1%	4.2%	4.8%
U.S. (Billions)	18,668	19,389	20,185	21,042	21,932	18,668	19,516	20,430	21,405	22,466	18,668	19,294	19,482	20,170	20,986
% Ch	4.8%	3.9%	4.1%	4.2%	4.2%	4.8%	4.5%	4.7%	4.8%	5.0%	4.8%	3.3%	1.0%	3.5%	4.0%
PERSONAL INCOME - 2009 \$															
Idaho (Millions)	74,424	77,305	79,615	81,542	83,632	74,423	77,494	80,284	83,037	86,113	74,423	77,125	77,522	79,709	82,515
% Ch	4.5%	3.9%	3.0%	2.4%	2.6%	4.5%	4.1%	3.6%	3.4%	3.7%	4.5%	3.6%	0.5%	2.8%	3.5%
U.S. (Billions)	17,016	17,351	17,741	18,109	18,473	17,016	17,450	17,947	18,442	18,988	17,016	17,284	17,186	17,552	18,036
% Ch	3.3%	2.0%	2.2%	2.1%	2.0%	3.3%	2.6%	2.8%	2.8%	3.0%	3.3%	1.6%	-0.6%	2.1%	2.8%
TOTAL NONFARM EMPLOYMENT															
Idaho	760,037	780,614	796,613	812,711	828,641	760,038	782,057	800,604	820,376	840,231	760,036	779,948	788,741	801,360	820,335
% Ch	2.9%	2.7%	2.0%	2.0%	2.0%	2.9%	2.9%	2.4%	2.5%	2.4%	2.9%	2.6%	1.1%	1.6%	2.4%
U.S. (Thousands)	151,384	153,251	154,431	155,048	155,161	151,384	153,523	154,810	155,238	155,683	151,384	152,867	151,134	150,847	152,078
% Ch	1.6%	1.2%	0.8%	0.4%	0.1%	1.6%	1.4%	0.8%	0.3%	0.3%	1.6%	1.0%	-1.1%	-0.2%	0.8%
GOODS-PRODUCING SECTOR															
Idaho	125,691	129,886	133,453	137,216	141,044	125,694	130,771	135,376	139,997	144,374	125,692	129,318	130,987	134,453	139,056
% Ch	3.8%	3.3%	2.7%	2.8%	2.8%	3.8%	4.0%	3.5%	3.4%	3.1%	3.8%	2.9%	1.3%	2.6%	3.4%
U.S. (Thousands)	21,085	21,034	20,862	20,949	20,989	21,083	21,124	21,072	21,184	21,213	21,086	21,016	20,254	19,928	20,367
% Ch	1.8%	-0.2%	-0.8%	0.4%	0.2%	1.8%	0.2%	-0.2%	0.5%	0.1%	1.8%	-0.3%	-3.6%	-1.6%	2.2%
NONGOODS-PRODUCING SECTOR															
Idaho	634,345	650,728	663,161	675,495	687,597	634,344	651,286	665,228	680,379	695,858	634,344	650,630	657,754	666,907	681,280
% Ch	2.7%	2.6%	1.9%	1.9%	1.8%	2.7%	2.7%	2.1%	2.3%	2.3%	2.7%	2.6%	1.1%	1.4%	2.2%
U.S. (Thousands)	130,299	132,217	133,570	134,100	134,172	130,301	132,399	133,738	134,054	134,470	130,297	131,851	130,881	130,919	131,711
% Ch	1.5%	1.5%	1.0%	0.4%	0.1%	1.5%	1.6%	1.0%	0.2%	0.3%	1.5%	1.2%	-0.7%	0.0%	0.6%
SELECTED INTEREST RATES															
Federal Funds	2.2%	1.6%	2.0%	2.4%	2.6%	2.2%	1.8%	2.4%	3.1%	3.4%	2.2%	1.3%	0.1%	0.2%	0.9%
Bank Prime	5.3%	4.8%	5.1%	5.5%	5.7%	5.3%	4.1%	4.5%	4.8%	5.4%	5.3%	4.4%	3.4%	3.4%	4.1%
Existing Home Mortgage	4.3%	4.1%	4.5%	4.7%	4.8%	4.3%	4.3%	4.9%	5.6%	6.0%	4.3%	4.2%	4.3%	4.4%	4.9%
INFLATION															
GDP Price Deflator	1.8%	2.1%	2.3%	2.5%	2.4%	1.8%	2.2%	2.1%	2.2%	2.2%	1.8%	2.1%	2.1%	1.8%	1.7%
Personal Cons Deflator	1.4%	1.9%	1.8%	2.1%	2.2%	1.4%	1.9%	1.8%	2.0%	1.9%	1.4%	1.8%	1.6%	1.4%	1.3%
Consumer Price Index	1.8%	1.9%	1.8%	2.5%	2.5%	1.8%	2.2%	2.0%	2.3%	2.2%	1.8%	1.8%	1.6%	2.3%	2.3%

National Variables Forecast by IHS Economics
Forecast Begins the Third Quarter 2019

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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, corporate income, and sales taxes) account for about 95% 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 2020 *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, and receipts to date. Some components are projected by experts in various Idaho government departments. For example, the insurance premium tax reported in this document is prepared by the staff of the Department of Insurance.

