

State of Idaho Governor's General Fund Revenue Book FY 2014

- Economic Forecast
- Revenue Projections
- Tax Structure



July 1, 2013 – June 30, 2014

A handwritten signature in black ink, reading "C.L. 'Butch' Otter". The signature is written in a cursive, flowing style.

**C.L. "Butch" Otter
Governor**

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State of Idaho
C.L. "Butch" Otter, Governor

General Fund Revenue Book

FY 2014 Executive Budget
January 2013

- Economic Forecast
- Revenue Projections
- Tax Structure

Prepared by the



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INTRODUCTION

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

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

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

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

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

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Idaho Economic Forecast

The following tables and text are taken from the

January 2013 Idaho Economic Forecast,

a publication produced by the

Idaho Division of Financial Management.

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EXECUTIVE SUMMARY

Idaho's economy continues to distance itself from impacts of the Great Recession. A three-year employment slump ended in 2011 when nonfarm payrolls managed to increase 0.5%. Momentum has been growing slowly, and employment is estimated to have grown 1.3% in 2012. Employment growth is forecast to continue accelerating during most of the forecast period, rising 1.9% this year, 2.8% next year, 3.5% in 2015, and 3.3% in 2016. The nongoods-producing portion of Idaho's economy will drive the recovery with an annual average growth rate of 2.7% through 2016. Of the three employment sectors in Idaho's economy (goods producing, nongoods producing, and government), the nongoods-producing sector is the largest, accounting for about 85% of all nonfarm employment in the state. The goods-producing sector will also add to Idaho's recovery with an annual average growth rate of 3.7% through 2016. Idaho government employment is expected to stay relatively flat because of slowing population growth and austere public budgets. As the job market recovers, Idaho nominal and real personal income should continue to expand. Nominal personal income is expected to grow at an average rate of 4.9% through 2016, and Idaho real personal income is forecast to average 3.3% growth over the same period.

The national economy continued its slow climb out of the recession during 2012. Real output has been growing since mid-2009. And two missing pieces to the recovery appeared in 2012. First, the labor market posted gains in every month of the year, resulting in 1.4 million more nonfarm jobs in November 2012 than at the beginning of the year. The unemployment rate dropped from 8.3% to 7.7% during the same period. Second, the housing sector recovery seems to have solidified. National housing starts ended 2011 with 0.6 million units. There were 0.8 million units in 2012's third quarter. These two factors will help strengthen the recovery, though some key uncertainties over the future of fiscal policy remain in place. The immediate focus, of course, is the fiscal cliff of tax increases and spending cuts coming at the beginning of the year. If these hit with full force they could drag the economy back into another recession. This forecast was prepared before there was a final plan to deal with the fiscal cliff. In this forecast, IHS Global Insight assumes policy makers develop a plan in time to avoid the drastic consequences of the fiscal cliff. Under these conditions, the economy should continue expanding over the next few years. Real GDP is forecast to rise 1.9% this year, 2.8% next year, 3.3% in 2015, and 2.9% in 2016. In addition, employment markets should continue improving. The economy is forecast to grow by about 200,000 jobs every month, or a total of 9.6 million jobs, over the forecast period. The improved hiring should help slowly shave the unemployment rate to 6.2% by 2016. The housing sector should continue improving over the forecast period. Housing starts should climb from 0.8 million units in 2012 to 1.7 million units in 2016. In addition, the average home price should grow from \$187,200 in 2012 to \$206,200 in 2016.

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2013**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
U.S. GDP (BILLIONS)											
Current \$	13,377	14,029	14,292	13,974	14,499	15,076	15,678	16,247	16,966	17,813	18,619
% Ch	6.0%	4.9%	1.9%	-2.2%	3.8%	4.0%	4.0%	3.6%	4.4%	5.0%	4.5%
2005 Chain-Weighted	12,958	13,206	13,162	12,758	13,063	13,299	13,580	13,843	14,233	14,707	15,129
% Ch	2.7%	1.9%	-0.3%	-3.1%	2.4%	1.8%	2.1%	1.9%	2.8%	3.3%	2.9%
PERSONAL INCOME - CURR \$											
Idaho (Millions)	46,253	49,077	50,801	47,890	49,577	52,117	53,630	55,208	58,111	61,409	64,922
% Ch	9.6%	6.1%	3.5%	-5.7%	3.5%	5.1%	2.9%	2.9%	5.3%	5.7%	5.7%
Idaho Nonfarm (Millions)	45,163	47,514	48,999	46,502	48,040	50,019	51,542	53,589	56,583	59,918	63,444
% Ch	10.1%	5.2%	3.1%	-5.1%	3.3%	4.1%	3.0%	4.0%	5.6%	5.9%	5.9%
U.S. (Billions)	11,268	11,912	12,460	11,867	12,322	12,947	13,395	13,913	14,601	15,320	16,076
% Ch	7.5%	5.7%	4.6%	-4.8%	3.8%	5.1%	3.5%	3.9%	4.9%	4.9%	4.9%
PERSONAL INCOME - 2005 \$											
Idaho (Millions)	45,024	46,517	46,633	43,938	44,628	45,801	46,310	47,149	48,885	50,836	52,811
% Ch	6.7%	3.3%	0.3%	-5.8%	1.6%	2.6%	1.1%	1.8%	3.7%	4.0%	3.9%
Idaho Nonfarm (Millions)	43,963	45,036	44,978	42,665	43,245	43,958	44,506	45,766	47,600	49,602	51,609
% Ch	7.2%	2.4%	-0.1%	-5.1%	1.4%	1.6%	1.2%	2.8%	4.0%	4.2%	4.0%
U.S. (Billions)	10,969	11,291	11,438	10,887	11,092	11,378	11,566	11,882	12,283	12,683	13,077
% Ch	4.6%	2.9%	1.3%	-4.8%	1.9%	2.6%	1.7%	2.7%	3.4%	3.3%	3.1%
HOUSING STARTS											
Idaho	19,544	14,355	7,973	5,675	5,201	4,591	7,159	8,615	11,033	13,059	14,174
% Ch	-16.5%	-26.5%	-44.5%	-28.8%	-8.4%	-11.7%	55.9%	20.3%	28.1%	18.4%	8.5%
U.S. (Millions)	1.812	1.342	0.900	0.554	0.586	0.612	0.767	0.980	1.292	1.604	1.698
% Ch	-12.6%	-25.9%	-32.9%	-38.4%	5.7%	4.5%	25.3%	27.8%	31.8%	24.2%	5.8%
TOTAL NONFARM EMPLOYMENT											
Idaho	638,836	656,221	648,880	609,985	602,618	605,466	613,295	625,108	642,482	665,122	687,148
% Ch	4.4%	2.7%	-1.1%	-6.0%	-1.2%	0.5%	1.3%	1.9%	2.8%	3.5%	3.3%
U.S. (Thousands)	136,091	137,595	136,794	130,787	129,856	131,359	133,250	135,281	137,624	140,341	142,884
% Ch	1.8%	1.1%	-0.6%	-4.4%	-0.7%	1.2%	1.4%	1.5%	1.7%	2.0%	1.8%
SELECTED INTEREST RATES											
Federal Funds	5.0%	5.0%	1.9%	0.2%	0.2%	0.1%	0.1%	0.2%	0.2%	0.7%	2.7%
Bank Prime	8.0%	8.1%	5.1%	3.3%	3.3%	3.3%	3.2%	3.3%	3.3%	3.7%	5.7%
Existing Home Mortgage	6.6%	6.5%	6.2%	5.1%	4.9%	4.7%	3.9%	3.7%	4.5%	5.6%	6.6%
INFLATION											
GDP Price Deflator	3.2%	2.9%	2.2%	0.9%	1.3%	2.1%	1.8%	1.7%	1.6%	1.6%	1.6%
Personal Cons Deflator	2.7%	2.7%	3.3%	0.1%	1.9%	2.4%	1.8%	1.1%	1.5%	1.6%	1.8%
Consumer Price Index	3.2%	2.9%	3.8%	-0.3%	1.6%	3.1%	2.1%	1.3%	1.8%	1.7%	1.9%

**National Variables Forecast by IHS Global Insight
Forecast Begins the THIRD Quarter of 2012**

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2013**

	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	15,478	15,586	15,776	15,872	16,028	16,163	16,317	16,481	16,656	16,851	17,067	17,289
% Ch	4.2%	2.8%	5.0%	2.5%	4.0%	3.4%	3.9%	4.1%	4.3%	4.8%	5.2%	5.3%
2005 Chain-Weighted	13,506	13,549	13,616	13,650	13,734	13,800	13,873	13,963	14,055	14,164	14,291	14,422
% Ch	2.0%	1.3%	2.0%	1.0%	2.5%	1.9%	2.1%	2.6%	2.7%	3.1%	3.7%	3.7%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	53,256	53,625	53,568	54,072	54,392	54,926	55,452	56,063	56,964	57,692	58,498	59,288
% Ch	7.1%	2.8%	-0.4%	3.8%	2.4%	4.0%	3.9%	4.5%	6.6%	5.2%	5.7%	5.5%
Idaho Nonfarm (Millions)	50,802	51,311	51,799	52,258	52,712	53,271	53,860	54,515	55,395	56,148	56,986	57,804
% Ch	4.7%	4.1%	3.9%	3.6%	3.5%	4.3%	4.5%	5.0%	6.6%	5.5%	6.1%	5.9%
U.S. (Billions)	13,227	13,357	13,447	13,548	13,684	13,837	13,989	14,141	14,342	14,507	14,686	14,868
% Ch	6.6%	4.0%	2.7%	3.1%	4.1%	4.6%	4.5%	4.4%	5.8%	4.7%	5.0%	5.0%
PERSONAL INCOME - 2005 \$												
Idaho (Millions)	46,189	46,430	46,175	46,447	46,673	47,012	47,272	47,638	48,210	48,629	49,115	49,585
% Ch	4.5%	2.1%	-2.2%	2.4%	2.0%	2.9%	2.2%	3.1%	4.9%	3.5%	4.1%	3.9%
Idaho Nonfarm (Millions)	44,061	44,427	44,650	44,888	45,231	45,595	45,915	46,323	46,882	47,327	47,846	48,344
% Ch	2.2%	3.4%	2.0%	2.2%	3.1%	3.3%	2.8%	3.6%	4.9%	3.9%	4.5%	4.2%
U.S. (Billions)	11,472	11,565	11,591	11,638	11,742	11,844	11,925	12,016	12,138	12,228	12,331	12,434
% Ch	4.0%	3.3%	0.9%	1.6%	3.6%	3.5%	2.8%	3.1%	4.1%	3.0%	3.4%	3.4%
HOUSING STARTS												
Idaho	6,119	7,305	7,408	7,802	8,083	8,333	8,737	9,307	9,938	10,665	11,391	12,138
% Ch	62.9%	103.2%	5.7%	23.1%	15.2%	13.0%	20.8%	28.8%	30.0%	32.7%	30.1%	28.9%
U.S. (Millions)	0.715	0.736	0.786	0.832	0.881	0.937	1.011	1.091	1.158	1.248	1.330	1.430
% Ch	23.2%	12.3%	30.3%	25.5%	25.8%	27.8%	35.6%	35.9%	26.9%	34.8%	29.1%	33.5%
TOTAL NONFARM EMPLOYMENT												
Idaho	609,385	611,909	614,561	617,325	620,370	623,339	626,506	630,217	634,609	639,642	645,074	650,603
% Ch	1.1%	1.7%	1.7%	1.8%	2.0%	1.9%	2.0%	2.4%	2.8%	3.2%	3.4%	3.5%
U.S. (Thousands)	132,681	133,004	133,421	133,892	134,424	134,983	135,578	136,137	136,688	137,248	137,912	138,650
% Ch	2.1%	1.0%	1.3%	1.4%	1.6%	1.7%	1.8%	1.7%	1.6%	1.6%	1.9%	2.2%
SELECTED INTEREST RATES												
Federal Funds	0.1%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Bank Prime	3.3%	3.3%	3.3%	3.2%	3.2%	3.3%	3.3%	3.3%	3.3%	3.2%	3.3%	3.3%
Existing Home Mortgage	4.2%	3.9%	3.7%	3.6%	3.6%	3.6%	3.7%	3.8%	4.1%	4.3%	4.6%	4.9%
INFLATION												
GDP Price Deflator	2.0%	1.6%	2.8%	1.5%	1.5%	1.5%	1.7%	1.4%	1.6%	1.6%	1.5%	1.5%
Personal Cons Deflator	2.5%	0.7%	1.8%	1.4%	0.4%	1.0%	1.6%	1.3%	1.6%	1.6%	1.6%	1.6%
Consumer Price Index	2.5%	0.8%	2.3%	1.8%	0.1%	1.2%	2.1%	1.7%	1.9%	1.9%	1.8%	1.7%

National Variables Forecast by IHS Global Insight
Forecast Begins the THIRD Quarter of 2012

NATIONAL FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2012 through the Fourth Quarter of 2016

The national economy continued its slow climb out of the recession during 2012. Real output has been growing since mid-2009. And two missing pieces to the recovery appeared in 2012. First, the labor market posted gains in every month of the year, resulting in 1.4 million more nonfarm jobs in November 2012 than at the beginning of the year. The unemployment rate dropped from 8.3% to 7.7% during the same period. Second, the housing sector recovery seems to have solidified. National housing starts ended 2011 with 0.6 million units. There were 0.8 million units in 2012's third quarter. These two factors will help strengthen the recovery.

While the economy is stronger than it was last year, the key uncertainties over the future of fiscal policy remain in place. Divided government, as before, could be a recipe for complete gridlock. One important thing has changed, though. The election is over and important decisions cannot now be postponed until the next elections. The immediate focus, of course, is the fiscal cliff of tax increases and spending cuts coming at the beginning of the year. If these hit with full force they will drag the economy back into another recession. As a result, real GDP growth in the next four years would average 1.5% (compared to the forecast's 2.7% growth), and the unemployment rate could be higher in four years than it is now. The nascent housing recovery would be interrupted, with starts lower in 2013 than in 2012.

This forecast was prepared before the elections were over and before there was a final plan to deal with the fiscal cliff. In the absence of a plan, IHS Global Insight has incorporated several assumptions regarding what a final plan would look like into its forecast. It assumes the lame-duck Congress will delay the automatic spending cuts, giving time for the new Congress and president to produce a package of spending cuts and tax increases. IHS Global has also assumed a combination of cuts in Medicare, Medicaid, Social Security, and nondefense discretionary spending, and increases in income taxes. The measures mostly begin in January 2014; the Bush tax cuts are extended for 2013. The payroll tax cut and emergency unemployment benefits are also extended through 2013, and then phased out over several years, rather than ending abruptly. The current 50% bonus depreciation is not extended.

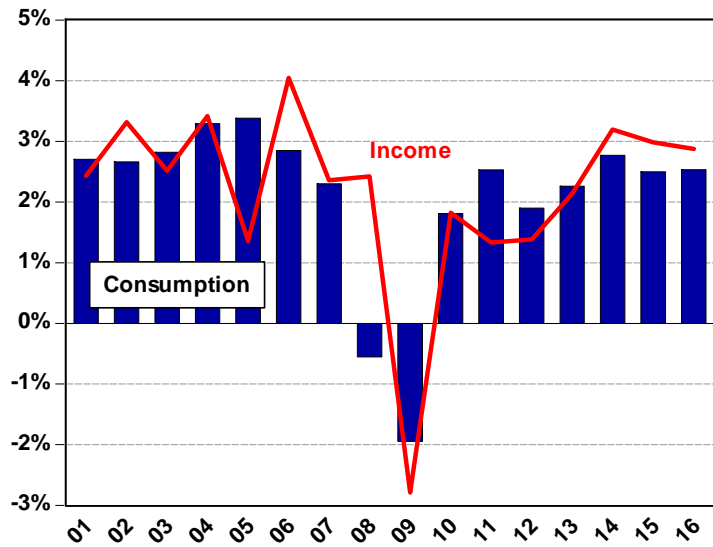
Under these conditions, the economy should continue expanding over the next few years. Real GDP is forecast to rise 1.9% this year, 2.8% next year, 3.3% in 2015, and 2.9% in 2016. In addition, employment markets should continue improving. The economy is forecast to grow by about 200,000 jobs every month, or a total of 9.6 million jobs, over the forecast period. The improved hiring should help slowly shave the unemployment rate to 6.2% by 2016. The housing sector should continue improving over the forecast period. Housing starts should climb from 0.8 million units in 2012 to 1.7 million units in 2016. In addition, the average home price should grow from \$187,200 in 2012 to \$206,200 in 2016.

SELECTED NATIONAL ECONOMIC INDICATORS

Consumer Spending: Despite a return in consumer confidence, lingering uncertainty about the state of the economy has held back consumer spending thus far. In the fourth quarter of 2012 The Conference Board Consumer Confidence Index reached its highest levels since February of 2008. In the same quarter the Reuters/Michigan Consumer Sentiment Index reached its highest levels since June of 2007. These are good indicators that consumers are beginning to feel optimistic about their respective situations. High consumer confidence levels do not always translate into high consumer spending levels, however. In fact, at an annual rate, consumer spending dropped from 2.0% growth in the third quarter of 2012 to 1.8% in the fourth quarter. Still low

housing prices are one factor that has been weighing on consumer spending. The Federal Housing Finance Agency (FHFA) House Price Index was at 319.2 in the fourth quarter, still off of its high of 378.1 in 2006. Home prices continue to rise, though, and as they do consumer spending should eventually show more improvement. Recent gains in the labor market have helped to keep consumer spending in positive territory, but haven't been enough to fully lift the worries of the US consumer. The average quarterly unemployment rate improved from 8.1% in the third quarter of 2012 to 7.9% in the fourth quarter. The average unemployment rate is expected to drop further in the first quarter of 2013 to 7.8%, adding additional confidence to the markets and likely boosting consumer spending in the same quarter. Another particularly strong spot in consumer spending has been in light vehicle sales, with sales in 2012 expected to total nearly 14.4 million units, up from 12.7 million units in 2011. These indicators continue to improve, and as they do consumers are expected to show renewed faith in the state of the economy, which should translate into higher levels of spending. As consumers feel the relief of the recovery, durable goods sales should increase as pent up demand is released. Light vehicle sales should continue to grow throughout the forecast period with a level of 16.6 million units sold in 2016. Home prices should also continue to grow over the same period, and the FHFA House Price Index should reach 344.0 by 2016. As consumers continue to see increased values on their real property and continue to spend on large items, such as vehicles, consumer spending levels should show significant improvement over the forecast period. Consumer spending is expected to wind down 2012 with year-over-year growth of 1.9%, followed by 2.3% in 2013, 2.8% in 2014, and 2.5% in both 2015 and 2016.

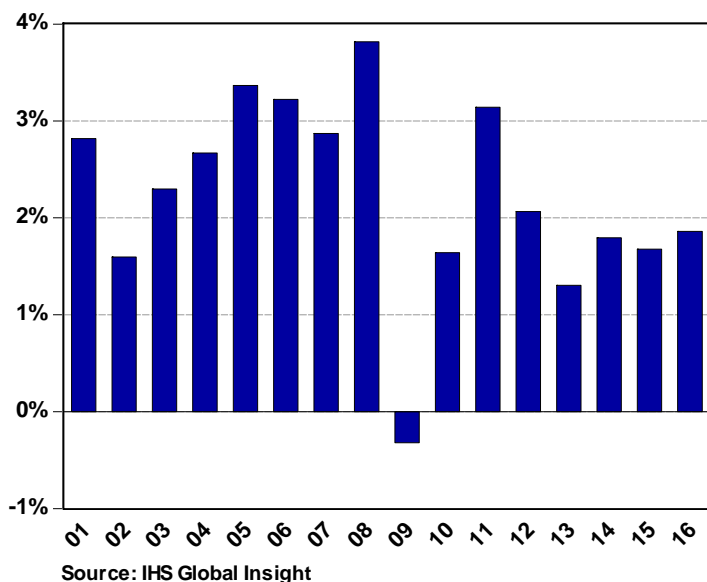
US Real Consumption and Disposable Income Growth



Source: IHS Global Insight

Inflation: Volatile energy and food prices were certainly felt by consumers in 2012 and will persist into 2013, though inflation should be largely contained going forward. The energy commodities portion of the consumer price index grew at a seasonally adjusted annual rate of 15.6% in the first quarter, fell by 17.5% in the second quarter, recovered 18.1% in the third quarter, and declined 2.4%

Consumer Price Inflation



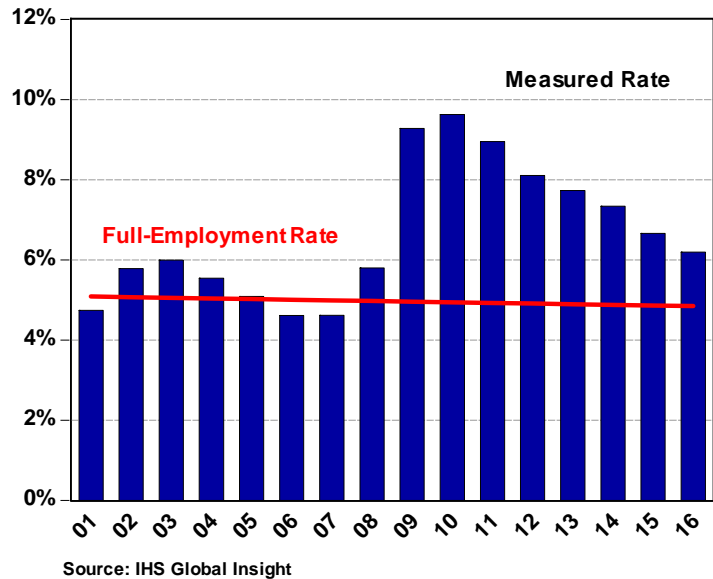
in the fourth quarter. It is expected to contract 30.2% in the first quarter of 2013. While energy has shown a high level of volatility, food prices have been on a fairly consistent rise, with price levels increasing in each quarter of 2012. Food prices rose an estimated 3.2% in 2012's fourth quarter. The US experienced its most extensive drought in half a century this summer, with corn, soybean, and livestock producing areas especially hard hit. The expected reduced production this growing season, combined with already low grain inventories, should put pressure on food prices in the coming year. The first wave of inflation will come in the form of higher cereal and baked good prices. Part of this increase will be offset by lower meat prices. Under

pressure from higher feed prices, cattle, poultry, and hog producers will trim their stocks. The resulting supply increase will initially lower meat prices for consumers. However, the selloff will shrink breeding stocks, which will lead to lower future meat supplies. The reduced meat supplies will put upward pressure on prices, leading to a second wave of food inflation. Food prices are expected to remain elevated through the first half of next year. A less volatile measure of inflation is core inflation. Core inflation is total inflation less its food and energy components. Another metric to pay attention to is the increase in employment related costs, since those costs drive the core rate. Employment costs should increase by 1.9% in 2012, 2.1% in 2013, 2.4% in 2014, 2.6% in 2015, and 2.8% in 2016. The Consumer Price Index (CPI) grew by 2.1% in 2012, and should grow by an additional 1.3% in 2013, 1.8% in 2014, 1.7% in 2015, and 1.9% in 2016. The core CPI grew by 2.1% in 2012, and should grow by 1.8% in 2013, 2.0% in 2014 and 2015, and 1.9% in 2016. The food component of the CPI grew by 2.7% in 2012, and it is expected to continue to increase throughout the forecast with growth of 2.9% in 2013, 0.9% in 2014, 1.5% in 2015, and 1.9% in 2016.