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

SOURCE	ACTUAL						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
INDIVIDUAL INCOME TAX	\$1,167.889	\$1,061.875	\$1,152.651	\$1,206.407	\$1,284.384	\$1,329.265	\$1,470.857
% CHANGE	-18.3%	-9.1%	8.5%	4.7%	6.5%	3.5%	10.7%
CORPORATE INCOME TAX	\$141.025	\$97.021	\$168.950	\$187.014	\$198.659	\$188.291	\$215.403
% CHANGE	-25.5%	-31.2%	74.1%	10.7%	6.2%	-5.2%	14.4%
SALES TAX	\$1,022.202	\$955.909	\$972.380	\$1,027.344	\$1,109.829	\$1,145.732	\$1,218.770
% CHANGE	-10.4%	-6.5%	1.7%	5.7%	8.0%	3.2%	6.4%
CIGARETTE TAX	\$7.770	\$16.900	\$14.400	\$11.600	\$13.077	\$3.696	\$3.338
TOBACCO PRODUCTS	\$7.358	\$7.819	\$8.475	\$8.925	\$10.013	\$9.884	\$10.505
BEER TAX	\$2.039	\$2.070	\$1.971	\$1.944	\$1.928	\$1.891	\$1.911
WINE TAX	\$3.280	\$3.000	\$3.211	\$3.454	\$3.909	\$4.135	\$4.238
LIQUOR SURCHARGE	<u>\$9.294</u>	<u>\$11.394</u>	<u>\$14.761</u>	<u>\$17.248</u>	<u>\$20.925</u>	<u>\$24.210</u>	<u>\$25.480</u>
PRODUCT TAXES	\$29.741	\$41.183	\$42.819	\$43.172	\$49.851	\$43.815	\$45.471
% CHANGE	10.8%	38.5%	4.0%	0.8%	15.5%	-12.1%	3.8%
KILOWATT-HOUR TAX	\$2.018	\$2.138	\$2.430	\$2.982	\$1.920	\$1.840	\$1.918
MINE LICENSE TAX	\$0.942	\$1.797	\$1.536	\$2.025	\$0.531	\$0.519	\$0.069
INTEREST EARNINGS	\$0.760	(\$1.318)	(\$0.431)	(\$0.604)	\$0.356	(\$0.366)	(\$1.571)
COURT FEES AND FINES	\$5.354	\$5.384	\$5.117	\$4.849	\$4.592	\$4.356	\$6.141
INSURANCE PREMIUM TAX	\$55.479	\$53.632	\$54.118	\$56.580	\$55.622	\$59.356	\$61.747
ALCOHOLIC BEVERAGE LICENSES	\$1.610	\$1.469	\$1.524	\$1.557	\$0.128	\$0.000	(\$0.003)
UCC FILINGS	\$2.424	\$2.419	\$2.413	\$2.428	\$2.538	\$2.702	\$2.765
UNCLAIMED PROPERTY	\$1.782	\$8.225	\$4.512	\$8.888	\$6.997	\$5.655	\$6.293
LANDS	\$0.978	\$0.647	\$0.622	\$1.042	\$0.830	\$1.231	\$0.720
ONE-TIME TRANSFERS	\$1.426	\$1.544	\$4.882	\$16.155	\$4.530	\$4.222	\$1.987
ESTATE TAX	\$0.238	(\$0.173)	\$0.521	(\$0.022)	\$0.063	\$0.304	\$0.000
OTHER DEPTS & TRANSFERS	<u>\$31.701</u>	<u>\$32.706</u>	<u>\$30.433</u>	<u>\$27.897</u>	<u>\$29.453</u>	<u>\$28.508</u>	<u>\$26.198</u>
MISC. REVENUE	\$104.712	\$108.469	\$107.676	\$123.777	\$107.559	\$108.327	\$106.265
% CHANGE	-13.2%	3.6%	-0.7%	15.0%	-13.1%	0.7%	-1.9%
TOTAL GENERAL FUND*	\$2,465.569	\$2,264.457	\$2,444.475	\$2,587.713	\$2,750.282	\$2,815.429	\$3,056.766
% CHANGE	-15.2%	-8.2%	7.9%	5.9%	6.3%	2.4%	8.6%

* Totals may not add due to rounding.

IDAHO GENERAL FUND REVENUE
(\$ MILLION)

SOURCE	ACTUAL				FORECAST		
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
INDIVIDUAL INCOME TAX	\$1,513.169	\$1,651.196	\$1,828.282	\$1,661.130	\$1,784.792	\$1,875.391	\$1,953.477
% CHANGE	2.9%	9.1%	10.7%	-9.1%	7.4%	5.1%	4.2%
CORPORATE INCOME TAX	\$186.869	\$214.020	\$238.708	\$283.163	\$281.759	\$293.003	\$302.968
% CHANGE	-13.2%	14.5%	11.5%	18.6%	-0.5%	4.0%	3.4%
SALES TAX	\$1,303.028	\$1,382.418	\$1,490.015	\$1,597.704	\$1,701.612	\$1,789.171	\$1,878.467
% CHANGE	6.9%	6.1%	7.8%	7.2%	6.5%	5.1%	5.0%
CIGARETTE TAX	\$7.900	\$9.975	\$7.306	\$10.388	\$7.939	\$6.016	\$5.891
TOBACCO PRODUCTS	\$11.596	\$12.652	\$13.253	\$13.676	\$14.102	\$14.442	\$14.416
BEER TAX	\$1.934	\$1.935	\$1.965	\$1.993	\$2.009	\$2.021	\$2.030
WINE TAX	\$4.481	\$4.652	\$4.815	\$4.986	\$5.322	\$5.610	\$5.907
LIQUOR SURCHARGE	<u>\$25.890</u>	<u>\$28.880</u>	<u>\$30.960</u>	<u>\$33.235</u>	<u>\$37.400</u>	<u>\$38.261</u>	<u>\$40.048</u>
PRODUCT TAXES	\$51.801	\$58.094	\$58.299	\$64.278	\$66.772	\$66.351	\$68.292
% CHANGE	13.9%	12.1%	0.4%	10.3%	3.9%	-0.6%	2.9%
KILOWATT-HOUR TAX	\$1.877	\$2.108	\$2.592	\$2.371	\$2.200	\$2.100	\$2.100
MINE LICENSE TAX	(\$0.247)	\$0.050	\$0.024	\$0.023	\$0.100	\$0.125	\$0.150
INTEREST EARNINGS	\$0.324	(\$0.147)	\$4.654	\$2.850	\$3.981	\$6.579	\$7.542
COURT FEES AND FINES	\$6.025	\$8.444	\$9.184	\$8.213	\$8.362	\$8.499	\$8.625
INSURANCE PREMIUM TAX	\$72.123	\$75.423	\$70.486	\$75.352	\$78.668	\$76.701	\$76.701
ALCOHOLIC BEVERAGE LICENSES	\$0.000	\$0.000	(\$0.000)	\$0.000	\$0.000	\$0.000	\$0.000
UCC FILINGS	\$3.009	\$3.169	\$3.484	\$3.988	\$4.300	\$4.700	\$5.000
UNCLAIMED PROPERTY	\$9.928	\$10.369	\$8.507	\$11.801	\$10.000	\$10.000	\$10.000
LANDS	\$0.000	\$0.130	\$1.141	\$0.041	\$0.036	\$0.036	\$0.038
ONE-TIME TRANSFERS	\$8.596	\$14.338	\$8.806	\$15.698	\$10.163	\$7.151	\$7.151
ESTATE TAX	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
OTHER DEPTS & TRANSFERS	<u>\$27.192</u>	<u>\$28.796</u>	<u>\$7.424</u>	<u>\$7.996</u>	<u>\$8.529</u>	<u>\$8.766</u>	<u>\$9.021</u>
MISC. REVENUE	\$128.828	\$142.679	\$116.301	\$128.331	\$126.339	\$124.657	\$126.328
% CHANGE	21.2%	10.8%	-18.5%	10.3%	-1.6%	-1.3%	1.3%
TOTAL GENERAL FUND*	\$3,183.694	\$3,448.407	\$3,731.606	\$3,734.606	\$3,961.274	\$4,148.572	\$4,329.531
% CHANGE	4.2%	8.3%	8.2%	0.1%	6.1%	4.7%	4.4%

* 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).

Most net income tax liability, interest, and penalties is 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 2020 through FY 2022 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 the S&P 500 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
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	Actual	\$2,003,812	\$333,743	\$1,661,130	\$7,259	\$1,679
FY20	Projection	\$2,155,354	\$361,124	\$1,784,792	\$7,387	\$2,051
FY21	Projection	\$2,272,853	\$387,728	\$1,875,391	\$7,519	\$2,215
FY22	Projection	\$2,375,950	\$412,464	\$1,953,477	\$7,634	\$2,375

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 2020 through FY 2022 are based on a combination of econometric analysis and judgment.

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

		Gross Collections	Distribution			
			Refunds	General Fund	Permanent Building Fund	Miscellaneous
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	Actual	\$308,601	\$23,640	\$283,163	\$799	\$999
FY20	Projection	\$318,597	\$34,155	\$281,759	\$814	\$1,869
FY21	Projection	\$331,310	\$35,518	\$293,003	\$828	\$1,961
FY22	Projection	\$342,579	\$36,726	\$302,968	\$841	\$2,043

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 but make sales in Idaho through Idaho retailers are required to collect and remit sales taxes once their remote sales exceed \$10,000 in the preceding 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.

Beginning June 1, 2019, Idaho requires the following business types to collect and remit Idaho sales tax:

- Retailers without a physical presence in Idaho when their sales into Idaho exceed \$100,000 in the current or previous year.
- Marketplace facilitators without a physical presence in Idaho when the combined total of their own sales in Idaho and their third-party sales in Idaho exceeds \$100,000 in the current or previous year.
- Retailers with a physical presence in Idaho who also are marketplace facilitators.

For fiscal years 2020 through 2024, these taxes, net of refunds, are directed to the Tax Relief Fund. Thereafter, these receipts are to be distributed as described in the first paragraph, with the exception the General Fund receives none of these receipts.

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 2020 through FY 2022 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	Water Pollution Control Fund	Circuit Breaker	Personal Property Tax Exemption	Agricultural Equipment Property Tax Exemption	Transportation Expansion & Congest. Mitigation Fund	Misc. Dist.
FY09	Actual	\$1,201,248	\$5,963	\$1,022,202	\$5,000	\$136,995	\$4,800	\$15,459	\$0	\$8,487		\$2,342
FY10	Actual	\$1,123,885	\$3,088	\$955,909	\$5,000	\$128,496	\$4,800	\$15,707	\$0	\$8,487		\$2,398
FY11	Actual	\$1,166,272	\$21,124	\$972,380	\$5,000	\$131,215	\$4,800	\$16,002	\$0	\$8,487		\$7,264
FY12	Actual	\$1,216,228	\$8,738	\$1,027,344	\$5,000	\$138,440	\$4,800	\$16,070	\$0	\$8,487		\$7,348
FY13	Actual	\$1,313,372	\$11,088	\$1,109,829	\$5,000	\$149,426	\$4,800	\$15,901	\$0	\$8,487		\$8,841
FY14	Actual	\$1,369,522	\$3,781	\$1,145,732	\$5,000	\$156,569	\$4,800	\$15,728	\$18,934	\$8,487		\$10,492
FY15	Actual	\$1,456,971	\$5,535	\$1,218,770	\$5,000	\$166,329	\$4,800	\$16,319	\$18,922	\$8,487		\$12,810
FY16	Actual	\$1,553,034	\$4,840	\$1,303,028	\$5,000	\$177,834	\$4,800	\$16,606	\$18,890	\$8,487		\$13,550
FY17	Actual	\$1,643,649	\$5,313	\$1,382,418	\$5,000	\$188,175	\$4,800	\$16,968	\$18,852	\$8,487	\$0	\$13,637
FY18	Actual	\$1,784,749	\$4,552	\$1,490,015	\$5,000	\$204,146	\$4,800	\$17,427	\$18,837	\$8,487	\$15,713	\$15,770
FY19	Actual	\$1,901,712	\$5,765	\$1,597,704	\$5,000	\$217,276	\$4,800	\$17,990	\$18,730	\$8,487	\$16,725	\$9,235
FY20	Projection	\$2,022,824	\$6,201	\$1,701,612	\$5,000	\$231,340	\$4,800	\$19,372	\$18,730	\$8,487	\$17,803	\$9,479
FY21	Projection	\$2,123,781	\$6,666	\$1,789,171	\$5,000	\$242,869	\$4,800	\$19,716	\$18,730	\$8,487	\$18,690	\$9,652
FY22	Projection	\$2,226,635	\$7,100	\$1,878,467	\$5,000	\$254,618	\$4,800	\$20,018	\$18,730	\$8,487	\$19,594	\$9,821