Employment: As job growth began to reignite, the US civilian unemployment rate averaged 7.9% in the fourth quarter of 2012, down from 8.1% in the third quarter. Many discouraged workers re-entered the labor force early in the fourth quarter, increasing the labor force participation rate from 63.6% in September 2012 to 63.8% in October. A lower unemployment rate is difficult to achieve when discouraged workers are re-entering the labor force and inflating the number of unemployed. Typically, as individuals re-enter the labor force it inflates the number of unemployed, because new entrants are considered to be unemployed as they continue their search for employment. A decreasing unemployment rate in the wake of so many new entrants means that the growth in new employment likely has even more strength than the numbers might indicate. November employment data took back some of the strength that had been accumulating with news that some discouraged workers left the labor force, yet again, bringing the labor force participation rate back to 63.6%, and the unemployment rate down to 7.7% for November, versus 7.9% in October. Fourth quarter unemployment data rounded out 2012 with an average unemployment rate of 8.1% for the year. Total nonfarm payrolls grew at an annualized rate of 1.4% in the fourth quarter of 2012,

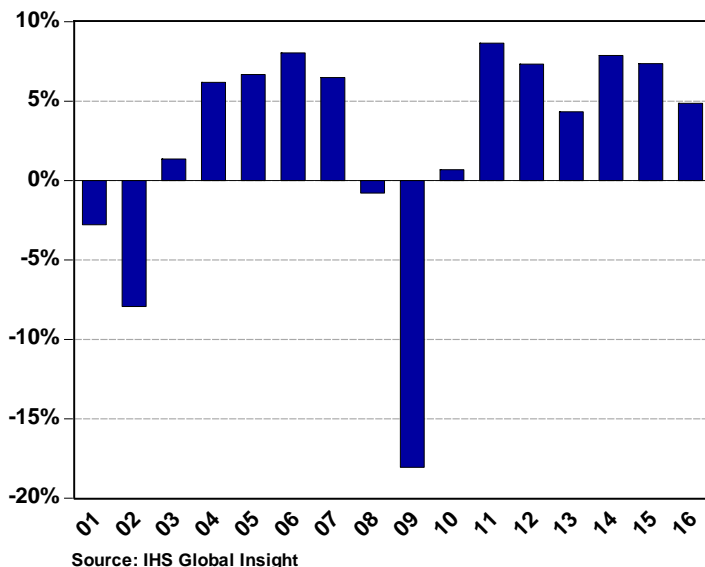
and at the same averaged rate for the entire year. Fourth quarter growth was driven by several well-performing sectors, such as employment services, which grew at a rate of 3.8% in the fourth quarter. As the housing market begins to regain lost ground, related sectors are receiving a boost. Logging employment grew at a rate of 8.4% in the fourth quarter and construction employment grew at a rate of 2.5%. Not all sectors performed so well, with some still feeling the weight of a slow recovery. Mining employment experienced a growth rate of -7.8% in the fourth quarter, bringing the entire natural resources and mining sector down to a -6.9% growth rate. Durable manufacturing continued to contract, shedding another 4,000 jobs in the fourth quarter. Uncertainty in the public sector was apparent and federal government employment shrunk by 1.4% in the same quarter, finishing off 2012 with a total decrease of about 1.6%. The gains outweighed the losses in 2012 and should show consistent growth throughout the forecast, with a 1.4% growth in total nonfarm payrolls in 2012, another 1.5% in 2013, 1.7% in 2014, 2.0% in 2015, and 1.8% in 2016. As employment grows the unemployment rate is expected to continue to shrink, with an average annual rate of 8.1% in 2012, 7.7% in 2013, 7.3% in 2014, 6.7% in 2015, and 6.2% in 2016.

US Civilian Unemployment Rate



Business Investment: Companies will proceed cautiously with business investments as long as the US continues to experience modest GDP growth, tight credit conditions, and an overall feeling of economic uncertainty. Demand for core capital goods (nondefense capital goods excluding aircraft)

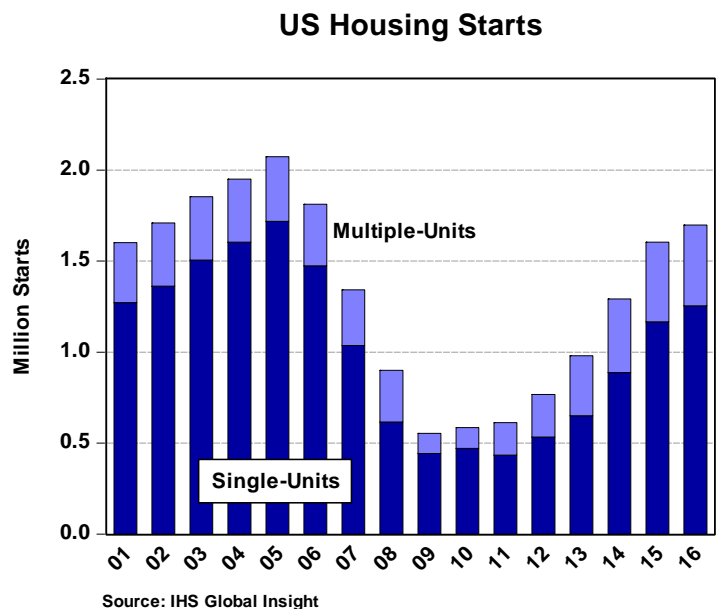
Real Business Investment



continued to contract in the second half of 2012, with core orders decreasing at an annual rate of 23.2% in the third quarter. Core shipments dropped at an annual rate of 4.6% at the same time. Business equipment and software spending also slowed significantly in the second half of 2012. In the third quarter equipment and software spending slowed to a 0.0% growth rate, followed by an annual growth rate of 5.5% in the fourth quarter. For the entire year of 2012 equipment and software grew by 6.9%, down from 11% the year before. Business investment in nonresidential structures followed suit and showed significant slowing later in 2012, an annualized growth rate of -4.4% in the

third quarter followed by -6.1% in the fourth quarter. Thanks to strength in this sector earlier in 2012 the entire year showed a relatively optimistic growth rate of 8.7%, up from the previous year's growth rate of only 2.7%. Nonresidential structure growth in 2012 was helped along by manufacturing and power related structure construction. Manufacturing structure construction grew by 16.0% in 2012, and power related structure construction grew by an astounding 21.6%. Nonresidential structure growth should continue to soften into 2013 with a flat growth rate of 0.0%, but should experience growth in each year of the forecast period thereafter, with growth of 9.3% in 2014, 7.4% in 2015, and 4.6% in 2016. Investment in equipment and software is expected to hold in the positive territory, but is not likely to revisit the high growth levels of the last couple of years. Anticipated equipment and software growth of 6.0% is expected in 2013, followed by 7.3% in 2014, 7.4% in 2015, and 5.0% in 2016. Real gross private nonresidential investment should finish the year with a growth rate of 7.3%, and continue to grow throughout the forecast period, with an additional 4.3% growth in 2013, 7.9% in 2014, 7.4% in 2015, and 4.9% in 2016.

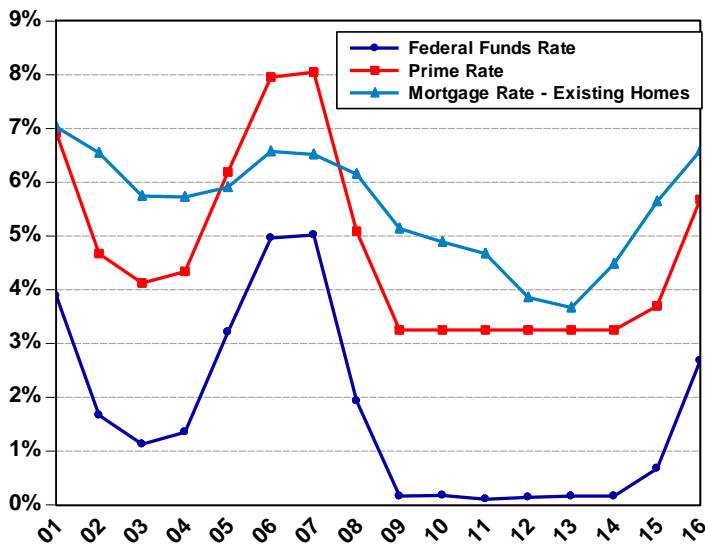
Housing: The US housing market is showing signs that it has hit bottom and is positioned for future growth. Long-term interest rates are at the lowest point that they have been at in decades and are expected to continue to decrease for up to another year before they start climbing again. The economic recovery, along with historically low mortgage rates, has led to an increase of both households and housing starts in the US. Growth in households, sometimes referred to as housing formations, slowed significantly during the recession, but has made a significant comeback with growth levels at or above historical averages again. Single family housing starts have grown from a seasonally adjusted annual rate of 551,000 units in the third quarter of 2012 to 576,000 in the fourth quarter, while multi-family grew from 235,000 starts to 256,000 over the same period. Total housing starts for 2012 are expected to come in at roughly 767,000, which is 155,000 higher than in the previous year and more than 213,000 above the recessionary low in 2009. Another indicator that the recovery in the housing market is on track is home prices have been rising. New homes have posted median price gains in each of the last two quarters, growing at an annualized rate of 9.5% in the third quarter and 8.0% in the fourth quarter. Median existing home prices have shown similar strength, with growth at an annualized rate of 9.9% in the third quarter and 6.3% in the fourth quarter. For the year of 2012 both new and existing median home prices grew 5.9%. In 2013, new home prices are expected to decline by 3.4%, as the markets react to the expansion in 2012. Prices will begin to grow again in 2014 at a rate of 3.0%, followed by another year of modest declines of 1.8% in 2015, and then come back again in 2016 with growth of 0.4%. Existing home prices are expected to be flat in 2013, and then grow by 2.0% in 2014, 3.4% in 2015, and 3.3% in 2016. Total housing starts are likely to grow by 27.8% in 2013, 31.8% in 2014, 24.2% in 2015, and 5.8% in 2016.



Monetary Policy: The Federal Reserve remains committed to an accommodative monetary policy until it believes the economy is on more solid ground. Toward this goal, the central bank has employed an array of programs, such as Quantitative Easing (versions I and II) and Operation Twist. The former involved the purchase of securities in order to lower short-term interest rates. In Operation Twist, the Federal Reserve sold short-term securities while simultaneously buying long-term securities to flatten the yield curve (purchases of financial instruments lower their yields, while sales of instruments raise their yields). Federal Reserve Chairman Ben Bernanke recently announced

the central bank will undertake a third round of quantitative easing by buying \$40 billion in mortgage-backed securities every month until the outlook for the labor market improves substantially. According to IHS Global Insight, even if the Federal Reserve is successful in lowering mortgage interest rates, quantitative easing would have a nearly imperceptible effect on the economy. The central bank also extended its 0.00%–0.25% federal funds rate target into the middle of 2015. Chairman Bernanke also ventured into the fiscal policy arena when he also urged lawmakers to take swift action to resolve the fiscal cliff. He warned that failure to do so would have devastating impacts on the fragile economy.

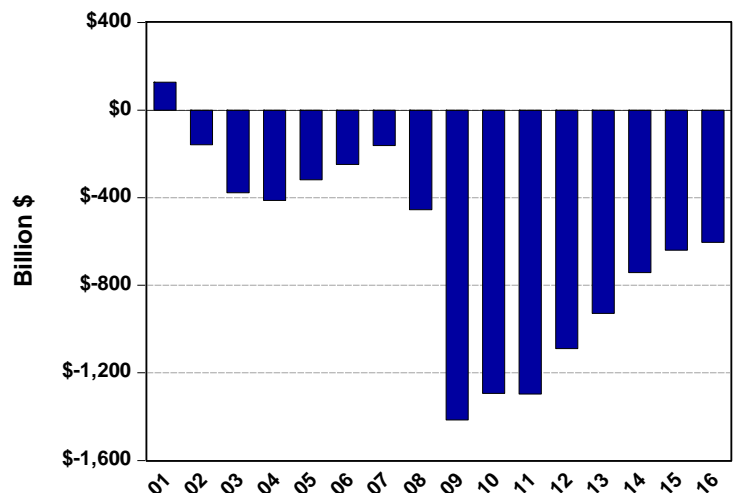
Selected US Interest Rates



Source: IHS Global Insight

Government: As the US economy edges closer to the “fiscal cliff” no plans have been finalized to avoid a fall that would likely push the country back into another recession. The fiscal cliff is scheduled to hit at the beginning of 2013 as several tax increases and spending cuts are scheduled to begin. If the bulk of these changes are not postponed, the economy could slip into a recession beginning in early 2013. The expiration of the Bush-era tax cuts will have the largest impact, with an estimated total tax increase of approximately \$188 billion in 2013, according to the Congressional Budget Office. The two-percentage point payroll tax cut is also set to expire, raising taxes an additional \$127 billion. When the appointed supercommittee failed to develop a plan to address future federal budget deficits, the law defaulted to a set of automatic cuts that will reduce federal spending by roughly \$1.2 trillion from 2013 through 2021. The cuts will come in the form of reduced budget authority, with defense taking nearly half of the

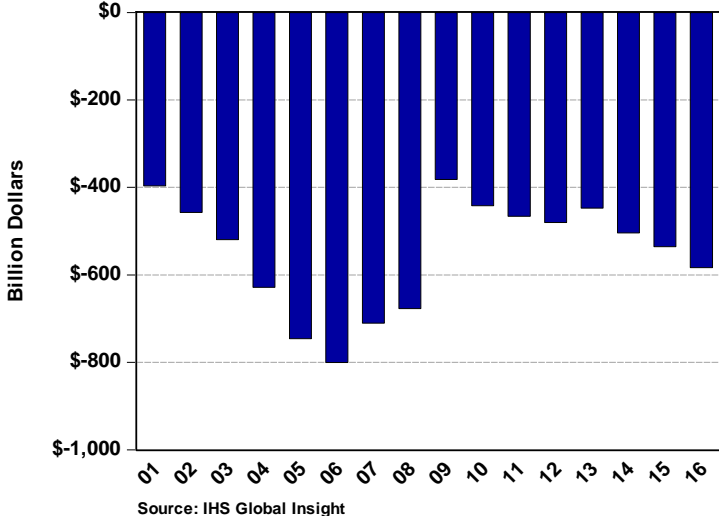
Unified Federal Budget Deficit



reduction in authority. These spending cuts will reduce spending by an estimated \$88 billion in 2013 alone. Extended unemployment benefits will also expire in January 2013. The savings from the expiration of these benefits will be around \$35 billion in 2013. A set of depreciation incentives are also set to expire early in 2013; they are worth another \$66 billion. The Congressional Budget Office predicts that if all of these events occur the economy would shrink at a rate of 1.3% in the first half of 2013. It would grow by 2.3% in the second half of that year. A recession is not anticipated in the current forecast because it assumes all tax cuts, with the exception of the depreciation incentives, will be extended for at least one year. The federal spending cuts are also expected to be delayed, and they are assumed to be replaced with less drastic cuts. In 2012 the federal budget deficit shrank to \$1.1 trillion (about 6.9% of GDP), from \$1.3 trillion in 2011 (about 8.6% of GDP), and should decline continuously to \$604 billion by 2016.

International: Although exports of goods and services are growing at a slower rate than in previous years, the US is still experiencing relatively high levels of trade activity. While US exports had some ups and downs throughout 2012, the entire year showed growth of 3.3% in total exports, versus growth of 6.7% in 2011 and 11.1% in 2010. The first half of 2012 showed strong growth, but third quarter exports went negative at a rate of 1.6%. The fourth quarter growth made up for a poor third quarter with annualized growth of 2.7%. Export growth was helped along by particularly strong growth in a few sectors, such as tourism, which grew by 4.8% in 2012. Exports in automobiles and parts continued their strength through 2012, as well, with growth of 8.0%. Imports have also had some volatility with a slight rate of decrease in the third quarter followed by modest growth in the fourth quarter. Overall, imports have grown by 2.9% for the year. Many of the strongest export

US Current Account Trade Deficit



categories are also the strongest import categories, such as tourism and automobiles and parts, which grew at 6.1% and 16.8% respectively. As the US economy recovers, import growth should pick up speed. Imports are expected to grow by 4.2% in 2013, 5.3% in 2014, 4.6% in 2015, and 3.4% in 2016. Exports will benefit from the expanding global economy, growing 3.1% in 2013, 4.7% in 2014, 7.3% in 2015, and 6.9% in 2016. The real net exports deficit, inflation-adjusted exports minus inflation-adjusted imports, is expected to shrink from -\$411.9 billion in 2012 to -\$394.6 billion in 2016.

IDAHO FORECAST DESCRIPTION

The Forecast Period is the Third Quarter of 2012 through the Fourth Quarter of 2016

Idaho's economy continues to distance itself from impacts of the Great Recession. From 2000 to 2007 Idaho nonfarm employment grew at an average annual rate of just over 2.5%, going from 558,579 jobs in 2000 to a peak of 656,221 jobs seven years later. Pressures from both the declining national economy and global calamities caused the Gem State's nonfarm employment to decline by about 7,300 jobs in 2008. But this was neither the largest nor the last decline. Idaho would shed nearly 39,000 jobs in 2009. It lost another 7,400 jobs in 2010, so that nonfarm employment averaged 602,600 jobs for that year—over 50,000 jobs fewer than at its 2007 peak.

Idaho's three-year employment slump ended in 2011 when nonfarm payrolls managed to increase 0.5%. Momentum has been growing slowly, and employment is estimated to have grown 1.3% in 2012. Employment growth is expected to continue accelerating during most of the forecast period, rising 1.9% this year, 2.8% next year, 3.5% in 2015, and 3.3% in 2016. Under these conditions, Idaho nonfarm employment is expected to top its 2007 peak in 2015 by nearly 9,000 jobs.

Of the three employment sectors in Idaho's economy (goods producing, nongoods producing, and government), the nongoods-producing sector is the largest, accounting for about 85% of all nonfarm employment in the state. The nongoods-producing category can be further divided into the trade category and the service category. The service industry in Idaho began to recover about one year earlier than the rest of the economy, bolstered up by strength in the private education and health care services, which maintained growth through the recession. The services portion of Idaho's economy should continue to play an important role in Idaho's recovery and is expected to grow at a relatively consistent rate in each year of the economic outlook. The goods-producing sector will also add to Idaho's recovery with an annual average growth rate of 3.7% through 2016.

Idaho government employment consists of the state and local and the federal sectors. Both shed jobs over the last few years because of slowing population growth and austere public budgets. Idaho state and local government employment is expected to post its first increase since 2008 in this year, and it is expected to continue to grow gradually over the next few years. Federal government employment in Idaho, on the other hand, is expected to slowly decline over the forecast period, leaving federal employment in Idaho at roughly 12,200 jobs by 2016, down from almost 12,700 jobs in 2011.

As the job market recovers, Idaho nominal and real personal income should continue to expand. Bolstered by high farm proprietors' income and the drop in payroll taxes, the state's nominal personal income increased 5.1% in 2011. However, growth in 2012 should slow to 2.9% as the positive influences of these two factors recede. Nominal personal income is expected to grow at an average rate of 4.9%, thereafter. Idaho real personal income is forecast to average 3.3% growth through 2016.

SELECTED IDAHO ECONOMIC INDICATORS

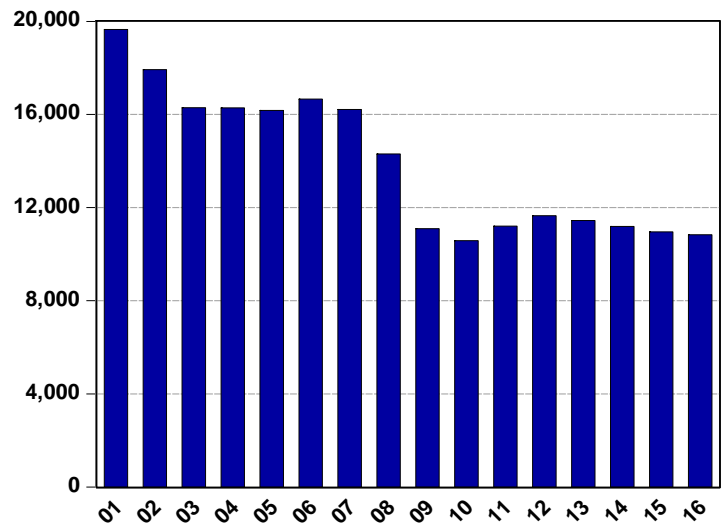
Computer and Electronics

Manufacturing: Idaho's computer and electronics manufacturing sector should remain relatively stable over the next few years compared to the wild swings it endured over the last two decades.

During the 1990s this sector was one of the state's most reliable, high performing job engines. Its payroll expanded at an explosive 6.3% annual pace from 1991 to 2001, causing employment to nearly double from 10,700 to 19,700 jobs over this period. In 1991, this sector was already the Gem State's largest durable goods manufacturing employer. Six years later it outpaced food processing to become the state's biggest manufacturing employer. This sector's rise was fueled by businesses' seemingly insatiable demand

for locally manufactured high-tech products, such as computer memory, printers, and hard drives. However, this sector began to sputter because of the global high-tech contraction in 2001. With the new millennium came a string of annual job losses that ran through 2010. Employment shrank by about 9.0% in both 2002 and 2003. The jobs contraction leveled off for a couple of years, and this sector's payroll even grew 3.0% in 2006. But most of that year's gain was erased in 2007. Employment then fell 11.8% in 2008 and 22.4% in 2009. Because of the extended contraction, the computer and electronics manufacturing sector returned its title as the state's largest manufacturing employer to the food processing sector in 2008. In 2010, this sector's employment shrank another 4.7%. When the dust finally settled from these losses, there were about 10,600 jobs in 2010—about the same as in 1991. After watching this sector whipsawed over the last two decades, many industry watchers wonder what is in store for the high-tech sector. Two major employers that survived the protracted downturn are Hewlett-Packard and Micron Technology. Both have had to adapt to changing markets by shifting focus away from production to research and development. This shift has put a larger emphasis on science, technology, engineering, and mathematics (STEM) skilled workers in the area, which makes both companies less vulnerable to business cycle fluctuations. While they are less vulnerable to the business cycle, they are not completely immune from it. For example, Hewlett Packard recently announced a world-wide layoff of about 27,000 jobs, or about 8% of their workforce. The effect on the Boise campus, with roughly 4,000 workers, is still not fully certain. Micron Technology has attempted to enter the emerging alternative energy market. Unfortunately, not all its efforts have been fruitful. About 250 jobs were lost when Micron's Transform Solar fell victim to record low prices because of the global oversupply of solar panels. However, both Micron Technology and Hewlett Packard are hiring more employees with a STEM background. The computer and electronics manufacturing sector posted its first employment gain in five years in 2011, and it is expected to have grown in 2012. This sector's employment is forecast to decline starting this year, so that by 2016 it should be about 10,800 jobs, or about 800 jobs less than in 2012.

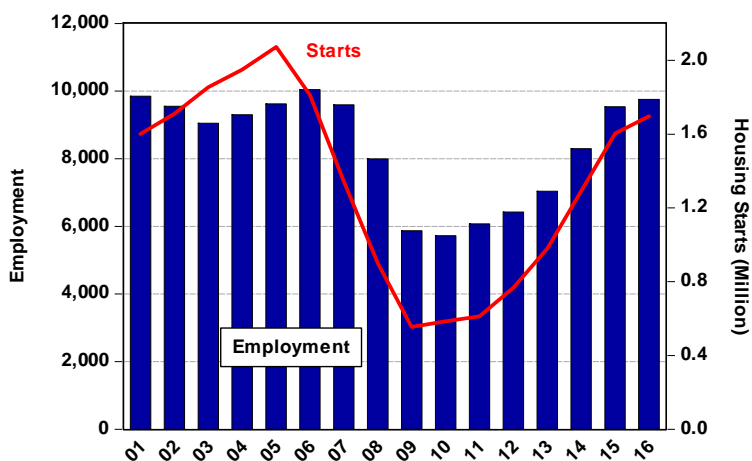
Idaho Computer and Electronic Products Employment



Logging and Wood Products: A recovery in national construction will help to bring about year-over-year growth in logging and wood product manufacturing that dwarfs every other sector in most years, making it the single fastest growing sector in Idaho for most of the forecast. Although it is fast growing, it is still one of the smallest sectors, in terms of jobs, accounting for only about 0.6% of total nonfarm employment. Still, with just over 40% of the state covered by trees, it is no wonder the logging and wood products sector is an important component of Idaho’s economy. In fact, with just over \$1.8 billion in sales in 2011, wood and paper products manufacturing was the largest basic industry in northern Idaho. Over the last two decades, logging and wood products employment has displayed a strong downward trend caused by supply issues. Departures from this trend are the result of changes in demand. One of the main factors contributing to the downward trend is the reduced supply of logs from national forests. The importance of the national forests cannot be overstated, as the US Forest Service manages just over two-thirds of Idaho’s forest lands. The Bureau of Land Management and other federal agencies administer another 5%. The amount of timber harvested from federal lands slipped from 181 million board feet in 2000 to 125 million board feet in 2010, about a 30% drop. The timber harvest from all sources dropped about 36% from 2000 to 2009. A drop off in housing and general construction demand landed a crippling final blow that pushed logging and wood products employment to the lowest levels in decades, with only about 5,700

employed in Idaho by 2010. In order to survive, the industry has become more efficient, which has had a negative impact on the employment in the sector. 2011 and 2012 were the first two consecutive years of job growth in Idaho’s logging and wood sector in several years thanks to the recovering national housing sector. With national housing starts expected to increase in each year of the forecast, continued job growth is also expected for every year of the forecast. Idaho logging and wood products manufacturing employment should increase by 5.8% in 2012, 9.6% in 2013, 17.9% in 2014, 15.0% in 2015, and 2.2% in 2016.