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 ³	Permanent Building Fund ⁴	Water Pollution Control Fund	Cancer Control Fund	Economic Recovery Reserve Fund	GARVEE Debt Service Fund ⁵	Aquifer Fund ⁶	State Highway Account ⁶	Transportation Expansion & Congest. Mitigation Fund
May-1945	\$0.01000			100.0%									
Jul-1947	\$0.01500			100.0%									
Jul-1955	\$0.02000			100.0%									
Jul-1959	\$0.02500			100.0%									
Jul-1961	\$0.03000			\$0.00250		\$0.0005							
Jul-1963	\$0.03500			\$0.00300		\$0.0005							
Jul-1972	\$0.04550			\$0.00350	\$0.0005 to \$40,000	\$0.0005	\$0.0005						
Jul-1974	\$0.04550			Balance	1.099% to \$40,000	10.989%	10.989%						
Jul-1975	\$0.04550			Balance	1.099% to \$55,000	10.989%	10.989%						
Jul-1978	\$0.04550			Balance	1.099% to \$70,000	10.989%	10.989%						
Jul-1979	\$0.04550			Balance	1.099% to \$70,000	10.989%	10.989%	3.645%					
Jul-1980	\$0.04550			Balance	1.099% to \$85,000	10.989%	10.989%	3.645%					
Jul-1982	\$0.04550			Balance	1.099% to \$95,000	10.989%	10.989%	3.645%					
Jul-1984	\$0.04550			Balance	1.099% to \$100,000	10.989%	10.989%	3.645%					
Mar-1987	\$0.09000			Balance ¹	1.099% to \$100,000	10.989%	10.989%	3.645%					
Jul-1987	\$0.09000			Balance	1.000% to \$100,000	43.300%	6.700%	2.500%					
Jul-1989	\$0.09000			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%					
						+ Remainder							
Jul-2009	\$0.028500	\$0.002587	\$0.002587	Bond Levy Equalization Appropriation less Lottery Contribution.	0.400%	17.300%	0.000%	1.000%					
						+ Remainder							
Jul-2014	\$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	Remainder	
						+ Building Bond Balance							
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 2020 through FY 2022 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)

		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
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	Actual	\$34,607	\$0	\$10,388	\$5,000	\$0	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$0	\$2,468
FY20	Projection	\$34,441	\$63	\$7,939	\$5,000	\$0	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$0	\$4,689
FY21	Projection	\$33,782	\$63	\$6,016	\$5,000	\$0	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$0	\$5,952
FY22	Projection	\$33,113	\$63	\$5,891	\$5,000	\$0	\$300	\$120	\$3,315	\$3,315	\$4,700	\$5,000	\$0	\$5,408

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% ¹	2.5%
Jul-2000	0.0%	35.0%	2.5% ¹	2.5%
Jul-2014	0.0%	35.0%	2.5% ²	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 2020 through FY 2022 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	Public School Income Fund	County Juvenile Probation Fund
FY09	Actual	\$8,467	\$58	\$7,358	\$526	\$526
FY10	Actual	\$8,962	\$26	\$7,819	\$558	\$558
FY11	Actual	\$9,849	\$163	\$8,475	\$605	\$605
FY12	Actual	\$10,204	\$4	\$8,925	\$638	\$638
FY13	Actual	\$11,460	\$17	\$10,013	\$715	\$715
FY14	Actual	\$11,318	\$22	\$9,884	\$706	\$706
FY15	Actual	\$12,025	\$19	\$10,505	\$750	\$750
FY16	Actual	\$13,397	\$145	\$11,596	\$828	\$828
FY17	Actual	\$14,519	\$60	\$12,652	\$904	\$904
FY18	Actual	\$15,159	\$13	\$13,253	\$947	\$947
FY19	Actual	\$15,661	\$31	\$13,676	\$977	\$977
FY20	Projection	\$16,145	\$24	\$14,102	\$1,009	\$1,009
FY21	Projection	\$16,533	\$24	\$14,442	\$1,033	\$1,033
FY22	Projection	\$16,503	\$24	\$14,416	\$1,031	\$1,031

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
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 2020 through FY 2022 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
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	Actual	\$4,241	\$0	\$1,993	\$1,399	\$848
FY20	Projection	\$4,278	\$3	\$2,009	\$1,411	\$855
FY21	Projection	\$4,303	\$3	\$2,021	\$1,419	\$860
FY22	Projection	\$4,322	\$3	\$2,030	\$1,425	\$864

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 2020 through FY 2022 are based on Idaho per capita personal income and a trend factor.

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

		Gross Collections	Distribution				
			Refunds	General Fund	Alcoholism Treatment Fund	Substance Abuse Treatment Fund	ID Grape Growers & Wine Producers Commission Fund
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	Actual	\$6,012	\$4	\$4,986	\$0	\$721	\$300
FY20	Projection	\$6,419	\$7	\$5,322	\$0	\$769	\$321
FY21	Projection	\$6,766	\$7	\$5,610	\$0	\$811	\$338
FY22	Projection	\$7,123	\$7	\$5,907	\$0	\$854	\$356

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 2020 through FY 2022 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
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	Actual	\$2,371	\$0	\$2,371
FY20	Projection	\$2,200	\$0	\$2,200
FY21	Projection	\$2,100	\$0	\$2,100
FY22	Projection	\$2,100	\$0	\$2,100

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 2020 through FY 2022 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
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	Actual	\$35	\$0	\$23	\$0	\$12
FY20	Projection	\$217	\$65	\$100	\$0	\$52
FY21	Projection	\$254	\$65	\$125	\$0	\$64
FY22	Projection	\$292	\$65	\$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.

The forecast is prepared by the Idaho State Liquor Division.

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

			Distribution							
			General Fund	Community College Fund	Coop. Welfare Fund	Public School Income Fund	Drug Cr., Mental Health Cr., & Family Cr. Services Fund	Substance Abuse Treatment Fund	Drug & Mental Health Cr. Supervision Fund	Cities & Counties
Year		Gross Dist.								
FY09	Actual	\$44,476	\$9,294	\$600	\$650	\$1,200	\$3,316	\$2,080	\$440	\$26,896
FY10	Actual	\$44,091	\$11,394	\$600	\$650	\$1,200	\$3,301	\$2,080	\$440	\$24,426
FY11	Actual	\$49,699	\$14,761	\$600	\$650	\$1,200	\$3,417	\$2,080	\$440	\$26,551
FY12	Actual	\$53,001	\$17,248	\$600	\$650	\$1,200	\$3,581	\$2,080	\$440	\$27,202
FY13	Actual	\$59,065	\$20,925	\$600	\$650	\$1,200	\$3,825	\$2,080	\$440	\$29,345
FY14	Actual	\$63,525	\$24,210	\$600	\$650	\$1,200	\$3,905	\$2,080	\$440	\$30,440
FY15	Actual	\$65,721	\$25,480	\$600	\$650	\$1,200	\$4,071	\$2,080	\$440	\$31,200
FY16	Actual	\$66,657	\$25,890	\$600	\$650	\$1,200	\$4,297	\$2,080	\$440	\$31,500
FY17	Actual	\$72,909	\$28,880	\$600	\$650	\$1,200	\$4,529	\$2,080	\$440	\$34,530
FY18	Actual	\$77,297	\$30,960	\$600	\$650	\$1,200	\$4,757	\$2,080	\$440	\$36,610
FY19	Actual	\$82,369	\$33,235	\$800	\$650	\$1,200	\$5,059	\$2,080	\$440	\$38,905
FY20	Projection	\$91,077	\$37,400	\$800	\$650	\$1,200	\$5,227	\$2,080	\$440	\$43,280
FY21	Projection	\$92,971	\$38,261	\$800	\$650	\$1,200	\$5,429	\$2,080	\$440	\$44,111
FY22	Projection	\$96,735	\$40,048	\$800	\$650	\$1,200	\$5,619	\$2,080	\$440	\$45,898

INTEREST EARNINGS

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

The 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 State Treasurer's forecast of interest earnings for FY 2020 through FY 2022 is based on an assessment of the fund balances, forecasts of interest rates, and agency expectations.

The FY 2020 forecast includes the approximately \$3.1 million net cost associated with the issuance of this year's tax anticipation note. The FY 2021 and FY 2022 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 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 2020 through FY 2022 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 Department of Insurance’s forecast of General Fund revenue from premiums for FY 2020 through FY 2022 is based on forecasts of insurance premium growth, trends in insurance rates and coverages, and company insolvencies that result in credits taken for guaranty association assessments.

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.

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

UNCLAIMED PROPERTY

Description: (Title 14, Chapter 5, *Idaho Code*)

The State Treasurer forecasts revenue from unclaimed property from bank accounts, safe deposit boxes, travelers’ checks, life insurance policies, utility deposits, and other intangible property that 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. The forecast is provided by the Secretary of State.

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 2020 through FY 2022 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.

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

		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
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	Actual	\$0	\$2,850	\$8,213	\$75,352	\$0	\$11,801	\$3,988	\$41	\$15,698	\$7,996
FY20	Projection	\$0	\$3,981	\$8,362	\$78,668	\$0	\$10,000	\$4,300	\$36	\$10,163	\$8,529
FY21	Projection	\$0	\$6,579	\$8,499	\$76,701	\$0	\$10,000	\$4,700	\$36	\$7,151	\$8,766
FY22	Projection	\$0	\$7,542	\$8,625	\$76,701	\$0	\$10,000	\$5,000	\$38	\$7,151	\$9,021

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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 (Repealed 2018)
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 Allowance
- 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 for goods are:

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

Principal Idaho sales tax expenditures for services are:

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
Dealer Labor for New Vehicle Accessories

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

		CY2016	CY2017	CY2018	CY2019	CY2020	CY2021
1	Income Tax Expenditures (Calendar Year Basis)						
1.1	Uses of Income Not Taxed						
1.1.01	Investment Tax Credit	\$41,136	\$31,989	\$34,196	\$34,849	\$35,508	\$36,292
1.1.02	Other States Tax Credit	\$79,271	\$85,253	\$90,740	\$96,210	\$101,786	\$106,737
1.1.03	Elderly Dependent Credit	\$875	\$842	\$881	\$920	\$961	\$1,000
1.1.04	Youth and Rehabilitation Credit	\$9,425	\$10,045	\$10,692	\$11,336	\$11,993	\$12,577
1.1.05	Schools, Libraries, and Museums Credit	\$9,144	\$9,676	\$10,324	\$10,946	\$11,580	\$12,143
1.1.06	Grocery Credit	\$146,559	\$149,991	\$153,072	\$155,775	\$158,543	\$160,970
1.1.07	Recycling Equipment Credit	\$14	\$2	\$15	\$15	\$15	\$15
1.1.08	Technological Equipment Deduction	\$69	\$56	\$56	\$59	\$62	\$65
1.1.09	Long-Term Care Insurance Deduction	\$1,559	\$1,619	\$1,536	\$1,564	\$1,593	\$1,630
1.1.10	Alternative Energy Device Deduction	\$509	\$678	\$672	\$712	\$751	\$788
1.1.11	Insulation Deduction	\$1,494	\$1,667	\$1,652	\$1,749	\$1,844	\$1,933
1.1.12	Workers' Compensation Premium Deduction	\$400	\$400	\$400	\$400	\$400	\$400
1.1.13	Child Care Deduction	\$4,508	\$4,624	\$4,355	\$4,401	\$4,432	\$4,475
1.1.14	College Savings Deduction	\$2,229	\$3,108	\$4,318	\$4,504	\$4,795	\$4,964
1.1.15	Health Insurance Deduction	\$21,765	\$22,933	\$22,308	\$23,408	\$24,479	\$25,806
1.1.16	Elderly and Developmental Disability Deduction	\$48	\$53	\$51	\$53	\$55	\$57
1.1.17	Adoption Expense Deduction	\$33	\$28	\$130	\$130	\$130	\$130
1.1.18	Medical Savings Account Deduction	\$1,286	\$1,447	\$1,433	\$1,519	\$1,601	\$1,679
1.1.19	Right Income Adjustment Credit	\$40	\$40	\$37	\$37	\$37	\$37
1.1.20	Riparian Land Improvements Credit	Sunset	Sunset	Sunset	Sunset	Sunset	Sunset
1.1.21	Broadband Investment Credit	\$4,289	\$1,690	\$1,807	\$1,842	\$1,876	\$1,918
1.1.22	County Incentive Investment Tax Credit	\$22	\$0	Repealed	Repealed	Repealed	Repealed
1.1.23	Research Activity Credit	\$11,990	\$3,674	\$3,678	\$3,689	\$3,695	\$3,666
1.1.24	Promoter Sponsored Events Credit	\$2	\$2	\$2	\$2	\$2	\$2
1.1.25	Corporate Headquarters Investment Credit	Repealed	Repealed	Repealed	Repealed	Repealed	Repealed
1.1.26	Corporate Headquarters Real Property Improvement Credit	Repealed	Repealed	Repealed	Repealed	Repealed	Repealed
1.1.27	Corporate Headquarters New Jobs Credit	Repealed	Repealed	Repealed	Repealed	Repealed	Repealed
1.1.28	Small Employer Capital Investment Credit	\$476	\$284	\$514	\$514	\$514	Sunset
1.1.29	Small Employer Real Property Improvement Credit	\$308	\$310	\$156	\$156	\$156	Sunset
1.1.30	Small Employer New Jobs Credit	\$28	\$5	\$41	\$41	\$41	Sunset
1.1.31	Live Organ Donation Expenses Credit	\$42	\$56	\$37	\$37	\$37	\$37
1.1.32	Biofuel Investment Tax Credit	Sunset	Sunset	Sunset	Sunset	Sunset	Sunset
1.1.33	Special Job Credit	\$0	Sunset	Sunset	Sunset	Sunset	Sunset
1.1.34	Reimbursement Incentive Credit	\$6,000	\$9,000	\$12,000	\$15,000	\$18,000	\$21,000
1.1.35	Certain Charitable Contributions Deduction	\$25	\$25	\$23	\$23	\$23	\$23
1.1.36	Child Income Tax Credit			\$67,300	\$68,300	\$69,100	\$70,158
1.2	Sources of Income Not Taxed						
1.2.01	Capital Gains Exclusion	\$25,710	\$27,063	\$27,373	\$28,987	\$30,600	\$32,063
1.2.02	Government Interest Exclusion	\$1,804	\$1,141	\$1,152	\$1,191	\$1,249	\$1,308
1.2.03	Social Security Exclusion	\$83,250	\$91,703	\$90,747	\$98,855	\$104,044	\$109,989
1.2.04	Railroad Retirement Exclusion						
1.2.05	Retirement Benefit Exclusion	\$8,598	\$9,076	\$8,908	\$9,697	\$10,175	\$10,752
1.2.06	Idaho Lottery Winnings Exclusion	\$5,248	\$5,339	\$6,509	\$6,639	\$6,772	\$6,907
1.2.07	Indian Earnings on Reservation Exclusion	\$758	\$408	\$423	\$481	\$527	\$582
1.2.08	World War II Reparations Exclusion	\$0	\$0	\$0	\$0	\$0	\$0
1.2.09	Marriage Penalty Deduction	\$0	\$0	\$0	\$0	\$0	\$0
1.2.10	Certain Loss Recoveries Deduction	\$250	\$250	\$250	\$250	\$250	\$250
1.2.11	Nonresident Guaranteed Partnership Income Exclusion	\$440	\$440	\$440	\$440	\$440	\$440