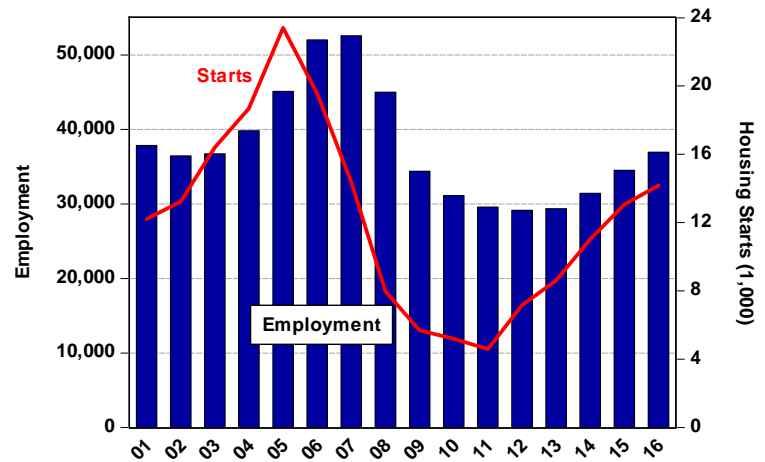
Idaho Wood Product Employment and US Housing Starts



Construction: After shrinking for several years, Idaho’s construction sector is showing signs of recovering. During the early 2000s, construction was one of the key sources of job growth, with a 6.1% annual pace from 2000 to 2006. This pace was more than twice as fast as the overall employment growth rate of 2.3%. The strong pace translates into 15,550 construction jobs created over this period. This job surge was fueled by the building boom. Through the first half of the decade the number of Idaho housing starts doubled from 11,501 units to 23,417 units. However, as the boom turned into a bubble, troubling signs began appearing. Housing starts began declining in 2006, yet construction employment gains persisted into 2007. Ultimately, construction employment did not escape the pull of the retreating housing market for long. In 2008 both housing starts and construction employment both fell, with starts down by 44.5% and construction employment down 14.4%. The full weight of the housing market contraction was felt in 2009. In that year Idaho housing

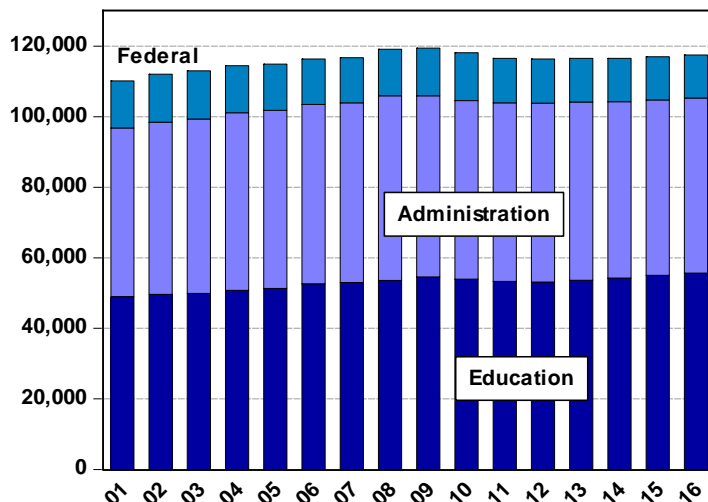
starts contracted 28.8% and construction employment dropped 23.6%. Starts also declined during the next two years, bottoming out in 2011 at 4,600 units—a 22-year low. In that same year Idaho construction employment sank below 30,000 jobs for the first time since 1995. The number of housing starts grew to 7,200 units in 2012. Unfortunately, construction employment has been slower to recover. It actually contracted by an estimated 1.4% in 2012 and is expected to grow just 0.7% in 2013. It should shift into higher gear starting in 2014 and grow to about 37,000 jobs by 2016, which is still about 15,600 fewer jobs than at its 2007 peak. Housing starts should advance in each year of the forecast to 14,200 units in 2016, which is close to the number of units started in 2007, but nowhere near 2005’s peak.

Idaho Construction Employment and Housing Starts



Government: Idaho state and local government employment is forecast to gradually increase over the next few years due to slow population growth and austere public budgets. The demand for government services is largely dependent on population. Thus, higher population growth leads to higher government employment. In Idaho, large swings in population are typically caused by net migration. For example, Idaho’s population increased by 2.8% in 2006 when net migration into the state was 25,700 persons. In contrast, net migration was just 7,000 persons in 2009, and the state’s population expanded just 1.3%. The national recession is largely to blame for the low net migration in 2009. With limited opportunities to improve their economic situations elsewhere, most job seekers rode out the downturn at home. The housing market collapse also had the unfortunate effect of tethering many people to their homes when they otherwise may have chosen to sell their homes and

Idaho Government Employment

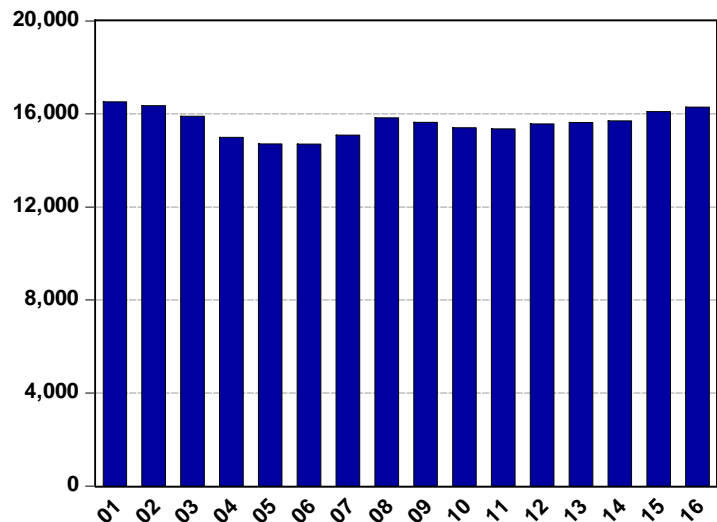


move to a new state. As the economy improves and the housing sector recovers, Idaho net migration should begin to increase again, fueling demands for government services. However, these demands will be subject to the governments’ ability to pay for additional services. For example, Idaho General Fund revenues plunged 15.2% in FY 2009 and by another 8.2% in FY 2010. Not surprisingly, General Fund expenditures also declined during those two years. The fiscal situation has eased since then. General Fund revenue bounced back 7.9% in FY 2011 and grew another 5.9% in FY 2012. The state’s improving revenue situation should

provide Idaho government employment some room to slowly grow over the next few years. On a calendar-year basis, state and local government employment is predicted to decrease by 0.1% in 2012, and then grow by 0.3% in 2013, followed by 0.1% in 2014, 0.5% in 2015, and 0.5% in 2016. Federal government employment in Idaho is expected to shrink from about 12,700 jobs in 2011 to less than 12,200 jobs in 2016.

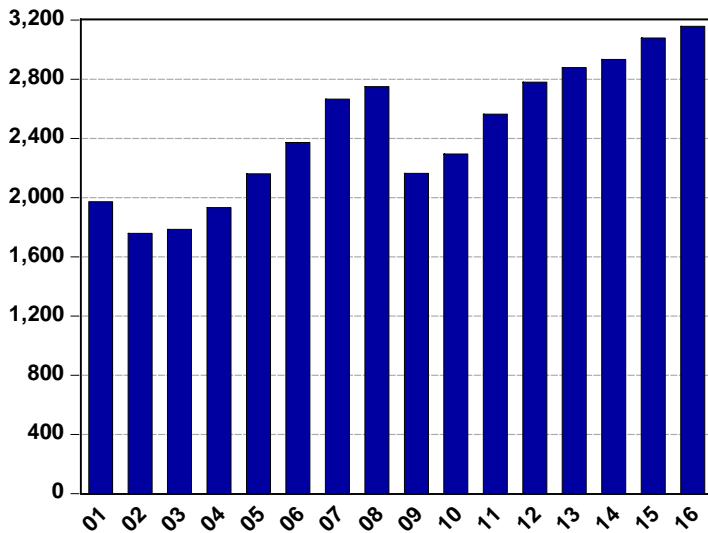
Food Processing: Food processing is the state’s largest manufacturing employer, accounting for about one in four manufacturing jobs. It also creates significant added value to agricultural commodities produced in the state. A good example of this is the dairy industry. According to the Idaho Department of Agriculture, the state’s 578,000-head milk herd produced 13.3 billion pounds of milk in 2011. Cash receipts for this production were \$2.4 billion. Virtually all of this milk was sold to plants and dealers for further processing. The state’s ample supply of milk has been a major factor in attracting new large dairy manufacturers and helping existing plants to expand. The nation’s largest manufacturer of Greek yogurt, Agro Farma, is currently building its first plant outside of New York State in Twin Falls, Idaho. The \$128 million facility will produce Chobani brand Greek yogurt. The plant will initially employ 400 workers, but its payroll could eventually triple. Also underway is a \$40 million expansion of the Sorrento Lactalis plant in Nampa, adding around 70 new jobs. The expansion will allow the company to grow its product line and could lead the country in production of Mozzarella cheese by volume. Idaho is the nation’s largest potato producer, growing about 30% of the total US crop. The Gem State’s 2010 production of 113.0 million cwt. was worth just under \$1 billion. Of this production, 62.5 million cwt. was processed in either the state of Idaho or Malheur County, Oregon, adding another layer of value to this important crop. The processing industry has faced many challenges over the years and has adapted to meet those challenges. Some food manufacturers in Idaho have found ways to increase profitability through increased efficiencies in the manufacturing process, which sometimes has a negative impact on jobs. The J.R. Simplot Co. announced it will lay off up to 1,000 workers over the next three years as it closes three aging plants and builds one new, more efficient plant that is scheduled to open sometime in 2015. The three plants scheduled to be closed are in Aberdeen, Caldwell, and Nampa. The new plant will be located in Caldwell and employ about 250 workers. Expected food processing growth is 1.4% in 2012, 0.3% in 2013, 0.4% in 2014, 2.5% in 2015, and 1.2% in 2016.

Idaho Food Processing Employment



Mining: After a volatile year for Idaho mines and recent decreases in molybdenum and cobalt prices, there has been a partial shift in Idaho’s mining industry to focus more on exploration of precious metals such as gold and silver, which are close to their historic high prices. The industry had a year of ups and downs in 2012, beginning with the fallout as a result of the closure of Hecla’s Lucky Friday Mine in Mullan by the Federal Mine Safety and Health Administration, citing safety concerns

Idaho Mining Employment



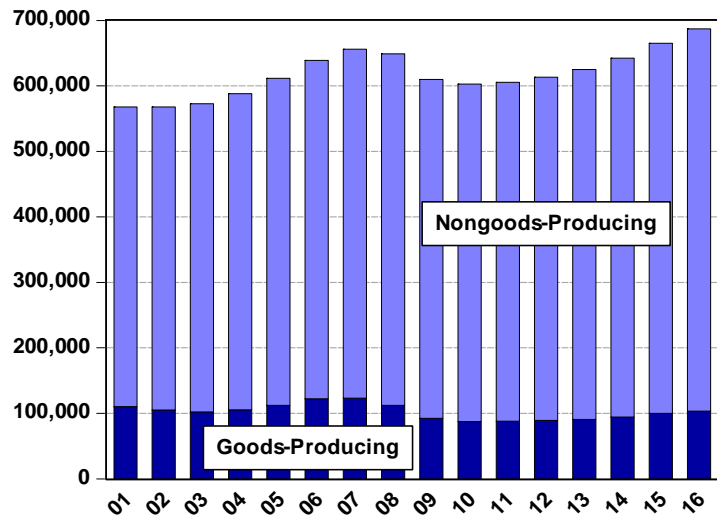
following multiple accidents at the mine. The closure displaced hundreds of workers in the panhandle of Northern Idaho for more than a year. Some were reabsorbed into other mining operations, but many have been awaiting the completion of the mine rehabilitation. Lucky Friday is scheduled to reopen in the first quarter of 2013. Due to falling molybdenum prices, Thompson Creek Mine announced it would lay off about 100 workers in late 2012. Thompson Creek chose to suspend stripping activity to reduce costs, though the rest of the operations at the mine near Challis, Idaho are expected to continue. Despite these setbacks, Idaho's mining outlook

remains positive. Several exploration projects are in the works, such as a four-year, \$23-million venture by United Silver Corporation to explore and develop new and existing silver resources in Idaho's silver belt. Formation Metals is continuing to explore opportunities to further develop a new Cobalt mine in Lemhi County. This year should start off with strong employment growth because of the reopening of Hecla's Lucky Friday Mine, pushing first quarter employment growth to an annual rate of 8.1%. For the year, employment is forecast to increase 3.6%, and it is expected to average 3.2% growth over the forecast period. This translates to payroll growing from 2,780 jobs in 2012 to nearly 3,200 jobs by 2016.

Other Manufacturing Sectors: Many of Idaho's smaller manufacturers are beginning to add jobs again and will continue to play an important role in the state's recovery. According to the US Census Bureau, in 2010 about 90% of the state's manufacturing companies employed fewer than 50 employees. Collectively, these businesses accounted for about a fourth of the manufacturing workforce. The metal fabrication industry has experienced strong growth in Idaho, with an annualized job growth rate of 2.6% in the fourth quarter of 2012, and 3.7% for the entire year. Chemical manufacturing also performed well in 2012, with payroll growth climbing at a rate of 2.1% in the fourth quarter, and 5.7% for the year. Other industries were hit particularly hard by the recession and are finding it more difficult to compete in the post-recession economy. The printing industry has been shedding jobs since 2007, and it has failed to find traction in 2012. With job losses in three out of the four quarters of 2012, printing jobs fell by 1.1% for the year. Other durable manufacturing sectors had a good recovery year, in general, with 2012 growth at 3.8%. These miscellaneous durable manufacturing industries should continue to recover and build strength throughout the forecast period with anticipated growth of 1.8% in 2013, 2.9% in 2014, 4.4% in 2015, and 4.1% in 2016. The nondurable side of the other manufacturing category has also had a good year overall, with 2012 growth of 2.6%, and is also expected to continue to grow in each of the rest of the years of the forecast period. Other nondurable manufacturing employment should expand 1.1% in 2013, 1.8% in 2014, and 2.3% in both 2015 and 2016.

Nongoods Producing: With nongoods-producing jobs totaling roughly 85% of Idaho’s nonfarm payroll, this sector’s future growth will be an engine that helps power the state’s economy. The nongoods-producing sector consists of two categories: services and trade. Of the two categories, the services category is much larger with an employment ratio of nearly 3 to 1 over the trade category. The various services industries experienced modest, albeit welcomed growth of 1.4% in 2012. Gains in the service category were driven by strength in some of the larger service industries. For example, the education and health sector increased by almost 1,750 jobs in 2012, a 2.0% gain over 2011 levels. Leisure and hospitality also increased, with an additional 1,800 jobs (3.1% growth), and the transportation, warehousing, and utilities sector grew by more than 800 jobs (4.0% growth). Although the trade category is the smaller portion of the nongoods-producing sector, it also has experienced a strong revival. Retail trade grew at an annualized rate of 2.2% in the fourth quarter of 2012 and 1.8% for the entire year, while wholesale trade grew at a rate of 2.0% in the fourth quarter and 3.1% for the entire year. The trade sector employment is expected to continue to grow more in each year of the forecast period with additional growth of 1.9% in 2013, 2.9% in 2014, 4.1% in 2015, and 4.2% in 2016. Services employment is also expected to continue its momentum with payroll growth of 2.8% in 2013, 3.4% in 2014, 3.8% in 2015, and 3.9% in 2016.

Idaho Nonfarm Employment



ALTERNATIVE FORECASTS

IHS Global Insight has assigned a 60% probability of occurrence to its November 2012 baseline forecast of the US economy. This probability is five percentage points lower than in the October 2012 forecast. This decline occurs because the likelihood of the *Optimistic Scenario* has increased from 15% in October 2012 to 20% in the current forecast. The probability that the economy will underperform the baseline remains unchanged from October at 20%. The major features of the *Baseline Scenario* include:

- Real GDP expands 2.1% in 2012, 1.9% in 2013, 2.8% in 2014, 3.3% in 2015, and 2.9% in 2016.
- US nonfarm employment grows 1.4% in 2012, rises 1.5% in 2013, grows 1.7% in 2014, increases 2.0% in 2015, and grows 1.8% in 2016.
- The US civilian unemployment rate is 8.1% in 2012, 7.7% in 2013, 7.3% in 2014, 6.7% in 2015, and 6.2% in 2016.
- Consumer inflation is 2.1% in 2012, 1.3% in 2013, 1.8% in 2014, 1.7% in 2015, and 1.9% in 2016.
- The unified federal budget deficit is \$1.089 trillion in 2012, \$929 billion in 2013, \$742 billion in 2014, \$640 billion in 2015, and \$604 billion in 2016.

OPTIMISTIC SCENARIO

In the *Optimistic Scenario* the US economic growth continues to accelerate through 2013. Two of the noticeable differences from the *Baseline Scenario* are the stronger recoveries in residential construction and nonresidential investments. Housing starts rise at a faster pace and reach 1.3 million units by the end of 2013, versus only one million units in the *Baseline Scenario*. Nonresidential fixed investment grows 7.3% in 2013 compared to only 4.3% in the baseline. Contributing to the brighter outlook is the resolution of fiscal policy concerns and Eurozone problems. President Obama and the newly elected Congress quickly come to a tax and spending compromise and the looming fiscal cliff is avoided. Across the Atlantic, the European Central Bank develops a credible plan to tackle sovereign-debt issues and prevents both a financial meltdown and the exit of Greece from the Eurozone, stabilizing the European economy and relieving some anxiety in the United States' equity markets.

Consumer and business confidence pick up sharply in 2013 as economic concerns begin to fade. The Reuters/Michigan Consumer Sentiment Index reaches its highest level since 2006 thanks in large part to the stronger labor market. The unemployment rate drops to nearly 7% in 2013 and the economy adds more than 300,000 jobs per month. In the *Baseline Scenario* nonfarm employment grows less than 200,000 jobs anticipated per month, and the unemployment rate is 7.7%. In response to strong, sustained growth in the labor market, the Federal Reserve ends its latest stimulus program after only a few quarters. Real GDP grows 3.5% in 2013, which is significantly higher than the 1.9% predicted in the baseline. It averages 3.2% annual growth in the remaining years of the forecast, which is above the 3.0% clip expected in the *Baseline Scenario* case.

Idaho's economy outperforms its baseline counterpart in the *Optimistic Scenario*, with higher levels of growth across most of the forecast period. Total nonfarm employment growth is slightly stronger in the *Optimistic Scenario*, with an average growth rate of 2.7% over the forecast period versus 2.6% in the *Baseline Scenario*. Idaho real personal income grows faster in each year of the forecast in the *Optimistic Scenario*, so that by 2016 it is \$0.5 billion higher than in the baseline.

**IDAHO ECONOMIC FORECAST
BASELINE AND ALTERNATIVE FORECASTS
JANUARY 2013**

	BASELINE					OPTIMISTIC					PESSIMISTIC				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
U.S. GDP (BILLIONS)															
Current \$	15,678	16,247	16,966	17,813	18,619	15,684	16,318	17,138	18,041	18,904	15,669	15,837	16,199	16,865	17,611
% Ch	4.0%	3.6%	4.4%	5.0%	4.5%	4.0%	4.0%	5.0%	5.3%	4.8%	3.9%	1.1%	2.3%	4.1%	4.4%
2005 Chain-Weighted	13,580	13,843	14,233	14,707	15,129	13,585	13,907	14,366	14,856	15,281	13,572	13,506	13,681	14,044	14,391
% Ch	2.1%	1.9%	2.8%	3.3%	2.9%	2.2%	2.4%	3.3%	3.4%	2.9%	2.1%	-0.5%	1.3%	2.7%	2.5%
PERSONAL INCOME - CURR \$															
Idaho (Millions)	53,630	55,208	58,111	61,409	64,922	53,631	55,274	58,391	62,001	65,838	53,620	54,359	57,003	59,945	62,801
% Ch	2.9%	2.9%	5.3%	5.7%	5.7%	2.9%	3.1%	5.6%	6.2%	6.2%	2.9%	1.4%	4.9%	5.2%	4.8%
U.S. (Billions)	13,395	13,913	14,601	15,320	16,076	13,396	13,954	14,710	15,484	16,287	13,390	13,592	13,957	14,523	15,215
% Ch	3.5%	3.9%	4.9%	4.9%	4.9%	3.5%	4.2%	5.4%	5.3%	5.2%	3.4%	1.5%	2.7%	4.1%	4.8%
PERSONAL INCOME - 2005 \$															
Idaho (Millions)	46,310	47,149	48,885	50,836	52,811	46,310	47,219	49,103	51,225	53,329	46,314	46,690	48,244	49,729	50,929
% Ch	1.1%	1.8%	3.7%	4.0%	3.9%	1.1%	2.0%	4.0%	4.3%	4.1%	1.1%	0.8%	3.3%	3.1%	2.4%
U.S. (Billions)	11,566	11,882	12,283	12,683	13,077	11,568	11,921	12,370	12,793	13,193	11,565	11,675	11,812	12,048	12,339
% Ch	1.7%	2.7%	3.4%	3.3%	3.1%	1.7%	3.1%	3.8%	3.4%	3.1%	1.6%	0.9%	1.2%	2.0%	2.4%
TOTAL NONFARM EMPLOYMENT															
Idaho	613,295	625,108	642,482	665,122	687,148	613,290	625,271	643,512	667,057	690,860	613,265	619,911	632,513	652,867	670,027
% Ch	1.3%	1.9%	2.8%	3.5%	3.3%	1.3%	2.0%	2.9%	3.7%	3.6%	1.3%	1.1%	2.0%	3.2%	2.6%
U.S. (Thousands)	133,250	135,281	137,624	140,341	142,884	133,268	135,585	138,272	141,048	143,397	133,226	133,504	133,879	135,485	137,680
% Ch	1.4%	1.5%	1.7%	2.0%	1.8%	1.5%	1.7%	2.0%	2.0%	1.7%	1.4%	0.2%	0.3%	1.2%	1.6%
GOODS-PRODUCING SECTOR															
Idaho	89,537	90,739	94,460	99,920	103,544	89,531	90,612	94,118	99,105	103,209	89,519	88,120	89,862	95,899	100,228
% Ch	1.9%	1.3%	4.1%	5.8%	3.6%	1.8%	1.2%	3.9%	5.3%	4.1%	1.8%	-1.6%	2.0%	6.7%	4.5%
U.S. (Thousands)	18,318	18,546	19,178	20,117	20,920	18,326	18,713	19,620	20,636	21,408	18,315	18,174	18,157	18,827	19,681
% Ch	1.6%	1.2%	3.4%	4.9%	4.0%	1.7%	2.1%	4.8%	5.2%	3.7%	1.6%	-0.8%	-0.1%	3.7%	4.5%
NONGOODS-PRODUCING SECTOR															
Idaho	523,757	534,369	548,022	565,202	583,604	523,759	534,659	549,394	567,951	587,651	523,746	531,791	542,650	556,969	569,798
% Ch	1.2%	2.0%	2.6%	3.1%	3.3%	1.2%	2.1%	2.8%	3.4%	3.5%	1.2%	1.5%	2.0%	2.6%	2.3%
U.S. (Thousands)	114,931	116,734	118,447	120,224	121,964	114,941	116,872	118,652	120,412	121,988	114,910	115,330	115,721	116,658	118,000
% Ch	1.4%	1.6%	1.5%	1.5%	1.4%	1.4%	1.7%	1.5%	1.5%	1.3%	1.4%	0.4%	0.3%	0.8%	1.1%
SELECTED INTEREST RATES															
Federal Funds	0.1%	0.2%	0.2%	0.7%	2.7%	0.1%	0.2%	0.3%	0.9%	3.1%	0.1%	0.1%	0.1%	0.1%	0.5%
Bank Prime	3.2%	3.3%	3.3%	3.7%	5.7%	3.2%	3.3%	3.4%	4.0%	6.1%	3.2%	3.3%	3.3%	3.2%	3.5%
Existing Home Mortgage	3.9%	3.7%	4.5%	5.6%	6.6%	3.9%	3.4%	4.4%	5.6%	6.5%	3.9%	3.4%	4.0%	5.4%	6.5%
INFLATION															
GDP Price Deflator	1.8%	1.7%	1.6%	1.6%	1.6%	1.8%	1.6%	1.7%	1.8%	1.9%	1.8%	1.6%	1.0%	1.4%	1.9%
Personal Cons Deflator	1.8%	1.1%	1.5%	1.6%	1.8%	1.8%	1.1%	1.6%	1.8%	2.0%	1.7%	0.6%	1.5%	2.0%	2.3%
Consumer Price Index	2.1%	1.3%	1.8%	1.7%	1.9%	2.1%	1.3%	1.9%	1.8%	2.1%	2.0%	0.7%	1.8%	2.2%	2.5%

Forecast Begins the THIRD Quarter of 2012

PESSIMISTIC SCENARIO

In the *Pessimistic Scenario*, the fiscal cliff and a rapidly deteriorating global outlook derail the recovery. After the general election, gridlock in Washington delays the implementation of policy needed to extend certain automatic tax increases and spending cuts, which pushes the US economy over the fiscal cliff. Policy makers eventually respond to the fiscal contraction by passing an extension of most of the measures, but some damage is already done. The ensuing fiscal contraction, as well as the damage to consumer and business confidence, severely impacts the economy. In the midst of this fiscal storm the economy is also hampered by a rapidly deteriorating global economic outlook that puts further strain on US growth. The European Central Bank, the International Monetary Fund, and the European Union decide to cease funding for Greece, leaving it insolvent and illiquid, and with no choice but to exit the Eurozone sometime in early 2013.