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
2	Sales Tax Expenditures (Fiscal Year Basis)						
2.1	Specific Uses Not Taxed						
2.1.01	Production Exemption - Equipment	\$110,353	\$118,533	\$124,199	\$125,110	\$127,903	\$131,441
2.1.02	Production Exemption - Supplies	\$83,537	\$89,729	\$94,019	\$94,708	\$96,823	\$99,501
2.1.03	Irrigation Equipment and Supplies	\$4,435	\$4,546	\$4,660	\$4,776	\$4,896	\$5,018
2.1.04	Pollution Control Equipment	\$12,684	\$13,450	\$14,130	\$13,473	\$13,867	\$14,453
2.1.05	Broadcast Equipment and Supplies	\$2,826	\$3,035	\$3,180	\$3,204	\$3,275	\$3,366
2.1.06	Publishing Equipment and Supplies	\$181	\$194	\$204	\$205	\$210	\$216
2.1.07	Commercial Aircraft	\$2,154	\$2,154	\$2,154	\$2,154	\$2,154	\$2,154
2.1.08	Railroad Rolling Stock and Remanufacturing	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550
2.1.09	Interstate Trucks	\$8,103	\$8,447	\$8,624	\$8,815	\$9,139	\$9,543
2.1.10	Out-of-State Contracts	\$4,708	\$5,057	\$5,298	\$5,337	\$5,456	\$5,607
2.1.11	Trade-in Allowance	\$34,592	\$36,061	\$36,817	\$37,633	\$39,017	\$40,741
2.1.12	Sale or Lease of Businesses or Business Assets	\$2,234	\$2,400	\$2,515	\$2,533	\$2,590	\$2,661
2.1.13	SNAP/WIC	\$14,957	\$12,771	\$13,143	\$13,717	\$14,132	\$14,431
2.1.14	Vehicles and Vessels Sold to Nonresidents	\$19,483	\$20,335	\$20,761	\$21,221	\$22,002	\$22,974
2.1.15	Common Carrier Purchases and Out-of-State Sales	NA	NA	NA	NA	NA	NA
2.1.16	Donations of Real Property to Idaho Government	\$4	\$4	\$4	\$4	\$4	\$4
2.1.17	Incidental Sales of Tangible Personal Property	\$12	\$12	\$12	\$12	\$12	\$12
2.1.18	Lodging, Eating, and Drinking Places	\$89	\$94	\$97	\$101	\$104	\$107
2.1.19	School Lunches and Senior Citizen Meals	\$4,917	\$4,982	\$5,152	\$5,339	\$5,557	\$5,768
2.1.20	Drivers Education Automobiles	\$38	\$38	\$38	\$38	\$38	\$38
2.1.21	Ski Lifts and Snowgrooming Equipment	\$600	\$600	\$600	\$600	\$600	\$600
2.1.22	Clean Rooms	\$480	\$480	\$480	\$480	\$480	\$480
2.1.23	Alternative Electricity-Producing Equipment	Sunset	Sunset	Sunset	Sunset	Sunset	Sunset
2.1.24	Research and Development Equipment	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200
2.1.25	Corporate Headquarters Construction	Repealed	Repealed	Repealed	Repealed	Repealed	Repealed
2.1.26	Small Employer Headquarters Construction	\$115	\$115	\$115	\$115	\$115	\$115
2.1.27	Glider Kit Vehicles	\$356	\$371	\$379	\$387	\$401	\$419
2.1.28	Media Production Projects	Sunset	Sunset	Sunset	Sunset	Sunset	Sunset
2.1.29	State Tax Anticipation Revenue	\$8,780	\$10,061	\$3,058	\$3,058	\$3,058	\$3,058
2.1.30	Motor Vehicles of Nonresident Students	\$26	\$25	\$25	\$25	\$26	\$26
2.1.31	Personal Property of Military Personnel	NA	NA	NA	NA	NA	NA
2.1.32	Beverage and Food Samples	\$16	\$17	\$18	\$18	\$19	\$19
2.1.33	Beverage and Food Donations	\$10	\$10	\$10	\$10	\$10	\$10
2.1.34	Prepared Beverage and Food Given to Employees	\$158	\$159	\$160	\$162	\$165	\$167
2.2	Goods Not Taxed						
2.2.01	Motor Fuels	\$141,400	\$159,593	\$165,935	\$162,414	\$149,620	\$153,414
2.2.02	Heating Materials	\$3,454	\$4,228	\$4,450	\$4,151	\$4,078	\$4,255
2.2.03	Utility Sales	\$108,226	\$111,473	\$114,817	\$118,262	\$121,809	\$125,464
2.2.04	Used Manufactured Homes	\$2,760	\$2,760	\$2,760	\$2,760	\$2,760	\$2,760
2.2.05	Vending Machines and Amusement Devices	\$0	\$0	\$0	\$0	\$0	\$0
2.2.06	Prescriptions and Durable Medical Equipment	\$62,794	\$65,704	\$69,467	\$74,758	\$80,638	\$87,385
2.2.07	Funeral Caskets	\$1,623	\$1,672	\$1,722	\$1,774	\$1,827	\$1,882
2.2.08	Containers	\$41	\$43	\$45	\$47	\$48	\$50
2.2.09	Nonprofit Literature	\$143	\$146	\$149	\$152	\$154	\$156
2.2.10	Official Documents	\$71	\$72	\$79	\$80	\$82	\$83
2.2.11	Precious Metal Bullion	\$558	\$558	\$558	\$558	\$558	\$558
2.2.12	Idaho Commemorative Silver Medallions	\$2	\$2	\$2	\$2	\$2	\$2
2.2.13	New Manufactured Homes or Modular Buildings	\$2,534	\$2,651	\$2,724	\$2,815	\$2,906	\$2,995
2.2.14	Telecommunications Equipment	\$2,745	\$3,019	\$3,321	\$3,653	\$4,019	\$4,421
2.2.15	Personal Property Tax on Rentals	\$400	\$400	\$400	\$400	\$400	\$400
2.2.16	Remotely-Accessed Computer Software	\$8,396	\$8,818	\$9,096	\$9,584	\$9,919	\$10,210

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
2.3 Services Not Taxed						
2.3.01 Construction	\$161,396	\$182,636	\$206,220	\$232,054	\$256,826	\$282,535
2.3.02 Agricultural and Industrial Services	\$5,139	\$5,271	\$5,369	\$5,481	\$5,594	\$5,706
2.3.03 Transportation Services	\$51,250	\$54,295	\$56,010	\$58,777	\$60,901	\$63,048
2.3.04 Information Services	\$102,720	\$104,915	\$106,874	\$108,818	\$110,590	\$112,240
2.3.05 Repairs	\$60,456	\$63,300	\$66,513	\$69,480	\$72,923	\$76,416
2.3.06 Professional Services	\$233,069	\$244,035	\$256,420	\$267,861	\$281,131	\$294,599
2.3.07 Business Services	\$150,227	\$157,296	\$165,279	\$172,653	\$181,206	\$189,887
2.3.08 Personal Services	\$12,547	\$13,137	\$13,804	\$14,420	\$15,134	\$15,859
2.3.09 Health and Medical Services	\$526,439	\$550,493	\$577,725	\$606,682	\$639,762	\$674,480
2.3.10 Social Services	\$80,759	\$84,449	\$88,627	\$93,069	\$98,144	\$103,470
2.3.11 Educational Services	\$55,577	\$58,192	\$61,145	\$63,873	\$67,038	\$70,249
2.3.12 Lottery Tickets and Pari-Mutuel Betting	\$14,508	\$16,045	\$16,687	\$17,354	\$18,048	\$18,770
2.3.13 Media Measurement Services	\$77	\$79	\$81	\$84	\$86	\$89
2.3.14 Miscellaneous Services	\$5,155	\$5,396	\$5,664	\$6,917	\$7,255	\$7,595
2.3.15 Nonprofit Shooting Range Fees	\$43	\$45	\$48	\$50	\$52	\$55
2.3.16 Gratuities for Meals	\$227	\$237	\$244	\$254	\$262	\$267
2.3.17 Dealer Labor for New Vehicle Accessories				\$1,000	\$1,050	\$1,100
2.4 Specific Entities Not Taxed						
2.4.01 Educational Institution Purchases	\$8,554	\$9,597	\$10,143	\$10,291	\$10,613	\$11,010
2.4.02 Hospital Purchases	\$30,516	\$31,910	\$33,498	\$35,177	\$37,096	\$39,109
2.4.03 Health Entity Purchases	\$489	\$513	\$546	\$571	\$596	\$621
2.4.04 Canal Company Purchases	\$1,073	\$1,093	\$1,112	\$1,131	\$1,151	\$1,174
2.4.05 Forest Protective Association Purchases	\$47	\$48	\$49	\$50	\$51	\$52
2.4.06 Food Bank Purchases	\$350	\$367	\$384	\$401	\$419	\$437
2.4.07 Nonsale Clothier Purchases	\$1	\$1	\$1	\$1	\$1	\$1
2.4.08 Centers for Independent Living	\$6	\$7	\$7	\$7	\$7	\$7
2.4.09 State of Idaho and Local Government Purchases	\$32,757	\$35,768	\$37,807	\$38,506	\$40,122	\$41,568
2.4.10 Ronald McDonald House Rooms	\$1	\$1	\$1	\$1	\$1	\$1
2.4.11 INL Research and Development Purchases	\$5,974	\$6,322	\$6,606	\$6,655	\$6,941	\$7,251
2.4.12 Motor Vehicle Purchases by Family Members	\$2,267	\$2,364	\$2,413	\$2,467	\$2,557	\$2,670
2.4.13 Sales by 4-H and FFA Clubs at Fairs	\$28	\$28	\$28	\$28	\$28	\$28
2.4.14 Sales by Non-Retailers (Yard and Occasional Sales)	\$4,022	\$4,215	\$4,408	\$4,608	\$4,808	\$5,014
2.4.15 Sales by Indian Tribes on Reservations	\$5,729	\$6,015	\$6,239	\$6,513	\$6,687	\$6,904
2.4.16 Sales of Meals by Churches to Members	\$14	\$15	\$15	\$16	\$16	\$17
2.4.17 Sales by Outfitters and Guides	\$16	\$16	\$16	\$16	\$16	\$16
2.4.18 Sales Through Vending Machines	\$2,738	\$2,850	\$2,933	\$3,061	\$3,153	\$3,220
2.4.19 Auto Manufacturer Rebates	\$748	\$780	\$796	\$814	\$844	\$881
2.4.20 Incidental Sales by Churches	\$1,007	\$1,056	\$1,104	\$1,154	\$1,204	\$1,256
2.4.21 Federal Excise Tax Imposed at Retail Level	NA	NA	NA	NA	NA	NA
2.4.22 Federal Constitutional Prohibitions	NA	NA	NA	NA	NA	NA
2.4.23 Other Federal and State Statutory Prohibitions	NA	NA	NA	NA	NA	NA
2.4.24 Volunteer Fire Departments and Emergency Medical Service Agen	\$227	\$238	\$249	\$260	\$271	\$283
2.4.25 Senior Citizens Centers	\$54	\$57	\$59	\$62	\$65	\$67
2.4.26 Blind Services Foundation, Inc.	\$9	\$10	\$10	\$11	\$11	\$12
2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault	\$12	\$12	\$13	\$13	\$14	\$14
2.4.28 Free Dental Clinics	\$13	\$14	\$14	\$15	\$16	\$16