A much deeper recession ensues in Europe than is expected in the *Baseline Scenario*, pushing European bond yields even further and extending the strain on the global equity markets. Widespread panic in the financial markets leaves investors seeking refuge in safe-haven US treasuries and adding value to the US dollar. Poor global economic conditions and a high-valued US dollar restrict domestic export growth, leaving many US businesses little choice but to reduce costs through hiring and wage freezes and layoffs. Poor employment growth and weak consumer confidence cause a relapse in the housing sector, and it starts to fall back to 658,000 units in 2013. Real GDP actually contracts by 0.5% in 2013 and then grows by a modest 1.3% the next year.

Idaho is not immune to the weak national economy. Idaho real personal income continues to grow, but slower than in the *Baseline Scenario*. Specifically, it grows by an average annual rate of 2.1% over the forecast period compared to 2.9% in the *Baseline Scenario*. Annual nonfarm employment growth averages 2.0%, versus the baseline's 2.6% pace.

Idaho General Fund Revenue

History and Projections

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

The three largest revenue categories (individual income tax, corporate income tax, and sales tax) typically account for more than 90% of Idaho's General Fund revenue. These three revenue sources are forecast using a combination of econometric methods and judgment. The econometric method employed is multiple regression, using variables contained in the Idaho Economic Model (IEM). Exogenous forecast data are obtained from the January 2013 *Idaho Economic Forecast*. Both are products of the Idaho Division of Financial Management. The judgmental factors considered include the effects of rate changes, other law changes, judicial decisions, and knowledge not reflected in the econometric analysis.

Product taxes and miscellaneous revenue sources are forecast using collections history, trend analysis, law changes, receipts to date, and a broad array of contacts with individuals responsible for or otherwise involved with the collection of each revenue category. The largest miscellaneous revenue category, insurance premium tax, is forecast by the Department of Insurance, using a simulation model to account for relevant variables and parameters that affect the cash flow into the General Fund.

GENERAL FUND REVENUE
(\$ MILLION)

SOURCE	ACTUAL									
	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
INDIVIDUAL INCOME TAX	\$650.85	\$704.82	\$776.19	\$841.87	\$960.16	\$1,023.97	\$835.85	\$837.80	\$902.13	\$1,035.54
% CHANGE	9.1%	8.3%	10.1%	8.5%	14.1%	6.6%	-18.4%	0.2%	7.7%	14.8%
CORPORATE INCOME TAX	\$151.98	\$122.36	\$117.29	\$95.44	\$124.87	\$141.53	\$76.30	\$93.13	\$103.02	\$139.56
% CHANGE	15.5%	-19.5%	-4.1%	-18.6%	30.8%	13.3%	-46.1%	22.1%	10.6%	35.5%
SALES TAX	\$463.00	\$476.73	\$496.81	\$588.80	\$627.50	\$647.29	\$657.12	\$700.24	\$886.08	\$950.83
% CHANGE	-3.9%	3.0%	4.2%	18.5%	6.6%	3.2%	1.5%	6.6%	26.5%	7.3%
CIGARETTE TAX	\$7.48	\$7.49	\$7.48	\$7.23	\$7.30	\$7.98	\$8.00	\$8.26	\$30.04	\$7.81
TOBACCO PRODUCTS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4.06	\$4.31	\$4.67	\$5.49	\$5.75
BEER TAX	\$1.62	\$1.63	\$1.62	\$1.68	\$1.75	\$1.82	\$1.88	\$1.91	\$1.96	\$1.95
WINE TAX	\$1.52	\$1.66	\$1.80	\$1.90	\$1.96	\$1.90	\$1.88	\$1.97	\$2.14	\$2.33
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>	<u>\$4.95</u>
PRODUCT TAXES	\$15.57	\$15.73	\$15.84	\$15.76	\$15.96	\$20.70	\$21.02	\$21.75	\$44.57	\$22.79
% CHANGE	3.9%	1.0%	0.7%	-0.5%	1.2%	29.7%	1.5%	3.5%	104.9%	-48.9%
KILOWATT-HOUR TAX	\$2.89	\$2.97	\$3.24	\$2.89	\$2.77	\$1.80	\$1.79	\$1.80	\$1.83	\$1.53
MINE LICENSE TAX	\$0.80	\$0.66	\$0.96	\$1.98	(\$0.66)	\$0.12	\$0.82	\$0.04	\$0.07	\$0.03
INTEREST EARNINGS	\$18.54	\$18.24	\$17.93	\$18.69	\$21.56	\$22.30	\$11.33	\$2.98	\$4.97	\$8.92
COURT FEES AND FINES	\$4.24	\$4.71	\$5.02	\$5.13	\$5.31	\$5.49	\$5.19	\$5.29	\$4.98	\$4.66
INSURANCE PREMIUM TAX	\$36.13	\$40.26	\$42.85	\$45.47	\$46.43	\$55.88	\$55.37	\$59.49	\$62.77	\$60.85
ALCOHOLIC BEVERAGE LICENSES	\$1.05	\$1.14	\$1.15	\$1.16	\$1.30	\$1.22	\$1.36	\$1.39	\$1.61	\$1.64
UCC FILINGS	\$0.94	\$0.03	\$0.03	\$0.01	\$0.02	\$2.01	\$2.03	\$2.14	\$2.39	\$2.69
UNCLAIMED PROPERTY	\$1.39	\$0.83	\$1.17	\$1.59	\$2.31	\$5.81	\$0.88	\$3.76	\$3.69	\$9.83
LANDS	\$0.24	\$0.24	\$0.27	\$0.32	\$0.70	\$0.34	\$0.35	\$0.36	\$0.33	\$0.53
ONE-TIME TRANSFERS	\$0.15	\$0.00	\$0.00	\$0.43	\$4.42	\$11.19	\$7.11	\$5.46	\$51.40	\$0.86
ESTATE TAX	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$35.81	\$7.59	\$13.65	\$4.43	\$3.30
OTHER DEPTS & TRANSFERS	<u>\$3.18</u>	<u>\$3.14</u>	<u>\$3.40</u>	<u>\$4.91</u>	<u>\$8.31</u>	<u>\$9.18</u>	<u>\$16.31</u>	<u>\$14.67</u>	<u>\$22.84</u>	<u>\$24.14</u>
MISC. REVENUE	\$69.55	\$72.23	\$76.01	\$82.57	\$92.46	\$151.15	\$110.14	\$111.02	\$161.31	\$118.98
% CHANGE	9.6%	3.9%	5.2%	8.6%	12.0%	63.5%	-27.1%	0.8%	45.3%	-26.2%
TOTAL GENERAL FUND*	\$1,350.94	\$1,391.86	\$1,482.14	\$1,624.43	\$1,820.96	\$1,984.64	\$1,700.43	\$1,763.95	\$2,097.10	\$2,267.69
% CHANGE	4.8%	3.0%	6.5%	9.6%	12.1%	9.0%	-14.3%	3.7%	18.9%	8.1%

* Totals may not add due to rounding.

GENERAL FUND REVENUE
(\$ MILLION)

SOURCE	ACTUAL							FORECAST	
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
INDIVIDUAL INCOME TAX	\$1,216.49	\$1,400.16	\$1,429.74	\$1,167.89	\$1,061.88	\$1,152.65	\$1,206.41	\$1,243.45	\$1,313.41
% CHANGE	17.5%	15.1%	2.1%	-18.3%	-9.1%	8.5%	4.7%	3.1%	5.6%
CORPORATE INCOME TAX	\$194.13	\$190.22	\$189.28	\$141.03	\$97.02	\$168.95	\$187.01	\$183.80	\$194.06
% CHANGE	39.1%	-2.0%	-0.5%	-25.5%	-31.2%	74.1%	10.7%	-1.7%	5.6%
SALES TAX	\$880.77	\$1,077.46	\$1,141.44	\$1,022.20	\$955.91	\$972.38	\$1,027.34	\$1,082.53	\$1,151.57
% CHANGE	-7.4%	22.3%	5.9%	-10.4%	-6.5%	1.7%	5.7%	5.4%	6.4%
CIGARETTE TAX	\$7.98	\$1.00	\$6.54	\$7.77	\$16.90	\$14.40	\$11.61	\$13.08	\$4.58
TOBACCO PRODUCTS	\$6.16	\$6.55	\$7.20	\$7.36	\$7.82	\$8.48	\$8.93	\$9.14	\$9.24
BEER TAX	\$1.99	\$2.13	\$2.15	\$2.04	\$2.07	\$1.97	\$1.94	\$1.90	\$1.95
WINE TAX	\$2.43	\$2.48	\$2.58	\$3.28	\$3.00	\$3.21	\$3.45	\$3.71	\$3.83
LIQUOR SURCHARGE	<u>\$4.95</u>	<u>\$10.24</u>	<u>\$8.38</u>	<u>\$9.29</u>	<u>\$11.39</u>	<u>\$14.76</u>	<u>\$17.25</u>	<u>\$20.93</u>	<u>\$21.76</u>
PRODUCT TAXES	\$23.50	\$22.41	\$26.84	\$29.74	\$41.18	\$42.82	\$43.18	\$48.76	\$41.35
% CHANGE	3.1%	-4.6%	19.8%	10.8%	38.5%	4.0%	0.8%	12.9%	-15.2%
KILOWATT-HOUR TAX	\$2.29	\$2.26	\$1.60	\$2.02	\$2.14	\$2.43	\$2.98	\$2.80	\$2.60
MINE LICENSE TAX	\$0.27	\$2.35	\$2.52	\$0.94	\$1.80	\$1.54	\$2.02	\$2.00	\$2.20
INTEREST EARNINGS	\$18.12	\$17.17	\$11.37	\$0.76	(\$1.32)	(\$0.43)	(\$0.60)	(\$0.48)	\$0.78
COURT FEES AND FINES	\$4.79	\$5.04	\$5.33	\$5.35	\$5.38	\$5.12	\$4.85	\$4.73	\$4.81
INSURANCE PREMIUM TAX	\$60.38	\$59.78	\$56.34	\$55.48	\$53.63	\$54.12	\$56.58	\$52.86	\$53.14
ALCOHOLIC BEVERAGE LICENSES	\$1.72	\$1.81	\$1.92	\$1.61	\$1.47	\$1.52	\$1.56	\$0.00	\$0.00
UCC FILINGS	\$3.02	\$3.00	\$2.82	\$2.42	\$2.42	\$2.41	\$2.43	\$2.40	\$2.44
UNCLAIMED PROPERTY	\$1.99	\$3.31	\$5.63	\$1.78	\$8.22	\$4.51	\$8.89	\$5.00	\$5.50
LANDS	\$0.33	\$0.47	\$0.69	\$0.98	\$0.65	\$0.62	\$1.04	\$0.75	\$0.75
ONE-TIME TRANSFERS	\$0.54	\$1.54	\$2.24	\$1.43	\$1.54	\$4.88	\$16.16	\$0.01	\$0.00
ESTATE TAX	\$1.11	\$0.12	\$0.03	\$0.24	(\$0.17)	\$0.52	(\$0.02)	\$0.00	\$0.00
OTHER DEPTS & TRANSFERS	<u>\$21.89</u>	<u>\$25.40</u>	<u>\$30.18</u>	<u>\$31.70</u>	<u>\$32.71</u>	<u>\$30.43</u>	<u>\$27.89</u>	<u>\$29.36</u>	<u>\$26.50</u>
MISC. REVENUE	\$116.43	\$122.25	\$120.67	\$104.71	\$108.47	\$107.68	\$123.77	\$99.43	\$98.72
% CHANGE	-2.1%	5.0%	-1.3%	-13.2%	3.6%	-0.7%	14.9%	-19.7%	-0.7%
TOTAL GENERAL FUND*	\$2,431.31	\$2,812.49	\$2,907.98	\$2,465.57	\$2,264.46	\$2,444.47	\$2,587.71	\$2,657.97	\$2,799.11
% CHANGE	7.2%	15.7%	3.4%	-15.2%	-8.2%	7.9%	5.9%	2.7%	5.3%

* Totals may not add due to rounding.

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INDIVIDUAL INCOME TAX

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

Collections from the individual income tax are based on a graduated scale of tax rates that are applied to brackets of Idaho taxable income. Beginning with tax year 2000, Idaho's income tax brackets have been adjusted annually for inflation. Current and past individual income tax rates and brackets are detailed in the following table.

INDIVIDUAL INCOME TAX RATE HISTORY

Tax Years	Tax Rates on the Portion of Taxable Income ¹								
	\$0-1000	\$1001-\$2000	\$2001-\$3000	\$3001-4000	\$4001-5000	\$5001-6000	\$6001-7500	\$7501-	\$20000+
1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%	4.0%
1933	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%	6.0%	6.0%
1935	1.5%	3.0%	4.0%	5.0%	6.0%	8.0%	8.0%	8.0%	8.0%
1955 ²	1.61%	3.23%	4.30%	5.38%	6.45%	8.60%	8.60%	8.60%	8.60%
1957 ³	2.0%	4.0%	5.5%	6.6%	7.7%	8.8%	8.8%	8.8%	8.8%
1959	3.5%	5.0%	6.5%	7.5%	8.5%	9.5%	9.5%	9.5%	9.5%
1963	3.4%	5.5%	7.2%	8.25%	9.35%	10.5%	10.5%	10.5%	10.5%
1965	2.5%	5.0%	6.0%	7.0%	8.0%	9.0%	9.0%	9.0%	9.0%
1972	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.5%	7.5%
1987	2.0%	4.0%	4.5%	5.5%	6.5%	7.5%	7.5%	7.8%	8.2%
	\$0-1022	\$1023-2044	\$2045-3066	\$3067-4088	\$4089-5110	\$5111-7666	\$7667-20,442	\$20443+	
2000	1.9%	3.9%	4.4%	5.4%	6.4%	7.4%	7.7%	8.1%	
	\$0-1056	\$1057-2113	\$2114-3169	\$3170-4226	\$4227-5282	\$5283-7923	\$7924-21129	\$21130+	
2001	1.6%	3.6%	4.1%	5.1%	6.1%	7.1%	7.4%	7.8%	
2002	\$0-1087	\$1088-2173	\$2174-3260	\$3261-4346	\$4347-5433	\$5434-8149	\$8150-21730	\$21731+	
2003	\$0-1104	\$1105-2207	\$2208-3311	\$3312-4415	\$4416-5518	\$5519-8278	\$8279-22074	\$22075+	
2004	\$0-1129	\$1130-2258	\$2259-3387	\$3388-4515	\$4516-5644	\$5645-8466	\$8467-22577	\$22577+	
2005	\$0-1158	\$1159-2317	\$2318-3476	\$3477-4635	\$4636-5793	\$5794-8691	\$8692-23177	\$23178+	
2006	\$0-1198	\$1199-2396	\$2397-3594	\$3595-4793	\$4794-5991	\$5992-8986	\$8987-23963	\$23964+	
2007	\$0-1237	\$1238-2474	\$2475-3710	\$3711-4947	\$4948-6184	\$6185-9276	\$9277-24736	\$24737+	
2008	\$0-1271	\$1272-2543	\$2544-3815	\$3816-5087	\$5088-6359	\$6360-9539	\$9540-25440	\$25441+	
2009	\$0-1320	\$1321-2641	\$2642-3962	\$3963-5283	\$5284-6603	\$6604-9906	\$9907-26417	\$26418+	
2010	\$0-1315	\$1316-2631	\$2632-3947	\$3948-5263	\$5264-6579	\$6580-9869	\$9870-26319	\$26320+	
2011	\$0-1337	\$1338-2675	\$2676-4013	\$4014-5351	\$5352-6689	\$6690-10034	\$10035-26759	\$26760+	
	\$0-1380	\$1381-2760	\$2761-4140	\$4141-5520	\$5521-6900	\$6901-10349	\$10350+		
2012	1.6%	3.6%	4.1%	5.1%	6.1%	7.1%	7.4%		

1. Income bracket amounts shown are for single and married filing separate returns. For all other filing status returns double the income bracket amounts for each rate.
2. Rates shown include 7.5% surcharge on all brackets. Effective in 1955 and 1956.
3. Rates shown include 10% surcharge on brackets greater than \$2000. Effective in 1957 and 1958.

Idaho taxable income is derived from federal taxable income (ATI). For Idaho residents, income from all sources is taxable in Idaho, with credit provided for taxes paid to other states. For non-residents, only income earned in Idaho is subjected to Idaho income tax. For part-year residents, income from all sources is taxable during the period of Idaho residency, while only income earned in Idaho is subjected to Idaho income tax during the period of non-residency.

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

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

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

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

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

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

Basis of Projection:

The projections of General Fund revenue from the individual income tax for FY 2013 and FY 2014 are based on a combination of econometric analysis and judgment.

The analysis begins with the IEM, an econometric base model of Idaho's economy that is used to derive employment by industry and income by type. Idaho wage and salary payments data and other factors are used to project withholding collections. Filing collections are estimated using a national equity market index and Idaho personal income as the explanatory variables. The sum of these two components is gross individual income tax collections. Net individual income tax collections are derived by subtracting the forecasts for refunds and miscellaneous reductions. An example of the latter is the withholding collections from Idaho lottery winnings that are distributed to the public schools and counties, instead of the General Fund.

All forecasts for the individual income tax components are adjusted to reflect: a) new features of the tax law that are expected to impact future collections and accruals, and b) effects of other factors that are expected to have impacts not reflected in the econometric analysis.

The forecast that follows assumes no further changes in current Idaho income tax law, a standard practice of the Division's revenue forecasts.

Historical Data:

INDIVIDUAL INCOME TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Refunds	Gen. Fund	Perm. Building Fund	Misc. & "Check-Off" Donations
FY81	Actual	242,743.6	41,262.4	196,892.1	1,093.2	3,495.8
FY82	Actual	264,162.3	44,012.5	215,835.5	1,082.1	3,232.1
FY83	Actual	272,845.0	55,669.9	212,356.6	1,064.1	3,755.4
FY84	Actual	287,957.0	54,731.7	230,002.0	3,008.0	215.3
FY85	Actual	314,955.9	62,164.8	249,277.9	3,322.7	190.5
FY86	Actual	324,704.5	63,132.6	258,065.2	3,275.8	230.9
FY87	Actual	331,393.7	63,191.4	264,128.9	3,842.1	231.3
FY88	Actual	340,376.7	50,486.1	287,156.0	2,581.4	153.2
FY89	Actual	394,403.4	47,582.5	343,077.5	3,551.4	192.0
FY90	Actual	459,019.4	56,873.5	398,284.0	3,668.1	193.8
FY91	Actual	508,711.2	72,282.6	432,218.3	3,984.1	226.2
FY92	Actual	543,233.5	80,435.4	459,438.2	3,157.0	202.9
FY93	Actual	609,443.1	96,209.4	508,023.1	4,998.9	211.7
FY94	Actual	671,419.7	107,859.3	559,166.6	4,215.4	178.4
FY95	Actual	724,809.1	123,717.5	596,457.5	4,459.0	175.2
FY96	Actual	770,804.9	115,072.5	650,850.0	4,708.5	173.9
FY97	Actual	830,855.9	121,650.3	704,819.9	4,236.1	149.7
FY98	Actual	914,961.2	133,761.8 ¹	776,192.0	4,817.3	190.1
FY99	Actual	989,401.5	142,174.4	841,865.0	5,107.5	254.6
FY00	Actual	1,113,448.3	147,853.6	960,163.7	5,041.1	389.9
FY01	Actual	1,200,254.7	169,727.3	1,023,970.2	6,073.1	484.1
FY02	Actual	1,033,900.3	191,524.7	835,854.8	5,636.6	884.2
FY03	Actual	1,033,471.1	189,691.0	837,798.6	5,358.3	623.2
FY04	Actual	1,097,096.6	189,116.2	902,125.5	5,346.8	508.0
FY05	Actual	1,241,292.8	190,269.1	1,035,542.5	5,160.5	10,320.8 ²
FY06	Actual	1,425,769.1	203,019.6	1,216,486.7	5,408.6	854.2
FY07	Actual	1,630,854.6	224,139.7	1,400,159.0	5,716.2	839.6
FY08	Actual	1,705,036.2	267,118.5	1,429,738.8	6,389.6	1,789.4
FY09	Actual	1,478,272.7	302,638.7	1,167,889.1	6,379.0	1,365.9
FY10	Actual	1,370,681.4	301,304.4	1,061,875.2	6,064.8	1,437.0
FY11	Actual	1,454,668.9	284,806.4	1,152,651.0	5,887.6	11,324.0 ²
FY12	Actual	1,514,529.5	300,615.5	1,206,406.5	5,793.3	1,714.2
FY13	Projection	1,573,014.6	320,940.4	1,243,450.3	5,886.0	2,737.8
FY14	Projection	1,658,361.5	336,226.2	1,313,406.3	5,986.1	2,743.0

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

2. Includes impact from a single large lottery prize.

CORPORATE INCOME TAX

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

Collections from the corporate income tax are based on a flat rate of 7.4% applied to taxable income. For a listing of earlier rates refer to the following table. Beginning with tax year 1987, Idaho conformed to the changes made by the Tax Reform Act of 1986, except for the federal investment tax credit repeal. Idaho continues to allow a 3% credit that is tied to the federal definition of eligible property. Extra credits are also allowed for investments in broadband equipment, research activities, and job creation. See the Tax Structure section of this publication for details. Also, since September 1987, Idaho has required that corporations file quarterly payments of estimated taxes. This provision is based upon federal rules and was phased in over a two-year period.

CORPORATE INCOME TAX RATE HISTORY

Greater Than But Not More Than	Tax Rates on the Portion of Income						
	\$0	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000
		\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000
1931	1.0%	1.0%	2.0%	2.0%	3.0%	3.0%	4.0%
1933	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%
1935	1.5%	3.0%	4.0%	5.0%	6.0%	6.0%	8.0%
1954	1.28%	2.55%	3.40%	4.25%	5.10%	5.10%	6.80%
1955	7.5%	Beginning of Single "Flat" Tax Rate on all Positive Net Taxable Income					
1957	8.0% + 10% Surcharge in 1957 and 1958.						
1959	9.5%						
1963	10.5%						
1965	6.0%						
1972	6.5%						
1981	6.5% + 0.2% franchise tax up to \$250,000.						
1983	7.7%						
1987	8.0%						
2001	7.6%						
2012	7.4%						

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

Basis of Projection:

Projections of the General Fund revenue from the corporate income tax are based on a combination of econometric analysis and judgment. Historical corporate income tax collections are correlated with income concepts found in the IEM and IHS Global Insight's *US Economic Outlook*.

Historical Data:

CORPORATE INCOME TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Refunds	Gen. Fund	Perm. Building Fund	Multi-State Tax Compact
FY81	Actual	50,875.5	4,416.2	46,288.4	127.2	43.6
FY82	Actual	45,602.0	5,416.2	40,010.6	146.4	26.3
FY83	Actual	39,673.6	10,191.3	29,281.3	149.0	51.9
FY84	Actual	42,226.7	15,504.7	26,535.3	116.6	70.1
FY85	Actual	49,660.1	6,698.2	42,788.0	133.6	40.3
FY86	Actual	50,253.2	6,900.6	43,138.4	150.2	63.9
FY87	Actual	53,276.8	6,878.1	46,165.9	190.9	41.9
FY88	Actual	74,230.7	10,070.2	63,906.1	160.3	94.0
FY89	Actual	80,394.1	7,152.7	72,962.6	209.6	69.3
FY90	Actual	82,635.9	9,914.5	72,492.0	212.3	17.2
FY91	Actual	72,265.0	11,995.9	60,017.2	252.0	0.0
FY92	Actual	71,443.1	13,162.9	57,971.3	194.2	114.7
FY93	Actual	83,582.6	13,194.3	70,003.8	282.0	102.5
FY94	Actual	102,772.3	14,870.6	87,628.2	196.8	76.7
FY95	Actual	152,809.5	20,818.3	131,636.1	250.7	104.4
FY96	Actual	173,392.5	21,128.3	151,979.2	246.7	38.3
FY97	Actual	138,276.6	15,479.0	122,357.2	249.5	190.9
FY98	Actual	136,996.0	19,301.9	117,286.4	283.7	124.0
FY99	Actual	117,073.9	20,927.4	95,437.7	270.0	438.8
FY00	Actual	149,355.2	23,495.3	124,872.9	303.6	683.4
FY01	Actual	173,578.8	31,593.0	141,527.2	349.0	109.5
FY02	Actual	110,751.2	33,982.3	76,295.6	312.0	161.4
FY03	Actual	119,810.7	26,320.8	93,129.7	345.1	15.1
FY04	Actual	126,911.5	23,127.1	103,015.0	367.8	401.6
FY05	Actual	162,696.2	22,110.8	139,561.5	337.1	686.8
FY06	Actual	211,505.2	13,202.5	194,125.1	340.8	3,836.7
FY07	Actual	211,189.8	22,960.7	190,222.2	497.1	-2,490.1
FY08	Actual	212,879.8	22,705.5	189,283.5	471.1	419.6
FY09	Actual	174,503.0	32,277.3	141,025.4	503.6	696.8
FY10	Actual	136,835.2	38,507.9	97,021.0	490.3	816.0
FY11	Actual	191,154.8	20,940.6	168,949.8	455.3	809.1
FY12	Actual	206,626.7	18,037.3	187,014.2	453.3	1,122.0
FY13	Projection	222,981.4	37,906.8	183,804.4	460.5	809.6
FY14	Projection	235,419.2	40,021.3	194,057.0	468.8	872.1

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SALES TAX

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

Idaho's sales tax rate was 5% from April 1986 to April 2003. The sales tax rate was raised to 6% in May 2003 and remained at that level through FY 2004 and FY 2005. The sales tax rate returned to 5% on July 1, 2005. The rate was increased to 6% on October 1, 2006. Beginning in FY 2005, the Agricultural Equipment Property Tax Exemption is funded by the sales tax. Beginning in FY 2008, payments into the Demonstration Pilot Project Fund are made from sales tax refunds. The rate and distribution history is shown on the following table.

SALES TAX RATE AND DISTRIBUTION HISTORY

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

1. For the period March 1983 through June 1984 this percentage was applied only to the 3% "base" sales tax rate. Beginning in 2000, this allocation was "folded into" the revenue sharing allocation.
2. Amount equal to one mill of all assessed property values distributed to Teachers Retirement System; \$1,000,000 lump sum (one-time) distribution to Tax Commission.
3. Amount equal to the sum required to be certified by the state controller distributed to the Social Security Trust Fund.
4. Amount equal to the sum required to be certified by the Idaho housing agency.
5. \$1.00 per registration fee on vehicle registration transfers that do not involve sales tax.
6. Amount certified by the Tax Commission as necessary to fund the Circuit Breaker.
7. Amount necessary to fund Property Tax Relief.
8. An amount equal to deposits into the Demonstration Pilot Project Fund.

Sales tax funds must be allocated to the Idaho Housing and Finance Association if, within 60 days of the close of the fiscal year, the Chairman of the Housing and Finance Association Board of Commissioners certifies to the State Tax Commission that a deficiency exists in the agency's Capital Reserve Fund. No such certification has ever been made, nor is one anticipated for the current fiscal year. Beginning in 1996, this provision is limited to no more than \$89 million. Also, it only applies to bonds issued prior to 1996, effectively repealing this provision for bonds issued on or after January 1, 1996.

Basis of Projection:

The projections of FY 2013 and FY 2014 net General Fund accruals from the sales tax are based on econometric analysis and judgment. Historic monthly gross collections data are first adjusted for changes in the tax rate and any major collection anomalies. Wages and housing forecasts from the *Idaho Economic Forecast* are then used to predict gross sales tax collections. Historical refund levels and the current distribution formula are used to translate gross collections to net General Fund accruals. Judgmental considerations include the results of ongoing revenue monitoring.

Historical Data:

SALES TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions											
			Refunds	Gen. Fund	Perm. Building Fund	Revenue Sharing	Alloc. to Counties	Water Pollution Control Fund	Circuit Breaker	Property Tax Relief	Agricultural Equipment Prop. Tax Exemption	Misc. Dist.		
FY81	Actual	145,008.0	220.5	97,679.3	500.0		14,476.0						32,132.2	^{1,2}
FY82	Actual	146,206.9	311.8	98,720.2	500.0		14,607.4						32,067.5	^{1,2}
FY83	Actual	165,441.1	181.2	115,407.0	500.0		15,266.3						34,086.6	^{1,2}
FY84	Actual	241,838.4	596.2	188,422.1	500.0		16,192.2						36,127.9	^{1,2}
FY85	Actual	238,544.3	449.7	200,026.6	500.0	14,876.1	17,851.5	4,800.0					40.4	³
FY86	Actual	250,490.1	516.8	211,564.2	500.0	15,036.7	18,044.1	4,800.0					28.3	³
FY87	Actual	297,892.0	538.4	259,358.6	500.0	14,853.3	17,827.1	4,800.0					14.6	³
FY88	Actual	311,391.2	672.5	258,770.8	500.0	24,084.4	18,637.1	4,800.0	3,890.1				36.2	³
FY89	Actual	346,682.3	882.4	288,780.3	500.0	26,785.4	20,737.1	4,800.0	4,171.7				25.4	³
FY90	Actual	383,096.0	1,664.0	319,290.7	500.0	29,540.7	22,870.2	4,800.0	4,335.5				94.9	³
FY91	Actual	404,146.4	3,403.1	335,739.5	500.0	31,036.1	24,028.3	4,800.0	4,491.1				148.3	³
FY92	Actual	435,715.5	1,799.1	364,323.0	500.0	33,612.2	26,022.6	4,800.0	4,606.1				52.5	³
FY93	Actual	481,357.9	1,163.9	402,819.5	500.0	37,195.6	28,796.9	4,800.0	6,031.2				50.8	³
FY94	Actual	541,503.6	1,739.0	452,684.8	500.0	41,789.3	32,353.2	4,800.0	7,504.3				132.9	³
FY95	Actual	576,202.9	1,767.4	481,958.1	500.0	44,500.8	34,452.2	4,800.0	8,241.1				-16.6	³
FY96	Actual	602,573.0	2,114.2	462,999.7	500.0	46,554.3	36,023.2	4,800.0	8,807.0	40,757.1			17.6	³
FY97	Actual	624,631.8	2,109.4	476,726.1	500.0	48,240.6	37,347.6	4,800.0	9,609.0	45,238.4			60.7	³
FY98	Actual	655,182.6	2,023.6	496,807.8	500.0	50,572.4	39,152.8	4,800.0	10,331.1	50,400.4			594.5	³
FY99	Actual	704,734.8	2,784.7	588,796.7	500.0	54,237.7	41,979.4	4,800.0	10,891.7	0.0			744.6	³
FY00	Actual	750,125.9	2,741.7	627,503.0	500.0	57,852.8	44,754.6	4,800.0	11,481.2	0.0			492.7	³
FY01	Actual	778,886.9	3,464.1	647,293.8	5,000.0	106,024.7	0.0	4,800.0	11,711.3	0.0			593.0	³
FY02	Actual	791,623.6	4,103.4	657,119.2	5,000.0	108,500.4	0.0	4,800.0	11,983.5	0.0			117.0	³
FY03	Actual	839,180.9	3,119.1	700,240.7	5,000.0	112,947.4	0.0	4,800.0	12,787.1	0.0			286.6	³
FY04	Actual	1,032,987.5	4,312.6	886,079.0	5,000.0	117,825.4	0.0	4,800.0	14,097.7	0.0			872.8	³
FY05	Actual	1,125,317.0	3,478.3	950,825.2	5,000.0	128,485.1	0.0	4,800.0	14,995.3	0.0	16,810.6	⁴	922.5	³
FY06	Actual	1,071,204.9	7,667.2	880,772.9	5,000.0	143,195.3	0.0	4,800.0	15,466.7	0.0	13,448.5		854.4	³
FY07	Actual	1,272,854.7	5,029.1	1,077,455.9	5,000.0	154,818.1	0.0	4,800.0	15,402.7	0.0	9,727.4		621.5	³
FY08	Actual	1,339,278.0	9,606.4	1,141,439.7	5,000.0	152,578.2	0.0	4,800.0	15,405.6	0.0	8,487.1		1,961.1	^{3,5}
FY09	Actual	1,201,248.3	5,963.3	1,022,201.6	5,000.0	136,994.7	0.0	4,800.0	15,459.1	0.0	8,487.1		2,342.5	^{3,5}
FY10	Actual	1,123,885.3	3,088.4	955,908.7	5,000.0	128,496.0	0.0	4,800.0	15,706.9	0.0	8,487.1		2,398.2	^{3,5}
FY11	Actual	1,166,271.5	21,124.1	972,379.8	5,000.0	131,214.7	0.0	4,800.0	16,001.7	0.0	8,487.1		7,264.1	^{3,5,6}
FY12	Actual	1,216,228.3	8,738.5	1,027,344.3	5,000.0	138,440.4	0.0	4,800.0	16,069.8	0.0	8,487.1		7,348.3	^{3,5,6}
FY13	Projection	1,284,725.8	13,745.8	1,082,530.2	5,000.0	146,162.7	0.0	4,800.0	16,500.0	0.0	8,487.1		7,500.0	^{3,5,6}
FY14	Projection	1,357,896.7	8,233.2	1,151,565.1	5,000.0	155,211.3	0.0	4,800.0	17,000.0	0.0	8,487.1		7,600.0	^{3,5,6}

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

CIGARETTE TAX

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

Idaho's cigarette tax rate is 57 cents per pack of 20 cigarettes. The Public School Income Fund (PSIF) and Department of Juvenile Corrections both receive 5.1746 cents per pack. The remaining amount per pack is distributed as follows: the Permanent Building Fund receives 17.3%; the Central Tumor Registry Fund receives 0.4% (to a maximum of the legislative appropriation); the Cancer Control Fund receives 1%; and the General Fund receives an amount needed to fund the Bond Levy Equalization Program. All remaining revenues flow to the Permanent Building Fund to be used to repair, remodel, and restore the Capitol and related facilities. After these projects are adequately funded, all remaining revenues will be redirected to the Economic Recovery Reserve Fund.

CIGARETTE TAX RATE AND DISTRIBUTION HISTORY

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

1. From March 1, 1987 to July 1, 1987 the additional \$.00445 was all distributed to the General Fund.
 2. The Central Tumor Registry Fund receives the lesser of its percentage or its dollar cap.
 3. On July 1, 1994 the \$110,000 limit was replaced with a limit not to exceed the legislative appropriation.
 4. Receives balance until Capitol restoration is completed, then balance accrues to Economic Recovery Reserve Fund.

Basis of Projection:

The projections of General Fund revenues from this source for FY 2013 and FY 2014 are based on a subjective assessment of recent collections history, Idaho population growth, cigarette taxes in border states, and the trend toward decreased per capita cigarette consumption.

Historical Data:

CIGARETTE TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions																	
			Gen. Fund	Base Perm. Building Fund	Additional Perm. Building Fund	Refunds	Water Pollution Control Fund	Cancer Control Fund	Central Tumor Registry Fund	Public School Income Fund	County Juvenile Probation Fund	Economic Recovery Reserve Fund								
FY81	Actual	9,331.1	6,802.3	1,017.8	0.0	70.7	1,017.8	337.6	85.0											
FY82	Actual	9,244.3	6,717.1	1,004.7	0.0	99.5	1,004.7	333.2	85.0											
FY83	Actual	9,288.9	6,746.1	1,010.8	0.0	91.0	1,010.8	335.3	95.0											
FY84	Actual	8,989.8	6,523.7	978.0	0.0	90.8	978.0	324.4	95.0											
FY85	Actual	8,854.8	6,405.2	960.1	0.0	114.9	960.1	318.5	96.0											
FY86	Actual	8,536.9	6,150.2	922.3	0.0	143.9	922.3	305.9	92.2											
FY87	Actual	10,552.8	8,193.4	911.8	0.0	142.2	911.8	302.4	91.2											
FY88	Actual	15,033.9	6,921.0	6,399.8	0.0	253.8	989.8	369.5	100.0											
FY89	Actual	14,782.8	6,792.8	6,283.4	0.0	271.6	972.3	362.8	100.0											
FY90	Actual	12,738.7	5,884.3	5,464.3	0.0	119.1	845.5	315.5	110.0											
FY91	Actual	14,696.2	6,863.4	6,356.8	0.0	15.4	983.6	367.0	110.0											
FY92	Actual	15,205.6	7,072.3	6,547.2	0.0	85.0	1,013.1	378.0	110.0											
FY93	Actual	15,029.6	6,995.1	6,490.5	0.0	40.0	1,004.3	374.7	125.0											
FY94	Actual	16,394.3	7,605.6	7,047.1	0.0	119.4	1,090.4	406.9	125.0											
FY95	Actual	23,270.6	7,245.6	6,733.5	0.0	63.8	1,041.9	388.8	141.0	6,537.6	1,118.4									
FY96	Actual	25,228.0	7,476.5	6,944.0	0.0	281.9	1,074.5	400.9	141.0	4,454.6	4,454.6									
FY97	Actual	25,053.3	7,486.5	6,953.0	0.0	74.7	1,075.9	401.4	141.0	4,460.4	4,460.4									
FY98	Actual	24,951.0	7,476.9	6,944.3	0.0	3.7	1,074.5	400.9	141.0	4,454.8	4,454.8									
FY99	Actual	24,195.2	7,230.0	6,732.5	0.0	8.9	1,041.7	388.7	155.5	4,318.9	4,318.9									
FY00	Actual	24,417.9	7,295.4	6,789.7	0.0	22.3	1,050.6	392.0	156.6	4,355.7	4,355.7									
FY01	Actual	23,550.6	7,980.8	6,495.7	0.0	214.9	0.0	375.0	150.0	4,167.1	4,167.1									
FY02	Actual	23,410.3	8,000.5	6,511.7	0.0	17.0	0.0	376.0	150.4	4,177.3	4,177.3									
FY03	Actual	24,215.0	8,259.9	6,722.9	0.0	63.1	0.0	388.2	155.3	4,312.8	4,312.8									
FY04	Actual	45,718.9	30,040.5	6,402.0	0.0	254.0	0.0	370.1	148.0	4,252.1	4,252.1								0.0	
FY05	Actual	45,200.9	7,814.9	6,362.3	0.0	45.2	0.0	367.8	147.1	4,209.9	4,209.9								22,043.9	
FY06	Actual	46,372.0	7,983.4	6,499.5	0.0	105.3	0.0	375.7	150.3	4,348.8	4,348.8								22,560.3	
FY07	Actual	47,731.8	1,000.0	6,703.4	30,501.9	8.8	0.0	387.5	155.0	4,487.6	4,487.6								0.0	
FY08	Actual	46,216.4	6,535.0	6,486.7	23,948.9	106.2	0.0	375.0	150.0	4,307.3	4,307.3								0.0	
FY09	Actual	44,391.9	7,770.0	6,233.1	21,521.8	4.4	0.0	360.3	144.1	4,179.1	4,179.1								0.0	
FY10	Actual	39,697.2	16,900.0	5,563.3	9,244.4	39.4	0.0	321.6	128.6	3,749.9	3,749.9								0.0	
FY11	Actual	39,476.7	14,400.0	5,540.1	11,635.1	16.1	0.0	320.2	128.1	3,718.6	3,718.6								0.0	
FY12	Actual	38,250.3	11,606.2	5,369.9	13,635.6	3.0	0.0	310.4	124.2	3,603.6	3,603.6								0.0	
FY13	Projection	37,434.2	13,077.0	5,245.8	11,575.2	83.0	0.0	303.2	121.3	3,514.3	3,514.3								0.0	
FY14	Projection	36,268.4	4,577.0	5,082.0	19,305.3	83.0	0.0	293.8	117.5	3,404.9	3,404.9								0.0	

TOBACCO PRODUCTS TAX

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

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

TOBACCO TAX RATE AND DISTRIBUTION HISTORY

Effective Date	Percent of Wholesale Price Distributed to Fund			
	Water Pollution Control Fund	Gen. Fund	Public School Income Fund	County Juvenile Probation Fund
Jul-1972	35.0%	0.0%	0.0%	0.0%
Jul-1994	35.0%	0.0%	5.0%	0.0%
Mar-1995	35.0%	0.0%	2.5%	2.5%
Jul-1996	35.0%	0.0%	2.5% ¹	2.5%
Jul-2000	0.0%	35.0%	2.5% ¹	2.5%

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

Basis of Projection:

The projections of General Fund revenues from this source for FY 2013 and FY 2014 are based on a subjective assessment of recent collections history and forecasted national tobacco expenditures.

Historical Data:

TOBACCO TAX

\$ THOUSANDS

Year		Gross Collections	Distributions				
			Gen. Fund	Refunds	Water Pollution Control Fund	Public School Income Fund	County Juvenile Probation Fund
FY81	Actual		0.0			0.0	0.0
FY82	Actual		0.0			0.0	0.0
FY83	Actual		0.0			0.0	0.0
FY84	Actual		0.0			0.0	0.0
FY85	Actual		0.0			0.0	0.0
FY86	Actual	1,350.7	0.0	7.7	1,343.0	0.0	0.0
FY87	Actual	1,401.4	0.0	1.3	1,400.1	0.0	0.0
FY88	Actual	1,533.2	0.0	1.6	1,531.5	0.0	0.0
FY89	Actual	1,556.8	0.0	0.1	1,556.7	0.0	0.0
FY90	Actual	1,778.4	0.0	3.9	1,774.5	0.0	0.0
FY91	Actual	1,934.4	0.0	49.4	1,885.0	0.0	0.0
FY92	Actual	2,235.8	0.0	4.3	2,231.5	0.0	0.0
FY93	Actual	2,475.5	0.0	5.6	2,469.9	0.0	0.0
FY94	Actual	2,874.6	0.0	15.5	2,859.0	0.0	0.0
FY95	Actual	3,605.4	0.0	2.3	3,167.1	381.8	54.2
FY96	Actual	3,825.7	0.0	5.0	3,343.1	238.8	238.8
FY97	Actual	4,001.8	0.0	89.3	3,423.4	244.5	244.5
FY98	Actual	4,070.5	0.0	56.0	3,512.7	250.9	250.9
FY99	Actual	4,307.6	0.0	3.2	3,766.4	269.0	269.0
FY00	Actual	4,391.1	0.0	7.3	3,835.8	274.0	274.0
FY01	Actual	4,723.0	4,062.8	79.8	0.0	290.2	290.2
FY02	Actual	4,946.8	4,313.1	17.5	0.0	308.1	308.1
FY03	Actual	5,336.8	4,666.1	4.2	0.0	333.3	333.3
FY04	Actual	6,285.5	5,489.1	12.2	0.0	392.1	392.1
FY05	Actual	6,582.7	5,747.4	14.1	0.0	410.5	410.5
FY06	Actual	7,041.4	6,156.0	6.0	0.0	439.7	439.7
FY07	Actual	7,531.4	6,548.2	47.8	0.0	467.7	467.7
FY08	Actual	8,349.6	7,200.5	120.4	0.0	514.3	514.3
FY09	Actual	8,467.0	7,358.3	57.5	0.0	525.6	525.6
FY10	Actual	8,961.9	7,819.0	25.9	0.0	558.5	558.5
FY11	Actual	9,849.1	8,475.5	162.8	0.0	605.4	605.4
FY12	Actual	10,204.3	8,925.5	3.7	0.0	637.5	637.5
FY13	Projection	10,471.7	9,140.1	22.6	0.0	654.5	654.5
FY14	Projection	10,588.8	9,242.6	22.6	0.0	661.8	661.8

BEER TAX

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

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

BEER TAX RATE AND DISTRIBUTION HISTORY

Effective Date	Rate Per 31 Gal. Barrel	Distribution Mechanism
Mar-1935	\$1.55	50% to General Fund (GF); 50% to Public School Income Fund.
Jul-1939	\$1.55	100% to GF.
Jul-1947	\$3.10	100% to GF.
Jul-1961	\$4.65	\$3.10 to GF; \$1.55 to Permanent Building Fund (PBF).
Jul-1980	\$4.65	\$2.17 to GF; \$1.55 to PBF; \$.93 to Alcoholism Treatment Fund (ATF).
Jul-1986	\$4.65	47% to GF; 33% to PBF; 20% to ATF.
Jul-2007	\$4.65	47% to GF; 33% to PBF; 20% to Substance Abuse Treatment Fund (SATF).

Basis of Projection:

The projections of General Fund revenue from this source for FY 2013 and FY 2014 are based on an assessment of recent collections, Idaho personal income, and a trend factor.

Historical Data:

BEER TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions				
			Gen. Fund	Perm. Building Fund	Refunds	Alcoholism Treatment Fund	Substance Abuse Treatment Fund
FY81	Actual	3,215.4	1,498.8	1,068.9	4.7	642.9	
FY82	Actual	3,574.6	1,669.0	1,190.5	0.9	714.3	
FY83	Actual	3,532.0	1,650.3	1,176.0	0.0	705.6	
FY84	Actual	3,442.5	1,607.0	1,147.1	0.0	688.3	
FY85	Actual	3,422.2	1,597.5	1,140.1	0.5	684.1	
FY86	Actual	3,312.6	1,545.5	1,103.5	1.6	662.1	
FY87	Actual	3,311.6	1,554.9	1,091.8	3.2	661.7	
FY88	Actual	3,251.7	1,527.6	1,072.6	1.4	650.0	
FY89	Actual	3,244.5	1,509.9	1,060.1	31.9	642.5	
FY90	Actual	3,304.6	1,552.1	1,089.8	2.2	660.5	
FY91	Actual	3,414.7	1,602.5	1,125.2	5.1	681.9	
FY92	Actual	3,525.6	1,656.9	1,163.4	0.3	705.1	
FY93	Actual	3,621.6	1,701.6	1,194.7	1.2	724.1	
FY94	Actual	3,643.1	1,711.8	1,201.9	1.0	728.4	
FY95	Actual	3,521.7	1,654.1	1,161.4	2.3	703.9	
FY96	Actual	3,455.6	1,620.9	1,138.1	7.0	689.7	
FY97	Actual	3,468.6	1,629.9	1,144.4	0.8	693.6	
FY98	Actual	3,445.8	1,619.4	1,137.0	0.2	689.1	
FY99	Actual	3,585.6	1,683.9	1,182.3	2.8	716.5	
FY00	Actual	3,737.0	1,754.2	1,231.7	4.6	746.5	
FY01	Actual	3,866.4	1,816.5	1,275.4	1.4	773.0	
FY02	Actual	3,993.7	1,876.7	1,317.7	0.6	798.6	
FY03	Actual	4,070.9	1,912.8	1,343.1	1.0	814.0	
FY04	Actual	4,159.9	1,955.0	1,372.7	0.3	831.9	
FY05	Actual	4,142.1	1,946.3	1,366.6	1.0	828.2	
FY06	Actual	4,245.6	1,985.5	1,394.0	21.2	844.9	
FY07	Actual	4,542.1	2,133.5	1,498.0	2.6	907.9	
FY08	Actual	4,587.6	2,147.6	1,507.9	18.3	0.0	913.9
FY09	Actual	4,353.8	2,038.8	1,431.5	15.9	0.0	867.6
FY10	Actual	4,404.2	2,069.7	1,453.2	0.5	0.0	880.7
FY11	Actual	4,213.9	1,971.1	1,383.9	20.1	0.0	838.8
FY12	Actual	4,138.7	1,944.1	1,365.0	2.2	0.0	827.3
FY13	Projection	4,054.0	1,903.9	1,336.8	3.2	0.0	810.2
FY14	Projection	4,142.9	1,945.6	1,366.1	3.2	0.0	827.9

WINE TAX

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

A tax of 45 cents per gallon is levied on wine (and beer containing more than 4% alcohol by weight) sold in Idaho. Of the total wine tax, 12% is distributed to the Substance Abuse Treatment Fund, 5% to the Idaho Grape Growers and Wine Producers Commission Fund, and the remainder (83%) to the General Fund. Historical rates of the tax and its distribution are listed in the table below.

WINE TAX RATE AND DISTRIBUTION HISTORY

Effective Date	Rate Per Gallon	State of Origin	Distribution Mechanism
Jul-1971	\$0.45	All	100% to General Fund (GF).
Jul-1980	\$0.45	All	\$0.40 to GF; \$0.05 to Alcoholism Treatment Fund (ATF).
Jul-1984	\$0.20	Idaho	\$0.15 to GF; \$0.05 to ATF.
	\$0.45	Non-Idaho	\$0.40 to GF; \$0.05 to ATF.
Jul-1986	\$0.20	Idaho	88% to GF; 12% to ATF.
	\$0.45	Non-Idaho	88% to GF; 12% to ATF.
Jul-1988	\$0.45	All	88% to GF; 12% to ATF.
Jul-1994	\$0.45	All	83% to GF; 12% to ATF; 5% to Idaho Grape Growers & Wine Producers Commission Fund.
Jul-2007	\$0.45	All	83% to GF; 12% to Substance Abuse Treatment Fund (SATF); 5% to Idaho Grape Growers & Wine Producers Commission Fund.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2013 and FY 2014 are based on a subjective assessment of recent collection history, the rising popularity of microbrewery beers, and Idaho population growth.