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 eligible 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, 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 child care 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. The ceiling was raised to \$10,000 in 2018.

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. Repealed in 2018.

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. Sunset in 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. Sunset in 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. Sunset in 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. Sunset in 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 a revenue-producing enterprise 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. Certain partnership interest held at least 12 months.

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(l)*

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(l)*

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 2.3.17 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 remove the exclusion for hand tools with a unit purchase price of \$100 or less and to include in the exemption fishing and hunting operations. Amended in 2016 to extend the end of the production process for farming operations from “initial storage” to removal from initial storage. This amendment exempts equipment and supplies used to remove produce from initial storage. The logging exemption (63-3622JJ) was amended in 2016 to remove the exclusion for hand tools with a unit purchase price of \$100.00 or less.

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. Amended in 2015 to remove the exclusion for hand tools with a unit purchase price of \$100 or less and to include in the exemption fishing and hunting operations. Amended in 2016 to extend the end of the production process for farming operations from “initial storage” to removal from initial storage. This amendment exempts equipment and supplies used to remove produce from initial storage. The logging exemption (63-3622JJ) was amended in 2016 to remove the exclusion for hand tools with a unit purchase price of \$100.00 or less.

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). Amended in 2016 to remove the exclusion for hand tools with a unit purchase price of \$100 or less.

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). Amended in 2016 to remove the exclusion for hand tools with a unit purchase price of \$100 or less.

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). Amended in 2016 to remove the exclusion for hand tools with a unit purchase price of \$100 or less.

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 2001 to exempt repair part for aircraft primarily used to transport passengers or freight for hire. Amended in 2009 to limit the aircraft exemption to those aircraft that are used as allowed by law to provide passenger or freight services for hire to the public from one point on land or water to another. Amended in 2012 to include parts used in nonresident privately owned aircraft at FAA approved Idaho repair stations. This includes parts installed as a part warranty repair. Amended in 2016 to exempt from tax the sale, lease, purchase or use of a fixed-wing aircraft primarily used as an air tactical group supervisor platform under contract with a governmental entity for wildfire activity.

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 and used 10% or more outside of Idaho, as well as their trailers.

History: Enacted in 1989. Amended in 2003 and 2012 to change the measurement period for the 10% requirement.

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 Allowance *Idaho Code 63-3613(b)2*

Description: Excludes from the taxable sales price any amounts allowed for merchandise traded in on other like goods. Specific exclusions for this allowance exist for new manufactured homes, new park model recreational vehicles, and modular buildings.

History: Enacted in 1965. Amended in 1976 to exclude a trade in allowance on the purchase of a new mobile home. Amended in 1986 to change mobile home to manufactured home and added modular buildings, excluding trade-in allowances on the purchase of new manufactured homes and modular buildings. Amended in 1990 to extend allowance to trade-downs. Amended in 2017 to exclude a trade-in allowance on the sale of a park model recreational vehicle.

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 and was amended to exclude aircraft, boats, snowmobiles, off-highway motorbikes, and recreational vehicles from the occasional sale exemptions. Amended in 1989 to limit the exclusion to subsections (b)(1), (b)(4), (b)(6) or (b)(8). Amended in 1990 to add related business transfers and capital asset sales. Amended in 1996 to exempt leases between related parties as described in subsection (b)(4). Also provided that subsequent sales of the same assets would be exempt between related parties if the initial purchaser paid the sales tax.

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

Description: Exempts from the sales tax items purchased under the federal WIC and SNAP programs.

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(v) in 1965, it exempted motor vehicles and trailers sold in Idaho for use out-of-state. Amended in 2001 to extend the exemption to vessels with attached motor, snowmobiles, ATVs, and utility trailers. Amended in 2002 to provide a definition for vessel and ATV, remove the requirement that the vessel be sold with an attached motor, limit the exemption to sales to nonresidents only, and extend the exemption to sales of off-road motorcycles. Amended in 2015 to exempt utility type vehicles and specialty off-highway vehicles. Amended in 2017 to increase the amount of time the nonresident can use a vehicle or vessel exempted by this subsection in Idaho from 60 days to 90 days.

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.

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 an appliance included with a home purchase.

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 June 30, 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 in 2016.

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* and sale, purchase, or use of public records requested pursuant to 74-102.

History: Originally enacted in 1984. Amended in 2019 to exempt the sale, purchase, or use of public records requested pursuant to 74-102.

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: Exempts 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.

2.3.17 Dealer Labor for New Vehicle Accessories *Idaho Code 63-3622OO*

Description: Exempts a motor vehicle dealer's labor or service charge to add an accessory to a new, factory delivered motor vehicle when the dealer sells the accessory with the motor vehicle.

History: Enacted in 2019.

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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63-3622C	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
63-3622OO	2.3.17	Dealer Labor for New Vehicle Accessories
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