Historical Data:

WINE TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions				
			Gen. Fund	Refunds	Alcoholism Treatment Fund	Substance Abuse Treatment Fund	ID Grape Growers & Wine Producers Commission Fund
FY81	Actual	609.0	526.9	14.6	67.5		
FY82	Actual	759.1	675.3	0.0	83.8		
FY83	Actual	778.1	692.2	0.0	85.9		
FY84	Actual	837.5	744.7	0.0	92.9		
FY85	Actual	872.4	767.0	6.2	99.2		
FY86	Actual	955.2	844.7	0.9	109.6		
FY87	Actual	985.4	862.1	5.7	117.6		
FY88	Actual	989.1	866.7	4.2	118.2		
FY89	Actual	905.9	788.7	9.6	107.6		
FY90	Actual	880.7	771.3	4.2	105.2		
FY91	Actual	853.2	750.1	0.8	102.3		
FY92	Actual	907.1	753.1	51.3	102.7		
FY93	Actual	856.4	750.5	3.5	102.3		
FY94	Actual	918.4	806.2	2.2	109.9		
FY95	Actual	1,375.5	1,140.5	0.7	165.0	69.3	
FY96	Actual	1,840.4	1,524.1	4.2	220.3	91.8	
FY97	Actual	2,005.4	1,663.7	1.0	240.5	100.2	
FY98	Actual	2,170.7	1,800.8	1.0	260.4	108.5	
FY99	Actual	2,294.1	1,904.0	0.2	275.3	114.7	
FY00	Actual	2,375.4	1,963.1	10.2	283.8	118.3	
FY01	Actual	2,295.5	1,898.2	8.5	274.4	114.3	
FY02	Actual	2,300.8	1,884.8	30.0	272.5	113.5	
FY03	Actual	2,372.7	1,969.0	0.4	284.7	118.6	
FY04	Actual	2,576.9	2,138.0	1.0	309.1	128.8	
FY05	Actual	2,810.1	2,331.8	0.7	337.1	140.5	
FY06	Actual	2,947.2	2,428.1	21.8	351.0	146.3	
FY07	Actual	3,006.2	2,483.2	14.3	359.0	149.6	
FY08	Actual	3,124.9	2,581.7	14.4	0.0	373.3	155.5
FY09	Actual	3,964.7	3,280.1	12.9	0.0	474.2	197.6
FY10	Actual	3,636.2	3,000.2	21.5	0.0	433.8	180.7
FY11	Actual	3,880.8	3,210.7	12.5	0.0	464.2	193.4
FY12	Actual	4,163.7	3,454.1	2.1	0.0	499.4	208.1
FY13	Projection	4,482.1	3,714.2	7.1	0.0	537.0	223.7
FY14	Projection	4,619.1	3,827.9	7.1	0.0	553.4	230.6

KILOWATT-HOUR TAX

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

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

Basis of Projection:

Kilowatt-hour tax receipts for FY 2013 and FY 2014 are based on an assessment of recent collection history in comparison to river flows and water availability.

Historical Data:

KILOWATT-HOUR TAX

(\$ THOUSANDS)

Year		Gross Collections	Distributions	
			Refunds	Gen. Fund
FY81	Actual	1,607.5	0.0	1,607.5
FY82	Actual	1,755.6	0.0	1,755.6
FY83	Actual	2,176.9	0.0	2,176.9
FY84	Actual	2,412.7	0.0	2,412.7
FY85	Actual	2,270.6	0.0	2,270.6
FY86	Actual	2,100.9	0.0	2,100.9
FY87	Actual	1,819.2	0.0	1,819.2
FY88	Actual	1,487.0	0.0	1,487.0
FY89	Actual	1,593.6	0.0	1,593.6
FY90	Actual	1,677.0	0.0	1,677.0
FY91	Actual	1,783.2	0.0	1,783.2
FY92	Actual	1,615.8	5.3	1,610.5
FY93	Actual	1,478.7	29.4	1,449.3
FY94	Actual	2,125.0	37.0	2,088.0
FY95	Actual	1,686.5	0.0	1,686.5
FY96	Actual	2,947.0	57.1	2,889.9
FY97	Actual	2,973.6	0.0	2,973.6
FY98	Actual	3,239.9	0.0	3,239.9
FY99	Actual	2,885.7	0.0	2,885.7
FY00	Actual	2,800.4	35.0	2,765.4
FY01	Actual	1,796.3	0.0	1,796.3
FY02	Actual	1,794.7	0.0	1,794.7
FY03	Actual	1,803.7	6.7	1,797.0
FY04	Actual	1,827.0	0.0	1,827.0
FY05	Actual	1,534.4	0.0	1,534.4
FY06	Actual	2,285.2	0.0	2,285.2
FY07	Actual	2,259.2	0.0	2,259.2
FY08	Actual	1,599.2	0.0	1,599.2
FY09	Actual	2,018.2	0.0	2,018.2
FY10	Actual	2,138.2	0.0	2,138.2
FY11	Actual	2,430.0	0.0	2,429.9
FY12	Actual	2,981.6	0.0	2,981.6
FY13	Projection	2,800.0	0.0	2,800.0
FY14	Projection	2,600.0	0.0	2,600.0

MINE LICENSE TAX

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

Revenue is derived from a 1% "profit" tax on Idaho mining operations. This tax has been levied since 1935. It was initially set at 3%. It was lowered to 2% in 1972 and lowered again to 1% in 2002. For mining operations without a cyanidation facility, 66% of the collections accrue to the General Fund and the remainder (34%) goes to the Abandoned Mine Reclamation Fund. The distribution for the mine license tax collected from mining operations with cyanidation facilities is slightly different. Thirty-three percent of the tax collections from operations with a cyanidation facility are distributed to the General Fund, 33% goes to the Cyanidation Facility Closure Fund, and the remainder (34%) goes to the Abandoned Mine Reclamation Fund. The sharp General Fund increase in FY 1999 and the sharp refund increase in FY 2000 are due to a large payment (\$1.25 million) that was made under protest in FY 1999 then refunded in FY 2000.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2013 and FY 2014 are based on a subjective assessment of recent collections history, the current and future levels of employment in mining, and relative mineral prices.

Historical Data:

MINE LICENSE TAX
(\$ THOUSANDS)

Year		Gross Collections	Distributions			
			Refunds	Cyanidation Facility Closure Fund	Abandoned Mine Reclamation Fund	Gen. Fund
FY81	Actual	2,145.2	27.6			2,117.6
FY82	Actual	2,449.4	4.7			2,444.7
FY83	Actual	687.6	14.3			673.3
FY84	Actual	1,106.2	0.9			1,105.3
FY85	Actual	676.1	90.9			585.2
FY86	Actual	380.6	12.0			368.7
FY87	Actual	283.5	0.3			283.2
FY88	Actual	570.8	0.0			570.8
FY89	Actual	215.8	2.6			213.2
FY90	Actual	278.0	25.0			253.0
FY91	Actual	471.8	1.0			470.9
FY92	Actual	588.7	3.1			585.7
FY93	Actual	441.7	331.8			109.9
FY94	Actual	487.6	14.4			473.2
FY95	Actual	291.0	1.2			289.9
FY96	Actual	800.8	0.0			800.8
FY97	Actual	764.7	101.4			663.4
FY98	Actual	1,101.3	140.8			960.5
FY99	Actual	2,241.0	258.1			1,982.9
FY00	Actual	1,038.3	1,344.4		353.0	-659.1
FY01	Actual	245.3	64.5		61.5	119.3
FY02	Actual	1,236.8	0.3		420.4	816.0
FY03	Actual	107.2	53.1		18.4	35.7
FY04	Actual	115.3	6.3		37.0	71.9
FY05	Actual	53.2	3.0	0.0	17.1	33.1
FY06	Actual	404.8	2.1	0.0	136.9	265.8
FY07	Actual	3,569.8	16.4	0.0	1,208.1	2,345.2
FY08	Actual	3,829.5	3.9	0.0	1,300.7	2,524.9
FY09	Actual	1,430.0	3.1	0.0	485.2	941.8
FY10	Actual	2,723.3	0.5	0.0	925.8	1,797.1
FY11	Actual	2,417.8	90.4	0.0	791.3	1,536.1
FY12	Actual	3,220.4	152.8	0.0	1,043.0	2,024.7
FY13	Projection	3,030.3	22.3	0.0	1,030.3	2,000.0
FY14	Projection	3,333.3	18.4	0.0	1,133.3	2,200.0

LIQUOR FUND

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

Gross revenue is derived from liquor sold by the State Liquor Division. Two percent of gross liquor revenue is dedicated to the Drug Court, Mental Health Court, and Family Court Services Fund. From FY 2008 to FY 2009, 60% of the Liquor Division's net profits were distributed to cities and counties. The remaining 40% of net profits were distributed as follows: \$1.8 million to cities and counties; \$2.08 million to the Substance Abuse Treatment Fund; \$0.6 million to the Community College Fund; \$1.2 million to the Public School Income Fund; \$0.65 million to the Cooperative Welfare Fund; \$0.68 million to the Drug Court, Mental Health Court and Family Court Services Fund; \$0.44 million to the Drug and Mental Health Court Supervision Fund; and the remainder of this portion to the General Fund. The distribution formula changed beginning with FY 2010. Over the five-year period covering FY 2010 to FY 2014, the cities and counties 60% share of net profits will drop by two-percentage points per year to 50%. The other 40% share of profits rises annually in two-percentage point increments to 50% over this same period. This portion of the total net profits will be distributed as follows: \$2.08 million to the Substance Abuse Treatment Fund; \$0.6 million to the Community College Fund; \$1.2 million to the Public School Income Fund; \$0.65 million to the Cooperative Welfare Fund; \$0.68 million to the Drug Court, Mental Health Court and Family Court Services Fund; \$0.44 million to the Drug and Mental Health Court Supervision Fund; and the remainder of this portion to the General Fund.

Historical Data:

LIQUOR FUND
(\$ THOUSANDS)

Year		Gross Dist.	Distributions																
			Gen. Fund	Alcoholism Treatment Fund	Community College Fund	Coop. Welfare Fund	Public School Income Fund	Budget Reserve Fund	Perm. Building Fund	Drug Cr., Mental Health & Family Cr. Svcs. Fund	Idaho Water Resource Brd. Revolving Development Fund	Warehouse Remodel Fund	Substance Abuse Treatment Fund	Drug & Mental Health Cr. Supervision Fund	Cities & Counties				
FY81	Actual	14,378.7	3,741.8	This area intentionally left blank.															
FY82	Actual	12,914.8	3,948.1	For more information, please contact the Idaho Division of Financial Management.															
FY83	Actual	15,487.2	3,700.0																
FY84	Actual	15,170.2	3,820.0																
FY85	Actual	12,780.1	4,945.0	1,200.0	300.0	650.0	1,200.0							4,485.1					
FY86	Actual	12,294.5	4,945.0	1,200.0	300.0	650.0	1,200.0							3,999.5					
FY87	Actual	12,294.8	4,945.0	1,200.0	300.0	650.0	1,200.0							3,999.8					
FY88	Actual	10,795.0	4,945.0	1,200.0	300.0	650.0	1,200.0							2,500.0					
FY89	Actual	11,377.9	4,945.0	1,200.0	300.0	650.0	1,200.0							3,082.9					
FY90	Actual	12,425.0	4,945.0	1,200.0	300.0	650.0	1,200.0							4,130.0					
FY91	Actual	12,268.3	4,945.0	1,200.0	300.0	650.0	1,200.0							3,973.3					
FY92	Actual	12,999.1	4,945.0	1,200.0	300.0	650.0	1,200.0							4,704.1					
FY93	Actual	12,802.8	4,945.0	1,200.0	300.0	650.0	1,200.0							4,507.8					
FY94	Actual	26,149.3	4,945.0	1,200.0	300.0	650.0	1,200.0	6,255.8							11,178.5				
FY95	Actual	18,449.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0							10,154.3				
FY96	Actual	16,578.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0							8,283.1				
FY97	Actual	17,417.3	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0							9,122.3				
FY98	Actual	16,605.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0							8,310.7				
FY99	Actual	18,584.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0							10,289.1				
FY00	Actual	19,891.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	1,000.0							10,596.7			
FY01	Actual	20,293.9	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0							11,998.9			
FY02	Actual	21,100.7	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0							12,805.7			
FY03	Actual	23,163.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0							14,868.0			
FY04	Actual	27,775.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0	2,050.0							17,430.0		
FY05	Actual	33,826.0	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0	1,811.0	7,200.0							16,520.0	
FY06	Actual	29,737.1	4,945.0	1,200.0	300.0	650.0	1,200.0	0.0	0.0	2,082.1	0.0	2,000.0							17,360.0
FY07	Actual	42,512.6	10,242.2	1,200.0	300.0	650.0	1,200.0	0.0	0.0	2,313.9	0.0	2,000.0							24,606.6
FY08	Actual	43,774.3	8,378.5	0.0	300.0	650.0	1,200.0	0.0	0.0	3,188.9	0.0	3,245.4	2,080.0	440.0	24,291.5				
FY09	Actual	44,475.7	9,294.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,315.7	0.0	0.0	2,080.0	440.0	26,896.0				
FY10	Actual	44,091.4	11,394.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,301.4	0.0	0.0	2,080.0	440.0	24,426.0				
FY11	Actual	49,698.6	14,761.4	0.0	600.0	650.0	1,200.0	0.0	0.0	3,416.6	0.0	0.0	2,080.0	440.0	26,550.6				
FY12	Actual	53,000.8	17,248.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,580.8	0.0	0.0	2,080.0	440.0	27,202.0				
FY13	Projection	59,149.9	20,925.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,709.0	0.0	0.0	2,080.0	440.0	29,545.0				
FY14	Projection	57,947.0	21,759.0	0.0	600.0	650.0	1,200.0	0.0	0.0	3,810.0	0.0	0.0	2,080.0	440.0	27,409.0				

INTEREST EARNINGS

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

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

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2013 and FY 2014 are based on an assessment of the State Treasurer's fund balances, forecasts of interest rates, and agency expectations. The FY 2013 projection includes the approximately \$1.1 million net cost associated with the issuance of this year's tax anticipation note. The FY 2014 projection does not include tax anticipation note earnings.

COURT FEES AND FINES

Description: (Sections 1-402 and 19-4705, *Idaho Code*)

Revenues are derived from court fees and from 8.6% of all fines and forfeitures collected pursuant to the judgment of any court of the state. In the case of Fish and Game law violations, 2.5% goes to the General Fund.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2013 and FY 2014 are based on an assessment of recent collection history, fee changes, and Idaho population growth.

INSURANCE PREMIUM TAX

Description: (Title 41, Chapters 4, 34, and 39, *Idaho Code*)

The phase in to a single insurance premium tax rate of 1.5% for net direct insurance premiums written in the state was completed in CY 2010. The 2.75% insurance premium tax rate was reduced to 1.5% over the six-year period beginning with CY 2005. Specifically, the insurance premium tax was 2.5% in CY 2005, 2.3% in CY 2006, 2.1% in CY 2007, 1.9% in CY 2008, 1.7% in CY 2009, and 1.5% in CY 2010. The rate for companies holding Idaho-based assets was increased from 1.4% to 1.5% over the five-year period beginning with CY 2006. This rate was 1.4% in CY 2005, 1.42% in CY 2006, 1.44% in CY 2007, 1.46% in CY 2008, 1.48% in CY 2009, and 1.5% in CY 2010. The premium tax rate for surplus lines of insurance has been 1.5% since CY 2007.

In 2007, legislation was passed that allows all dental coverage carriers to be taxed four cents per subscriber contract per month. Prior to this change, some dental carriers were subject to premium taxes calculated by applying the premium tax rate to the value of premiums.

Premium taxes are collected on a quarterly prepayment basis based upon a percentage of the previous year's business and current year's tax rate. Prepayment percentages are 60% in June, 20% in September, and 15% in December, with the balance due in March. The fire insurance premium tax collections are dedicated to the Firemen's Retirement Fund. Up to 20% of the tax collections can be directed to the Insurance Refund Fund. However, the amount in the Insurance Refund Fund that exceeds \$40,000 at the end of the fiscal year is transferred to the General Fund.

Net premium taxes are distributed as follows. Twenty-five percent of the net tax collected in excess of \$45 million is paid to the Idaho High Risk Individual Reinsurance Pool. Twenty-five percent of the tax in excess of \$55 million accrues to the Idaho Health Insurance Access Card Fund. The remaining net tax collections go to the General Fund.

The Department of Insurance collects a variety of filing and license fees. These revenues are dedicated to the Insurance Administration Fund to fund operations of the Department of Insurance. At the beginning of each fiscal year, any balance in the Insurance Administration Fund exceeding the current year appropriation by 25% is transferred to the General Fund. Any such transfer is not included in the insurance premium tax, but is recorded as a miscellaneous agency transfer.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of General Fund revenue from this source for FY 2013 and FY 2014 are based on forecasts of insurance premium growth, trends in insurance rates and coverage, agency records of insurers qualifying for the lower rate, and company insolvencies that result in credits taken for guaranty association assessments. These variables and parameters are then run through a simulation model of the cash-flow process to capture the effects on prepayment, filing reconciliation collections, and refunds.

ALCOHOLIC BEVERAGE LICENSES

Description: (Title 23, Chapters 9, 10, and 13, *Idaho Code*)

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

For historical data see the "Miscellaneous Revenues" table.

UNCLAIMED PROPERTY

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

Unclaimed property from bank accounts, safe deposit boxes, travelers' checks, life insurance policies, utility deposits, and the like accrue to the state after certain holding periods. Beginning in FY 1983, amounts in the Unclaimed Property Fund exceeding \$100,000 were transferred to the General Fund. Prior to that time, the excess was transferred to the Permanent Building Fund. Beginning in FY 1995, Unclaimed Property Fund balances exceeding \$250,000 are transferred to the General Fund. The holding period before most types of financial properties are considered abandoned is five years. Administration of unclaimed property was transferred from the Idaho State Tax Commission to the Office of the Idaho State Treasurer in FY 2011.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

Projections of unclaimed property are based on a subjective assessment of recent collection history and discussions with personnel from the Idaho State Treasurer's Office.

UCC FILINGS

Description: (Sections 30-1-122, 53-262, and 67-910, *Idaho Code*)

The principal source of revenue from the Secretary of State is derived from the filings of articles of incorporation. The Secretary of State also collects many other miscellaneous fees, such as Uniform Commercial Code (UCC) filing fees and notary fees. From July 1, 1996 to June 30, 2000, most of the revenue collected accrued to the Commercial Affairs Administrative Fund. Since FY 2001, these monies accrue to the General Fund.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

Projections of revenue from this source are based on a subjective assessment of recent collection history, recent tax law changes, and agency expectations.

OTHER DEPARTMENTS AND TRANSFERS

The primary revenue sources for this miscellaneous category are receipts from the Department of Finance, Department of Lands, Department of Environmental Quality, Division of Financial Management, and Department of Agriculture. Other agencies provide lesser amounts on a sporadic basis. The annual transfer to the General Fund from the Federal Power Act (through the State Treasurer) is also included. However, the unpredictable nature of other items included in this source is evidenced by the collection history.

For historical data see the "Miscellaneous Revenues" table.

Basis of Projection:

The projections of miscellaneous General Fund revenues for FY 2013 and FY 2014 are based on a subjective assessment of recent collection history and expected transfers.

ESTATE AND TRANSFER TAX

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

The Idaho estate and transfer tax is a "pick up" tax. Previously, the federal code allowed a decedent's estate to take a credit against state estate taxes paid, up to certain limits, based on the size of the estate. The amount of Idaho estate and transfer tax due was equal to this credit. Ten percent of the gross amount collected was distributed to the Idaho county of probate and the remainder, net of refunds, accrued to the state's General Fund. The *Economic Growth and Tax Relief Reconciliation Act of 2001* phased out this credit so that it did not apply to any deaths after 2005. The relevant estate provisions of the *Economic Growth and Tax Relief Reconciliation Act of 2001* were set to expire at the end of 2010. However, some of the estate tax provisions of this act were extended through CY 2012 as part of the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act* that became law on December 17, 2010. An important feature of this law is that it postpones the return of the state estate credit until CY 2013. However, it is unclear whether the credit will actually return in CY 2013. This forecast assumes the credit will not return, so there will be no General Fund revenue from this tax.

For historical data see the "Miscellaneous Revenues" table.

MISCELLANEOUS REVENUES

(\$ THOUSANDS)

Year		Distributions to General Fund									
		Estate Tax	Interest Earnings	Court Fees & Fines	Insurance Premium Tax	Alcoholic Beverage Licenses	Un-Claimed Property	UCC Filings	Lands	One-Time Transfers	Other Depts. and Transfers
FY81	Actual	0.0	10,257.4	1,850.8	14,845.9	918.9	0.0	1,510.4	109.4	0.0	792.7
FY82	Actual	0.0	12,282.6	2,036.1	15,442.0	911.5	0.0	512.1	181.7	1,282.7	643.6
FY83	Actual	0.0	8,663.9	2,109.6	22,345.0	939.6	175.3	538.9	165.9	6,115.0	715.1
FY84	Actual	0.0	12,227.9	2,154.9	16,730.0	932.2	597.0	559.6	167.8	435.7	874.8
FY85	Actual	0.0	10,931.1	2,355.3	18,329.8	1,033.8	1,304.9	571.6	174.9	4,097.3	905.3
FY86	Actual	0.0	9,549.6	2,544.1	20,867.5	1,052.5	906.7	624.3	161.3	5,757.5	838.4
FY87	Actual	0.0	7,615.7	2,800.7	21,257.1	1,059.9	866.3	953.8	168.2	9,337.0	987.6 ¹
FY88	Actual	0.0	10,010.0	2,860.1	31,182.3	1,035.8	997.7	1,083.0	123.6	9,427.5	1,041.9 ²
FY89	Actual	0.0	16,178.4	3,135.9	26,217.5	1,033.9	744.9	1,010.6	131.7	2,300.0	1,112.8 ³
FY90	Actual	0.0	17,552.6	3,426.1	25,209.2	1,081.5	1,155.7	1,073.4	158.9	1,000.0	1,270.7 ⁴
FY91	Actual	0.0	19,387.7	3,331.7	28,643.7	994.5	1,145.4	1,165.6	192.4	325.0	1,922.7 ⁵
FY92	Actual	0.0	11,810.0	3,390.7	31,944.9	1,010.2	1,353.3	1,396.1	210.7	513.9	1,856.0 ⁶
FY93	Actual	0.0	10,540.0	3,210.0	28,810.0	960.0	1,335.5	907.6	229.8	0.0	682.6
FY94	Actual	0.0	10,611.2	3,721.9	33,193.5	1,039.0	1,707.9	784.0	220.2	3,420.0	1,264.2 ⁷
FY95	Actual	0.0	15,000.0	3,894.0	34,934.6	1,072.3	2,089.2	854.5	243.6	0.0	3,391.6 ⁸
FY96	Actual	0.0	18,541.4	4,244.8	36,126.4	1,047.9	1,387.1	941.2	238.3	145.0	3,182.8 ⁹
FY97	Actual	0.0	18,243.0	4,707.9	40,262.5	1,140.9	829.4	26.2	240.3	0.0	3,141.2 ¹⁰
FY98	Actual	0.0	17,930.0	5,016.3	42,846.5	1,151.6	1,168.0	33.0	265.2	0.0	3,403.5 ¹¹
FY99	Actual	0.0	18,686.7	5,131.7	45,465.2	1,158.1	1,588.9	11.6	317.0	428.0	4,914.7 ¹²
FY00	Actual	0.0	21,559.7	5,305.7	46,431.9	1,300.2	2,308.2	22.3	703.1	4,417.9	8,306.6 ¹³
FY01	Actual	35,806.8	22,303.6	5,493.5	55,880.8	1,224.4	5,809.6	2,007.0	338.3	11,191.6	9,178.2 ¹⁴
FY02	Actual	7,589.0	11,334.6	5,188.3	55,370.9	1,363.8	880.7	2,031.8	347.9	7,107.1	16,314.3 ¹⁵
FY03	Actual	13,649.2	2,982.2	5,287.8	59,488.8	1,394.2	3,760.3	2,143.5	355.8	5,464.7	14,665.1 ¹⁶
FY04	Actual	4,430.6	4,971.3	4,978.5	62,766.6	1,611.5	3,686.5	2,394.9	331.0	51,402.1	22,840.8 ¹⁷
FY05	Actual	3,296.6	8,921.1	4,656.3	60,852.6	1,635.4	9,827.6	2,689.0	532.7	857.9	24,140.2
FY06	Actual	1,110.4	18,122.1	4,786.9	60,375.0	1,719.2	1,988.9	3,015.8	330.2	537.3	21,892.0 ¹⁸
FY07	Actual	122.9	17,174.5	5,037.1	59,781.3	1,807.2	3,308.4	2,998.3	466.2	1,543.7	25,404.5
FY08	Actual	29.0	11,366.2	5,332.0	56,343.2	1,919.9	5,626.9	2,821.0	687.9	2,243.6	30,176.7
FY09	Actual	237.7	760.4	5,354.0	55,478.8	1,610.2	1,782.3	2,423.7	977.6	1,426.0	31,701.0
FY10	Actual	-173.4	-1,318.1	5,383.9	53,631.7	1,469.2	8,224.8	2,419.1	647.0	1,543.7	32,705.8
FY11	Actual	521.4	-430.7	5,116.6	54,117.5	1,523.6	4,511.6	2,413.0	622.0	4,881.8	30,432.8
FY12	Actual	-22.0	-604.3	4,849.4	56,579.7	1,557.1	8,888.0	2,428.0	1,041.6	16,155.4	27,891.3
FY13	Projection	0.0	-481.7	4,725.8	52,860.4	0.0	5,000.0	2,400.0	750.0	10.0	29,364.5
FY14	Projection	0.0	779.4	4,813.1	53,139.5	0.0	5,500.0	2,440.0	750.0	0.0	26,502.6

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

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Idaho's Tax Structure

Exemptions, Credits, Exclusions, and Deductions

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INTRODUCTION

This report is a comprehensive guide to the structure of Idaho's primary General Fund revenue sources. It provides a detailed examination of the various departures from the broadly defined **base** of the income and sales taxes. These two taxes supply well over 90% of the revenue that goes to the General Fund.

The everyday vernacular refers to these departures from the tax base as **tax breaks**. An analogous term used by fiscal analysts is **tax expenditures**. The most common forms they take in the codification of taxes are exemptions, credits, exclusions, and deductions. The end result is always the same: a tax that is defined on the basis of a broad economic concept (income, consumption, wealth, etc.) is not applied uniformly against the broad base of the tax.

The following pages provide both an inventory and an explanation of Idaho's sales and income tax expenditures. The goal is to facilitate greater understanding of these important elements of Idaho's overall fiscal structure. It is not an attempt to judge the merits of any particular tax expenditure.

The definition of a tax expenditure (for the purpose of this report) is **any provision of Idaho law that excludes some portion of the tax base on a selective basis**. Two illustrative examples are the sales tax exemption for prescription drugs and the income tax exclusion for interest earned on certain government-issued securities. In the first case a specific type of consumption (prescription drugs) is excused from the sales and use tax. In the second case a specific source of income (interest from government-issued securities) is excused from the income tax.

Limiting the definition of tax expenditures to Idaho tax provisions is arbitrary and is primarily done to limit the scope of this publication. Indeed, many federal income tax provisions have the effect of granting large tax expenditures within Idaho. The mortgage interest deduction is a good example. Although nothing technically prevents Idaho from treating mortgage interest different than the federal tax law, the practical ramifications prevent Idaho from making large deviations from federal tax law. Consequently, this report ignores tax expenditures that originate in federal tax law. It does, however, look at Idaho departures from the federal tax structure and treats them as Idaho-specific tax expenditures.

Some apparent tax breaks are not really tax expenditures, because their impacts lie outside of the basic definition of the tax base. The sales tax "exemption" for goods purchased for resale is one such case. This is because the sales tax is intended to apply to retail sales, and the "exemption" for goods purchased for resale is the statutory mechanism used to differentiate between retail and wholesale trade. The income tax rate brackets are another example of a tax policy that impacts the amount of revenue produced from the fundamental tax base, but are not considered a selective "exemption" for purposes of this report. That's because all income that falls into a particular bracket is taxed at that bracket's rate, regardless of the overall income (or any other characteristic) of the taxpayer.

This report includes estimates of the costs of the tax expenditures. This is an estimate of how much tax payment is being avoided by the beneficiaries of the tax expenditure. It is **not** an estimate of the

revenue that would be raised by eliminating the tax expenditure. Several additional factors need to be considered when producing a revenue estimate associated with any particular tax law change.

In many cases, especially those involving substantial structural changes, tax law changes could reasonably be expected to change the economic behavior of taxpayers. The fiscal estimates included in this report are based on current economic behavior, meaning they reflect an environment that includes the effect of the tax expenditure. It should be noted that in many cases even the fiscal estimates based on the actual tax structure are difficult to produce. Attempting to factor in behavioral adjustments can add a substantial amount of complexity and/or uncertainty to the fiscal analysis.

Another factor that is not reflected in these fiscal estimates is the amount of tax gap. The tax gap is the difference between the theoretical amount of revenue associated with eliminating a particular tax expenditure and the actual revenue that would be realized. The probable size of the "tax gap" is impacted by a number of variables, including the manner in which a tax exemption is removed and the amount of resources that are allocated to compliance and collection efforts. Clearly these are variables that are "unknowable" prior to any specific proposal for law changes.

Tax expenditures are placed in the law for a variety of reasons. The primary reasons are to encourage a particular behavior on the part of taxpayers, to provide fiscal relief to particular taxpayers, or to simplify the administration of the tax laws.

In many cases, tax expenditures have an alternative, appropriation-based method for accomplishing the policy objective behind the tax expenditure. Often, the appropriation-based alternative will have significant differences (relative to the tax expenditure) in terms of overhead cost and public policy ramifications.

Overhead cost comparisons associated with tax expenditures versus appropriations depend on the specific circumstances of the particular tax expenditure/appropriation alternative being considered, and the "value" of both can be difficult to examine.

This is particularly the case with sales and income tax expenditures that are made in the context of confidential tax returns. This means that the beneficiaries are only known to the tax authorities. The privacy of sales and income tax information is protected under felony penalty provisions. The confidentiality associated with tax expenditures seriously inhibits close scrutiny and makes it difficult or impossible to establish the "value" (as opposed to the cost) of the tax expenditure.

Tax expenditures "cost" the public in the form of lost revenue that could otherwise be used to fund appropriations or reduce tax rates. However, the estimates of the amount of lost revenue contained in this report do not take into consideration the overhead that would be needed to collect the lost revenue. That overhead can vary from very large, as in the case of tax expenditures that are for the purpose of simplifying tax administration, to negative, as in the case of tax expenditures that increase the administrative costs associated with the particular tax.

INDIVIDUAL AND CORPORATE INCOME TAX

The Idaho income tax is a tax levied on individuals and corporations based on their income during a 12-month tax period. In the case of businesses (proprietorships, partnerships, and corporations) the concept of income is not gross receipts, but rather is most closely associated with the economic concept of profit.

The rate of Idaho's income tax is a flat 7.4% on corporate income. Tax rates on individuals vary from a low of 1.6% to a top rate of 7.4%. Idaho's individual income tax brackets are adjusted each year for inflation.

The tax expenditures granted under the income tax can be classified into two principle categories: exemptions based on the source of income (exclusions); and exemptions based on the use of income (deductions and credits). Source exemptions include interest from certain government securities, capital gains, and social security payments. Use exemptions include donations to educational institutions and purchases of equipment used in business enterprises. Notable features of the income tax structure that are within Idaho's policy discretion but are **not** considered tax expenditures include: the rate brackets, personal exemptions, and standard deductions. These features of the tax structure have the effect of reducing revenues, but they are not selective with regard to whom they apply.

A special note concerning tax expenditure definitions is relevant in the case of the income tax. Since the foundation of the Idaho income tax is federal taxable income, there are a number of federal tax expenditures that are adopted in Idaho by default. These federal tax expenditures could technically be considered Idaho tax expenditures, since Idaho adopts them by law. However, this report takes the approach that federal tax expenditures related to the definition of taxable income are **not** Idaho tax expenditures. Thus, the federal tax expenditure associated with the mortgage interest deduction is not considered an Idaho tax expenditure. Similarly, Idaho's exclusion of social security income from the income tax base is treated as an Idaho tax expenditure only to the extent that it exceeds the partial federal exclusion for social security income.

The principal Idaho income tax expenditures relating to uses of income are:

- Investment Tax Credit
- Other States Tax Credit
- Elderly Dependent Credit
- Youth and Rehabilitation Credit
- Schools, Libraries, and Museums Credit
- Grocery Credit
- Recycling Equipment Credit
- Technological Equipment Deduction
- Long-Term Care Insurance Deduction
- Alternative Energy Device Deduction
- Insulation Deduction

Workers' Compensation Premium Deduction
Child Care Deduction
College Savings Deduction
Health Insurance Deduction
Elderly and Developmental Disability Deduction
Adoption Expense Deduction
Medical Savings Account Deduction
New Employees Credit (Sunsets 2013)
Riparian Land Improvements Credit (Sunset 2002)
Broadband Investment Credit
County Incentive Investment Tax Credit (2001)
Research Activity Credit
Promoter Sponsored Events Credit
Corporate Headquarters Investment Credit (Repealed 2008)
Corporate Headquarters Real Property Improvement Credit (Repealed 2008)
Corporate Headquarters New Jobs Credit (Repealed 2008)
Small Employer Capital Investment Credit (Sunsets 2020)
Small Employer Real Property Improvement Credit (Sunsets 2020)
Small Employer New Jobs Credit (Sunsets 2020)
Live Organ Donation Expenses Credit
Biofuel Investment Tax Credit (Sunset 2011)
Special Job Credit (Sunsets 2016)

The principal Idaho income tax expenditures relating to sources of income are:

Capital Gains Exclusion
Government Interest Exclusion
Social Security Exclusion
Railroad Retirement Exclusion
Retirement Benefit Exclusion
Idaho Lottery Winnings Exclusion
Indian Earnings on Reservation Exclusion
World War II Reparations Exclusion
Marriage Penalty Deduction

SALES AND USE TAX

The Idaho sales tax is a 6.0% transaction tax levied on the purchase or use of goods and services by consumers, where consumers may be either individuals or businesses. Transactions involving purchases by businesses are included in the sales tax base if the goods or services are consumed by the purchasing business. Transactions involving purchases of goods or services for resale (including components or parts used in manufactured goods) are not considered a part of the sales tax base. The legal incidence of the Idaho sales tax is on the purchaser. Sales taxes are distant relatives of value-added taxes.

Consumption, as an economic concept, can be divided into consumption of goods and consumption of services. The purchase of a hotel room is classified as a service, since it is only the right to use the hotel room for a limited time that it is being purchased. Purchase of a tent is classified as a good since the buyer becomes the owner of a tangible item. An interesting characteristic of Idaho's sales tax is that unless specifically exempted, purchase of a tangible good is a taxable event. On the other hand, the purchase of a service is generally not taxable unless the service is specifically included in the list of taxable transactions. Three major service categories that are completely taxable are "Hotels and Other Lodging Places," "Amusement and Recreation Services," and "Admissions." Two other types of sales defined by Idaho law as taxable are restaurant meals, which contain both tangible property and service elements, and charges for producing, processing, printing, or imprinting tangible personal property when the property is supplied by the consumer of these services.

The tax expenditures granted under the sales tax can be classified in three principal categories: exemptions based on the **use** of the good or service, exemptions based on the **specific good or service** being purchased, and exemptions based on the **individual or entity** making the purchase or sale.

Principal Idaho sales tax expenditures relating to specific uses are:

- Production Exemption - Equipment
- Production Exemption - Supplies
- Irrigation Equipment and Supplies
- Pollution Control Equipment
- Broadcast Equipment and Supplies
- Publishing Equipment and Supplies
- Commercial Aircraft
- Railroad Rolling Stock and Remanufacturing
- Interstate Trucks
- Out-of-State Contracts
- Trade-in Value
- Sale or Lease of Businesses or Business Assets
- Food Stamps/WIC
- Motor Vehicles Used Outside of Idaho

Common Carrier Purchases and Out-of-State Sales
Donations of Real Property to Idaho Government
Incidental Sales of Tangible Personal Property
Lodging, Eating, and Drinking Places
School Lunches and Senior Citizen Meals
Drivers Education Automobiles
Ski Lifts and Snowgrooming Equipment
Clean Rooms
Alternative Electricity-Producing Equipment (Sunset 2011)
Research and Development Equipment
Corporate Headquarters Construction (Repealed 2008)
Small Employer Headquarters Construction (2006-2020)
Glider Kit Vehicles
Media Production Projects (Sunsets 2016)
State Tax Anticipation Revenue
Motor Vehicles of Nonresident Students
Personal Property of Military Personnel
Beverage Samples

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

Goods Not Taxed

Motor Fuels
Heating Materials
Utility Sales
Used Mobile Homes
Vending Machines and Amusement Devices
Prescriptions and Durable Medical Equipment
Funeral Caskets
Containers
Nonprofit Literature
Official Documents
Precious Metal Bullion
Idaho Commemorative Silver Medallions
New Manufactured Homes or Modular Buildings
Telecommunications Equipment
Personal Property Tax on Rentals

Services Not Taxed

Construction
Agricultural and Industrial Services
Transportation Services
Information Services
Repairs
Professional Services
Business Services

Personal Services
Health and Medical Services
Social Services
Educational Services
Lottery Tickets and Pari-Mutuel Betting
Media Measurement Services
Miscellaneous Services
Nonprofit Shooting Range Fees
Gratuities for Meals

Principal Idaho sales tax expenditures relating to specific entities are:

Educational Institution Purchases
Hospital Purchases
Health Entity Purchases
Canal Company Purchases
Forest Protective Association Purchases
Food Bank Purchases
Nonsale Clothier Purchases
Centers for Independent Living
State of Idaho and Local Government Purchases
Ronald McDonald House Rooms
INL Research and Development Purchases
Motor Vehicle Purchases by Family Members
Sales by 4-H and FFA Clubs at Fairs
Sales by Nonretailers (Yard and Occasional Sales)
Sales by Indian Tribes on Reservations
Sales of Meals by Churches to Members
Sales by Outfitters and Guides
Sales Through Vending Machines
Auto Manufacturer Rebates
Incidental Sales by Churches
Federal Excise Tax Imposed at Retail Level
Federal Constitutional Prohibitions
Other Federal and State Statutory Prohibitions
Volunteer Fire Departments and Emergency Medical Service Agencies
Senior Citizens Centers
Blind Services Foundation, Inc.
Advocates for Survivors of Domestic Violence and Sexual Assault
Free Dental Clinics
Museums

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

	CY2009	CY2010	CY2011	CY2012	CY2013	CY2014
1 Income Tax Expenditures (Calendar Year Basis)						
1.1 Uses of Income Not Taxed						
1.1.01 Investment Tax Credit	\$29,073	\$27,665	\$30,904	\$33,280	\$35,333	\$38,004
1.1.02 Other States Tax Credit	\$53,000	\$60,382	\$63,475	\$65,443	\$67,369	\$70,910
1.1.03 Elderly Dependent Credit	\$692	\$735	\$758	\$790	\$822	\$854
1.1.04 Youth and Rehabilitation Credit	\$8,068	\$8,148	\$8,815	\$9,229	\$9,617	\$10,105
1.1.05 Schools, Libraries, and Museums Credit	\$4,022	\$4,116	\$9,327	\$9,598	\$9,881	\$10,400
1.1.06 Grocery Credit	\$65,286	\$76,286	\$90,587	\$105,529	\$121,044	\$133,255
1.1.07 Recycling Equipment Credit	\$9	\$1	\$25	\$25	\$25	\$25
1.1.08 Technological Equipment Deduction	\$53	\$46	\$59	\$60	\$61	\$64
1.1.09 Long-Term Care Insurance Deduction	\$1,012	\$1,127	\$1,147	\$1,134	\$1,155	\$1,178
1.1.10 Alternative Energy Device Deduction	\$475	\$487	\$517	\$529	\$545	\$573
1.1.11 Insulation Deduction	\$776	\$596	\$626	\$1,479	\$1,594	\$1,677
1.1.12 Workers' Compensation Premium Deduction	\$400	\$400	\$400	\$400	\$400	\$400
1.1.13 Child Care Deduction	\$3,867	\$3,861	\$3,882	\$3,852	\$3,918	\$3,988
1.1.14 College Savings Deduction	\$1,417	\$1,559	\$1,639	\$1,614	\$1,661	\$1,749
1.1.15 Health Insurance Deduction	\$12,201	\$13,292	\$13,997	\$14,097	\$14,518	\$15,430
1.1.16 Elderly and Developmental Disability Deduction	\$9	\$9	\$9	\$9	\$9	\$9
1.1.17 Adoption Expense Deduction	\$44	\$41	\$47	\$47	\$47	\$47
1.1.18 Medical Savings Account Deduction	\$807	\$817	\$858	\$861	\$887	\$932
1.1.19 New Employees Credit	\$470	\$492	\$505	\$7,600	\$7,900	\$0
1.1.20 Riparian Land Improvements Credit	Sunset	Sunset	Sunset	Sunset	Sunset	Sunset
1.1.21 Broadband Investment Credit	\$347	\$688	\$768	\$828	\$879	\$945
1.1.22 County Incentive Investment Tax Credit	Sunset	Sunset	Sunset	Sunset	Sunset	Sunset
1.1.23 Research Activity Credit	\$924	\$1,866	\$2,085	\$2,245	\$2,383	\$2,564
1.1.24 Promoter Sponsored Events Credit	\$1	\$6	\$4	\$4	\$4	\$4
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	\$2	\$858	\$351	\$351	\$351	\$351
1.1.29 Small Employer Real Property Improvement Credit	\$1	\$24	\$6	\$6	\$6	\$6
1.1.30 Small Employer New Jobs Credit	\$0	\$40	\$65	\$65	\$65	\$65
1.1.31 Live Organ Donation Expenses Credit	\$45	\$45	\$41	\$41	\$41	\$41
1.1.32 Biofuel Investment Tax Credit	\$42	\$0	\$15	Sunset	Sunset	Sunset
1.1.33 Special Job Credit	\$0	\$0	\$125	\$0	\$0	\$0
1.2 Sources of Income Not Taxed						
1.2.01 Capital Gains Exclusion	\$9,765	\$11,322	\$11,901	\$11,747	\$12,091	\$12,722
1.2.02 Government Interest Exclusion	\$2,556	\$2,350	\$2,542	\$2,569	\$2,672	\$2,805
1.2.03 Social Security Exclusion	\$43,983	\$50,602	\$50,903	\$50,725	\$52,557	\$55,840
1.2.04 Railroad Retirement Exclusion						
1.2.05 Retirement Benefit Exclusion	\$4,735	\$5,975	\$6,010	\$6,001	\$6,216	\$6,601
1.2.06 Idaho Lottery Winnings Exclusion	\$4,696	\$4,775	\$4,856	\$4,901	\$4,986	\$5,071
1.2.07 Indian Earnings on Reservation Exclusion	\$544	\$563	\$592	\$609	\$627	\$660
1.2.08 World War II Reparations Exclusion	\$0	\$0	\$0	\$0	\$0	\$0
1.2.09 Marriage Penalty Deduction	\$0	\$0	\$0	\$0	\$0	\$0

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
2 Sales Tax Expenditures (Fiscal Year Basis)						
2.1 Specific Uses Not Taxed						
2.1.01 Production Exemption - Equipment	\$56,905	\$62,985	\$70,128	\$73,722	\$79,029	\$85,610
2.1.02 Production Exemption - Supplies	\$43,077	\$47,679	\$53,087	\$55,808	\$59,825	\$64,807
2.1.03 Irrigation Equipment and Supplies	\$3,731	\$3,824	\$3,920	\$4,018	\$4,118	\$4,221
2.1.04 Pollution Control Equipment	\$8,511	\$8,388	\$9,759	\$10,009	\$10,818	\$12,126
2.1.05 Broadcast Equipment and Supplies	\$2,057	\$2,277	\$2,536	\$2,665	\$2,857	\$3,095
2.1.06 Publishing Equipment and Supplies	\$132	\$146	\$163	\$171	\$183	\$198
2.1.07 Commercial Aircraft	\$1,890	\$1,890	\$1,890	\$2,054	\$2,054	\$2,054
2.1.08 Railroad Rolling Stock and Remanufacturing	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550	\$2,550
2.1.09 Interstate Trucks	\$5,422	\$5,958	\$6,390	\$6,744	\$6,993	\$7,453
2.1.10 Out-of-State Contracts	\$3,429	\$3,795	\$4,226	\$4,442	\$4,762	\$5,159
2.1.11 Trade-in Value	\$23,150	\$25,437	\$27,279	\$28,792	\$29,856	\$31,820
2.1.12 Sale or Lease of Businesses or Business Assets	\$1,627	\$1,801	\$2,006	\$2,108	\$2,260	\$2,448
2.1.13 Food Stamps/WIC	\$19,145	\$22,926	\$24,145	\$24,754	\$25,681	\$26,473
2.1.14 Motor Vehicles Used Outside of Idaho	\$12,931	\$14,208	\$15,237	\$16,082	\$16,677	\$17,773
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	\$74	\$79	\$84	\$86	\$88	\$90
2.1.19 School Lunches and Senior Citizen Meals	\$4,259	\$4,431	\$4,701	\$4,883	\$5,051	\$5,184
2.1.20 Drivers Education Automobiles	\$37	\$39	\$40	\$42	\$42	\$42
2.1.21 Ski Lifts and Snowgrooming Equipment	\$600	\$600	\$600	\$600	\$600	\$600
2.1.22 Clean Rooms	\$480	\$480	\$480	\$480	\$480	\$480
2.1.23 Alternative Electricity-Producing Equipment	\$300	\$900	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	\$239	\$262	\$281	\$297	\$308	\$328
2.1.28 Media Production Projects	\$61	\$64	\$67	\$69	\$72	\$75
2.1.29 State Tax Anticipation Revenue	\$1,600	\$2,400	\$2,500	\$2,600	\$2,700	\$2,700
2.1.30 Motor Vehicles of Nonresident Students	\$0	\$0	\$25	\$25	\$25	\$25
2.1.31 Personal Property of Military Personnel	NA	NA	NA	NA	NA	NA
2.1.32 Beverage Samples	\$0	\$0	\$0	\$5	\$5	\$5
2.2 Goods Not Taxed						
2.2.01 Motor Fuels	\$149,259	\$173,778	\$193,500	\$189,897	\$178,886	\$171,217
2.2.02 Heating Materials	\$4,580	\$5,047	\$4,802	\$4,757	\$4,834	\$4,805
2.2.03 Utility Sales	\$87,998	\$90,638	\$93,357	\$96,157	\$99,042	\$102,013
2.2.04 Used Mobile Homes	\$2,760	\$2,760	\$2,760	\$2,760	\$2,760	\$2,760
2.2.05 Vending Machines and Amusement Devices	\$0	\$0	\$0	\$0	\$0	\$0
2.2.06 Prescriptions and Durable Medical Equipment	\$40,188	\$42,392	\$44,602	\$46,282	\$49,513	\$54,675
2.2.07 Funeral Caskets	\$1,320	\$1,359	\$1,400	\$1,442	\$1,485	\$1,530
2.2.08 Containers	\$34	\$37	\$39	\$40	\$41	\$42
2.2.09 Nonprofit Literature	\$132	\$133	\$135	\$137	\$140	\$142
2.2.10 Official Documents	\$65	\$66	\$67	\$68	\$69	\$71
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	\$2,213	\$2,279	\$2,298	\$2,345	\$2,404	\$2,475
2.2.14 Telecommunications Equipment	\$1,409	\$1,549	\$1,704	\$1,875	\$2,062	\$2,268
2.2.15 Personal Property Tax on Rentals	\$400	\$400	\$400	\$400	\$400	\$400

Idaho's Tax Structure

Fiscal Summary

\$ Thousands

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
2.3 Services Not Taxed						
2.3.01 Construction	\$101,629	\$96,969	\$94,669	\$95,213	\$101,362	\$113,660
2.3.02 Agricultural and Industrial Services	\$3,696	\$3,767	\$3,808	\$3,868	\$3,936	\$4,012
2.3.03 Transportation Services	\$33,277	\$34,566	\$36,166	\$37,133	\$38,841	\$40,743
2.3.04 Information Services	\$79,146	\$80,080	\$81,367	\$82,657	\$84,130	\$85,629
2.3.05 Repairs	\$36,350	\$37,691	\$39,037	\$40,333	\$42,139	\$44,237
2.3.06 Professional Services	\$194,826	\$202,011	\$209,227	\$216,175	\$225,851	\$237,099
2.3.07 Business Services	\$98,673	\$102,312	\$105,967	\$109,486	\$114,387	\$120,084
2.3.08 Personal Services	\$8,945	\$9,275	\$9,607	\$9,926	\$10,370	\$10,886
2.3.09 Health and Medical Services	\$370,510	\$389,869	\$405,842	\$415,649	\$435,208	\$466,155
2.3.10 Social Services	\$63,292	\$66,599	\$69,327	\$71,003	\$74,344	\$79,630
2.3.11 Educational Services	\$34,977	\$36,267	\$37,563	\$38,810	\$40,547	\$42,566
2.3.12 Lottery Tickets and Pari-Mutuel Betting	\$9,523	\$10,193	\$10,974	\$10,576	\$10,974	\$11,388
2.3.13 Media Measurement Services	\$66	\$64	\$66	\$68	\$70	\$72
2.3.14 Miscellaneous Services	\$2,331	\$2,417	\$2,504	\$2,587	\$2,703	\$2,837
2.3.15 Nonprofit Shooting Range Fees	\$32	\$33	\$35	\$36	\$37	\$39
2.3.16 Gratuities for Meals	\$0	\$100	\$200	\$200	\$200	\$201
2.4 Specific Entities Not Taxed						
2.4.01 Educational Institution Purchases	\$9,335	\$10,360	\$11,169	\$11,341	\$11,690	\$12,032
2.4.02 Hospital Purchases	\$22,610	\$23,791	\$24,766	\$25,364	\$26,558	\$28,447
2.4.03 Health Entity Purchases	\$373	\$390	\$407	\$421	\$437	\$456
2.4.04 Canal Company Purchases	\$987	\$1,006	\$1,029	\$1,043	\$1,056	\$1,073
2.4.05 Forest Protective Association Purchases	\$43	\$44	\$45	\$46	\$46	\$47
2.4.06 Food Bank Purchases	\$267	\$279	\$292	\$302	\$313	\$327
2.4.07 Nonsale Clothier Purchases	\$1	\$1	\$1	\$1	\$1	\$1
2.4.08 Centers for Independent Living	\$5	\$5	\$5	\$6	\$6	\$6
2.4.09 State of Idaho and Local Government Purchases	\$34,004	\$33,218	\$33,767	\$32,705	\$32,519	\$32,515
2.4.10 Ronald McDonald House Rooms	\$1	\$1	\$1	\$1	\$1	\$1
2.4.11 INL Research and Development Purchases	\$4,154	\$4,366	\$4,878	\$5,138	\$5,590	\$6,166
2.4.12 Motor Vehicle Purchases by Family Members	\$1,517	\$1,667	\$1,788	\$1,887	\$1,957	\$2,086
2.4.13 Sales by 4-H and FFA Clubs at Fairs	\$28	\$28	\$28	\$28	\$28	\$28
2.4.14 Sales by Non-Retailers (Yard and Occasional Sales)	\$3,068	\$3,207	\$3,349	\$3,462	\$3,596	\$3,753
2.4.15 Sales by Indian Tribes on Reservations	\$4,758	\$5,067	\$5,379	\$5,524	\$5,652	\$5,799
2.4.16 Sales of Meals by Churches to Members	\$12	\$12	\$13	\$13	\$13	\$14
2.4.17 Sales by Outfitters and Guides	\$16	\$16	\$16	\$16	\$16	\$16
2.4.18 Sales Through Vending Machines	\$2,220	\$2,315	\$2,438	\$2,500	\$2,593	\$2,673
2.4.19 Auto Manufacturer Rebates	\$501	\$550	\$590	\$623	\$646	\$688
2.4.20 Incidental Sales by Churches	\$768	\$803	\$839	\$867	\$901	\$940
2.4.21 Federal Excise Tax Imposed at Retail Level	NA	NA	NA	NA	NA	NA
2.4.22 Federal Constitutional Prohibitions	NA	NA	NA	NA	NA	NA
2.4.23 Other Federal and State Statutory Prohibitions	NA	NA	NA	NA	NA	NA
2.4.24 Volunteer Fire Departments and Emergency Medical Service Agencies	\$172	\$180	\$188	\$194	\$202	\$211
2.4.25 Senior Citizens Centers	\$41	\$43	\$45	\$46	\$48	\$50
2.4.26 Blind Services Foundation, Inc.	\$7	\$7	\$8	\$8	\$8	\$9
2.4.27 Advocates for Survivors of Domestic Violence and Sexual Assault	\$9	\$9	\$10	\$10	\$10	\$11
2.4.28 Free Dental Clinics	\$10	\$10	\$11	\$11	\$12	\$12
2.4.29 Museums	\$189	\$198	\$206	\$213	\$222	\$231

TAX STRUCTURE DETAIL

Specific Idaho tax expenditures are detailed in the sections below. Each section contains the expenditure's *Idaho Code* reference, a brief description of its features, and its significant legislative and judicial history.

INDIVIDUAL AND CORPORATE INCOME TAX

Income tax expenditures fall into one of three categories: exclusions, deductions, or credits. Exclusions are sources of income that are wholly or partially exempt from taxation. Deductions are uses of income (either actual spending or proxies for actual spending) that are wholly or partially exempt from taxation. Credits are reductions from the tax that are expressed either as a percentage of some qualifying amount or as a lump sum. Some credits are refundable, meaning that they can exceed the taxpayer's tax liability and actually lead to a refund. Other credits are nonrefundable; they are only usable if there is a tax liability to offset.

In general, deductions and exclusions **must** be used in the year they are incurred, with the exception of business net operating loss (NOL) carry forwards. Credits may be carried forward for limited time periods in certain cases where specifically authorized in the law. For example, the state's investment tax credit from a qualified purchase can be carried forward up to 14 years.

One notable feature that applies to all income tax expenditures is their interaction with federal income tax. The Idaho income tax is deductible from federal income taxes. This applies to all corporate taxpayers and to individual taxpayers who itemize their deductions. This means that the "benefit" of an Idaho income tax expenditure is split between Idaho taxpayers and the federal treasury. The terms of the split depend on the marginal federal tax rate of the taxpayer. For a taxpayer in the 35% federal bracket, the benefit of each dollar of Idaho tax expenditure is split 65 cents to the taxpayer, 35 cents to the federal treasury. This feature of the income tax is particularly significant in assessing the cost effectiveness of an Idaho tax expenditure as an incentive for some particular behavior.

1.1.01 Investment Tax Credit *Idaho Code 63-3029B*

Description: Idaho's investment tax credit (ITC) is provided to businesses (proprietorships, partnerships, and corporations) that purchase qualifying property for use in their business. The credit amount is 3% of the qualified investment in depreciable property and is not refundable. The credit taken in a given tax year is limited to no more than 50% of the taxpayer's tax liability as calculated before considering the credit. Credits not used may be carried forward up to 14 years from the year of qualifying property purchase. The definition of qualified investment is tied to the old federal ITC (repealed in the Tax Reform Act of 1986), with the exceptions that: a) the equipment must have Idaho situs; and b) motor vehicles under 8,000 pounds do not qualify. Mobile property that is only partially used in Idaho is allowed ITC in proportion to its use in Idaho.

History: Idaho's ITC was enacted in 1982. It was amended in 1987 to prevent its automatic repeal by the federal repeal of ITC in 1986. It was amended in 1992 in response to an Idaho Supreme Court case that changed the interpretation of how the credit is applied to equipment that is used both inside and outside Idaho. It was amended in 1994 to make technical changes relating to unitary corporations. It was amended in 1995 to extend the carryover period from five to seven years, reduced the portion of tax liability that could be offset from 50% to 45%, and eliminated a restriction on replacement property. It was amended in 2000 to increase the portion of tax liability that could be offset from 45% to 50%, and to extend the carryover period from seven to fourteen years. It was amended in 2003 to provide an option to take a property tax exemption instead of the ITC.

1.1.02 Other States Tax Credit *Idaho Code 63-3029*

Description: The credit for taxes paid to other states is available to Idaho resident and part-year resident taxpayers who must pay income tax to another state or territory (or political subdivision thereof) on income that is also taxed by Idaho. The amount of credit is the lesser of the actual tax paid to the other state or territory, or the portion of Idaho tax attributed to the double-taxed income. The Idaho credit is not allowed if the other state or territory provides a credit for taxes paid to Idaho.

History: Initially enacted in 1939 along with the Idaho Income Tax Act. Amended in 1996 to add corporate income, franchise, or excise taxes paid by a subchapter S corporation. Amended in 2007 to include a limitation that requires a recalculation of the adjusted income earned by the Idaho resident in the other state using Idaho's rules for the calculation of that income. Amended in 2008. Amended in 2009 to include estates and trusts.

1.1.03 Elderly Dependent Credit *Idaho Code 63-3025D*

Description: This is a refundable credit provided to a resident taxpayer who maintains a household for a family member(s), where that family member is over 65 years of age or developmentally disabled and the taxpayer provides over one-half of the family member's support. The amount of credit is \$100 for each such family member, with no more than \$300 available to the taxpayer in any single year. This credit is allowed in lieu of the elderly and developmental disability deduction allowed under *Idaho Code*, Section 63-3022E (see item 1.1.16).

History: Enacted in 1981. Amended in 1994 to add developmentally disabled persons to the credit.

1.1.04 Youth and Rehabilitation Credit *Idaho Code 63-3029C*

Description: This is a credit provided to taxpayers who make charitable contributions to the Anchor House, the North Idaho Children's Home, the Idaho Youth Ranch, the Children's Home Society of Idaho, Inc., Kinderhaven, Women's and Children's Alliance, Children's Village, Gem Youth Services, Hope House, nonprofit centers for independent living located within Idaho, Idaho Drug Free Youth, Inc., the Shepherd's Home, Project Safe Place, the Learning Lab, Inc., Project P.A.T.C.H.

(Planned Assistance for Troubled Children), or to nonprofit rehabilitation facilities located in Idaho and accredited by the Commission on Accreditation of Rehabilitation Facilities or their foundations. The credit is calculated as 50% of the contribution. For individual taxpayers the credit is limited to the lesser of \$100 or 20% of the taxpayer's income tax liability. For corporations the credit is limited to the lesser of \$500 or 10% of the taxpayer's income tax liability. There is no carryover provision.

History: The credit was enacted in 1982. Numerous specific entities have been added over the years.

1.1.05 Schools, Libraries, and Museums Credit *Idaho Code 63-3029A*

Description: A credit is allowed for qualifying charitable contributions to Idaho public and private nonprofit schools (elementary, secondary, and higher education), their foundations, trusts, or associations; to Idaho Public Libraries and Library Districts, or their foundations; to Idaho Education Public Broadcast foundations; to the Idaho State Historical Society or its foundation; to the Idaho commission for libraries; to nonprofit public or private museums located within Idaho; to the Idaho Commission on Hispanic Affairs; to the Idaho Commission for the Blind and Visually Impaired; to the Idaho Council on Developmental Disabilities; to the Idaho State Independent Living Council; or to the Idaho Council for the Deaf and Hard of Hearing. The credit is 50% of the qualified contribution. In the case of individuals, it is limited to 50% of the taxpayer's income tax liability or \$500 (\$1,000 on a jointly filed return), whichever is less. In the case of corporations, the credit is limited to 10% of the income tax liability or \$5,000, whichever is less. Effective January 1, 2016, the maximum credit for individual taxpayers is the lower amount of 20% of the tax liability or \$100 (\$200 on a joint return). In the case of corporations, the credit is limited to 10% of the income tax liability or \$1,000, whichever is less. Beginning January 1, 2016 the credit will not apply to contributions to the Idaho Commission on Hispanic Affairs; to the Idaho Commission for the Blind and Visually Impaired; to the Idaho Council on Developmental Disabilities; to the Idaho State Independent Living Council; or to the Idaho Council for the Deaf and Hard of Hearing.

History: Originally enacted in 1976, the school credit applied only to private nonprofit secondary or higher education institutions. Elementary schools were added in 1977. Public institutions of higher education were added in 1978. All public schools and public libraries were added in 1984. The Idaho Public Broadcast System was added in 1986. Foundations of the qualifying institutions were added in 1987. The Idaho Historical Society was added in 1992. Nonprofit museums were added in 1994. The Idaho State Library (now Idaho commission for libraries) was added in 1998. University-related research parks were added in 1999. Qualifying contributions are monetary donations less the value of any benefits received.

1.1.06 Grocery Credit *Idaho Code 63-3024A*

Description: Idaho households with no more than \$1,000 of taxable income received a \$50 grocery tax credit in 2008 for each taxpayer and their dependents. After that year, the credit increases by \$10 per year until it reaches \$100. The grocery tax credit for households with more than \$1,000 of taxable income started at \$30 in 2008 and

increases by \$10 annually until it reaches \$100. All Idahoans who are at least 65 years of age receive an additional \$20 credit. The grocery tax credit is prorated for food stamp participants, incarcerated persons, and part-year residents.

History: The grocery credit was originally enacted in 1965 at a level of \$10. It was amended in 1972 to make the credit refundable to residents at least 65 years of age. It was amended in 1973 to increase the amount of the credit to \$15. It was amended in 1975 to make the credit refundable to all resident taxpayers who meet the filing requirement, and to increase the credit amount to \$20 for taxpayers at least 65 years of age. In 1978 the credit for resident seniors (at least 65 years of age) was increased to \$30. In 2001 the credit was increased to \$35 for resident seniors and to \$20 for resident nonseniors. Amended in 2008.

1.1.07 Recycling Equipment Credit *Idaho Code 63-3029D*

Description: This credit is for 20% of the cost of equipment used in manufacturing products that consist of postconsumer waste. The credit is limited to no more than \$30,000 in a single tax year, and unused portions may be carried forward up to seven years. It is nonrefundable.

History: This credit was enacted in 1994.

1.1.08 Technological Equipment Deduction *Idaho Code 63-3022J*

Description: A deduction from taxable income is allowed to individuals and corporations for the fair-market value of computers and scientific equipment (and computer software) that are donated to Idaho elementary and secondary schools, public libraries, or public and nonprofit private colleges and universities. The equipment may not be over five years old at the time of donation and the recipient must issue a written statement accepting the donation. The deduction cannot reduce taxable income to less than zero.

History: This deduction was enacted for schools in 1984 as 63-3025B. Libraries were added in 1985. Colleges and universities were added in 1995. The section was moved to 63-3022J in 1995. Private elementary and secondary schools were added in 2009.

1.1.09 Long-Term Care Insurance Deduction *Idaho Code 63-3022Q*

Description: This deduction from Idaho taxable income is for 100% of premiums for long-term care insurance not already deducted or accounted for in arriving at taxable income.

History: Enacted in 2001. Original deduction applied to 50% of premiums. Amended in 2004 to cover 100% of long-term care insurance premiums.

1.1.10 Alternative Energy Device Deduction *Idaho Code 63-3022C*

Description: The Alternative Energy Device Deduction allows a deduction for the cost of acquiring, constructing, and/or installing wood, pellet, solar, wind, geothermal energy, or natural gas/propane devices in the taxpayer's residence. The deduction is limited to 40% of the cost in the first year and 20% of the cost in the next three

years. No single year's deduction may exceed \$5,000. A taxpayer who buys a residence may claim any unused deduction associated with that residence subject to the restrictions noted above.

History: Enacted in 1976. Amended in 1994 to add natural gas and propane heating units, and to require that replaced wood burning stoves be surrendered to the Idaho Department of Environmental Quality.

1.1.11 Insulation Deduction *Idaho Code 63-3022B*

Description: This deduction is for the cost of insulation installed in buildings that "existed" as of January 1, 1976 and served as a residence of the taxpayer. A building "existed" if it was already built, under construction, or subject to an outstanding building permit. This deduction was amended in 2012 to include residences that existed before January 1, 2002.

History: Enacted in 1976. Amended in 2012.

1.1.12 Workers' Compensation Premium Deduction *Idaho Code 63-3022(m)*

Description: This deduction is allowed to self-employed individuals for the cost of workers' compensation insurance that has not already been deducted in arriving at taxable income.

History: Enacted in 1990.

1.1.13 Child Care Deduction *Idaho Code 63-3022D*

Description: The Child Care Deduction allows individual taxpayers to deduct childcare expenses that qualify for purposes of computing the federal child care credit. The maximum deduction allowed is \$3,000 for one qualifying child and \$6,000 for two or more qualifying children.

History: This deduction was enacted in 1977 in response to the federal switch from a deduction to a credit.

1.1.14 College Savings Deduction *Idaho Code 63-3022(n)*

Description: A deduction is allowed for amounts contributed to a college savings program (as defined in Chapter 54, Title 33, *Idaho Code*). The deduction is limited to a maximum of \$4,000 per tax year or \$8,000 per tax year for married couples filing a joint return.

History: Enacted in 2000.

1.1.15 Health Insurance Deduction *Idaho Code 63-3022P*

Description: A deduction is allowed for payments for health insurance, so long as those payments were not otherwise deductible from taxable income.

History: Enacted in 2000 for self-employed persons; added all persons in 2001.

1.1.16 Elderly and Developmental Disability Deduction *Idaho Code 63-3022E*

Description: This is a deduction from taxable income of \$1,000 for each eligible member of a household that is maintained by the taxpayer. The eligible members must be either 65 years of age or older, or developmentally disabled. The maximum amount of the deduction that the taxpayer can claim in any one tax year is \$3,000.

History: This deduction was enacted in 1981. Amended in 1984 to add developmentally disabled persons to the qualifying dependents. Amended in 1994 to allow the deduction on the developmentally disabled person's own return.

1.1.17 Adoption Expense Deduction *Idaho Code 63-3022I*

Description: This deduction is for up to \$3,000 of actual legal fees and medical costs incurred in an adoption.

History: This deduction was enacted in 1994.

1.1.18 Medical Savings Account Deduction *Idaho Code 63-3022K*

Description: This is a deduction for contributions to medical savings accounts. It is limited to a maximum of \$2,000 per taxpayer (per spouse on joint returns). Other restrictions apply.

History: This deduction was originally enacted in 1994 as Title 41, Chapter 53. Amended in 1995 to eliminate a restriction to high-deductible insurance policies, eliminated administrative responsibilities from the depository institution, and allowed taxpayer funded accounts to qualify. Also, it was moved to 63-3022K in 1995.

1.1.19 New Employees Credit *Idaho Code 63-3029F*

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

History: Enacted in 2000. Amended in 2001 to cover all new employees, but only for tax year 2001. In 2003, the credit limit raised from 45% to 50% of tax otherwise imposed. Expanded in 2004 to include jobs that meet the hourly pay threshold and offer insurance coverage. The current credit expires on December 31, 2013.

1.1.20 Riparian Land Improvements Credit *Idaho Code 63-3024B*

Description: This is a 50% credit for expenditures related to improving the habitat for threatened/endangered species or riparian habitat. The credit is limited to no more than \$2,000 per person per year, and no more than \$250,000 for all such credits allowed in a single tax year.

History: Enacted in 1997, effective January 1, 1998. Sunset on December 31, 2002.

1.1.21 Broadband Investment Credit *Idaho Code 63-3029I*

Description: This is a 3% credit for expenditures in qualified broadband equipment in Idaho. This credit is in addition to the 3% investment tax credit (see 1.1.01), for a total credit of 6% on broadband investments. The 3% credit is limited to no more than \$750,000 per taxpayer per year, and no more than the taxpayer's liability after all other credits in a single tax year. It can be carried forward for up to 14 years. This credit is transferable (sellable) to other taxpayers.

History: Effective January 1, 2001.

1.1.22 County Incentive Investment Tax Credit *Idaho Code 63-3029J*

Description: This is a variable rate credit for expenditures that qualify for Idaho's investment tax credit (see 1.1.01). Its rate is the greater of one-half of the amount by which the average three-year unemployment rate in the county in which the property is located exceeds 6%, or one-tenth of one percentage point for each full percentage point the three-year average per-capita income level in the county in which the property is located is below 90% of the statewide average per-capita income level. The credit is limited to no more than \$500,000 per taxpayer, and no more than the taxpayer's liability after all other credits in a single tax year. It can be carried forward for up to 14 years. This credit is transferable (sellable) to other taxpayers.

History: Enacted in 2001, effective January 1, 2001 through December 31, 2001.

1.1.23 Research Activity Credit *Idaho Code 63-3029G*

Description: This is a 5% credit for expenditures related to qualified research as defined in section 41 of the Internal Revenue Code. The research must be conducted in Idaho. The credit is limited to no more than the taxpayer's liability after all other credits in a single tax year, and it can be carried forward up to 14 years.

History: Enacted in 2001.

1.1.24 Promoter Sponsored Events Credit *Idaho Code 63-3620C(3)(b)*

Description: This provides a refundable income tax credit in the amount of \$1.00 for each temporary sales tax permit a sponsor or promoter of "promoter sponsored events" issues. Promoter sponsored events may include swap meets, flea markets, gun shows, fairs, and other similar events.

History: Enacted in 1999.

1.1.25 Corporate Headquarters Investment Credit *Idaho Code 63-2903*

Description: This credit is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005." It provides an income tax credit of 6% of the purchase price of new equipment installed anywhere in Idaho. Qualifying equipment is the same as equipment that qualifies under Idaho's 3% investment tax credit (see 1.1.01). This credit is in lieu of the investment tax credit, is limited to no more than \$5 million in any one tax year, and is not subject to the 50% limit specified in 63-3029B. This credit can be generated for eligible equipment purchases occurred through December 31, 2009. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63-2902, and can be summed up as making an investment of at least \$50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over \$50,000 per year, or b) that average \$65,000 per year.

History: Enacted in 2005. Repealed July 1, 2008.

1.1.26 Corporate Headquarters Real Property Improvement Credit *Idaho Code 63-2904*

Description: This credit is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005." It provides an income tax credit of 10% of the purchase price of new plant (buildings and structural components of buildings) within the project site as specified in 63-2902. This credit is limited to no more than \$500,000 in any one tax year, and is not subject to the 50% limit specified in 63-3029B. This credit can be generated for plant purchases occurred through December 31, 2009. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63-2902, and can be summed up as making an investment of at least \$50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over \$50,000 per year, or b) that average \$65,000 per year.

History: Enacted in 2005. Repealed July 1, 2008.

1.1.27 Corporate Headquarters New Jobs Credit *Idaho Code 63-2905*

Description: This credit is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005." It provides an income tax credit ranging from \$1,500 to \$3,000 for each eligible new job created through December 31, 2009. This credit is not subject to the 50% limit specified in 63-3029B. Unused credits can be carried forward for up to ten years. General qualification criteria are specified in 63-2902, and can be summed up as making an investment of at least \$50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over \$50,000 per year, or b) that average \$65,000 per year.

History: Enacted in 2005. Repealed July 1, 2008.

1.1.28 Small Employer Capital Investment Credit *Idaho Code 63-4403*

Description: This credit is contingent on a taxpayer qualifying under the “Idaho Small Employer Incentive Act of 2005.” It provides an income tax credit of 3.75% of the purchase price of new equipment installed anywhere in Idaho. Qualifying equipment is the same as equipment that qualifies under Idaho’s 3% investment tax credit (see 1.1.01). This credit is in lieu of the investment tax credit, is limited to no more than \$750,000 in any one tax year, and is subject to a 62.5% limit instead of the 50% limit specified in 63-3029B. This credit can be generated for eligible equipment purchases occurring from January 1, 2006 through December 31, 2020. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour, not including employees earning more than \$48.08 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this credit through 2020.

1.1.29 Small Employer Real Property Improvement Credit *Idaho Code 63-4404*

Description: This credit is contingent on a taxpayer qualifying under the “Idaho Small Employer Incentive Act of 2005.” It provides an income tax credit of 2.5% of the purchase price of new plant (buildings and structural components of buildings) within the project site as specified in 63-2902. This credit is limited to no more than \$125,000 in any one tax year. This credit can be generated for plant purchases occurring from January 1, 2006 through December 31, 2020. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour, not including employees earning more than \$48.08 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this credit through 2020.

1.1.30 Small Employer New Jobs Credit *Idaho Code 63-4405*

Description: This credit is contingent on a taxpayer qualifying under the “Idaho Small Employer Incentive Act of 2005.” It provides an income tax credit ranging from \$1,500 to \$3,000 for each eligible new job created from January 1, 2006 through December 31, 2020. This credit is limited to 62.5% of the taxpayer’s tax liability in any given year. Unused credits can be carried forward for up to ten years. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour, not including employees earning more than \$48.08 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this credit through 2020.

1.1.31 Live Organ Donation Expenses Credit *Idaho Code 63-3029K*

Description: This credit is for a donor's not reimbursed direct expenses associated with a live organ donation. The total credit is limited to the lower of the actual expenses or \$5,000. This credit can be carried forward up to five years.

History: Enacted in 2006. Effective January 1, 2007.

1.1.32 Biofuel Investment Tax Credit *Idaho Code 63-3029M*

Description: A 6% investment tax credit (ITC) for any Idaho retail fuel dealer or distributor for infrastructure investments to provide biofuels to their customers. The biofuel ITC is in lieu of the regular 3% investment tax credit (see 1.1.01). The amount of credit is limited to 50% of the taxpayer's income tax liability. Any unused credit can be carried forward up to an additional five years. The recapture period is five years from the date the investment was made. During this period, biofuel must be sold on a continuing basis.

History: Effective January 1, 2007 and expired December 31, 2011.

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

Description: For the period prior to April 14, 2011, a \$1,000 credit is granted for each new employee who was paid an average of \$15.50 per hour during the calendar year and was eligible to receive employer-provided accident or health insurance. A \$500 credit is available for each new employee in a business involved in manufacturing or processing any natural resource product. Businesses must choose between credits, since only one type of credit per new job can be used. The amount of credit that can be claimed in any one tax year is limited (along with most other credits) to 50% of the tax otherwise imposed and may not exceed 3.25% of the taxpayer's net income. Unused credits may be carried forward up to three years.

History: Effective January 1, 2011 to December 31, 2016.

1.2.01 Capital Gains Exclusion *Idaho Code 63-3022H*

Description: This exclusion is allowed for 60% of the gain from the sale of certain property. To qualify for this exclusion the property must have had an Idaho situs at the time of sale, and is limited to real property held for at least 12 months; tangible personal property that was used in manufacturing, mining, agriculture, wholesaling, or research and development and held for 12 months or longer; certain cattle or horses held for 24 months or longer; other breeding livestock held 12 months or longer; or timber held for over 24 months or longer.

History: Enacted in 1987. Amended in 1995 to add various restrictions, including a requirement that qualifying timber must be grown in Idaho, and livestock gain claimants must derive at least half of their gross income from farming or ranching operations in Idaho. Amended in 1998 to reduce the holding period for real estate from five years to eighteen months. Amended in 2005 to reduce the holding period for real estate from 18 months to 12 months. Amended in 2008 to clarify pass-through entity holding periods.

1.2.02 Government Interest Exclusion *Idaho Code 63-3022M*

Description: This exclusion is for the amount of interest earned on securities issued by the State of Idaho and/or local governments, and interest earned on securities issued by the federal government. The interest exclusion must be reduced by an amount that is calculated by multiplying the taxpayer's total deductible interest expense, times the ratio of the taxpayer's interest income from the tax-exempt obligations to the taxpayer's total income.

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

1.2.03 Social Security Exclusion *Idaho Code 63-3022(I)*

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

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

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

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

History: Enacted in 1984.

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

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

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

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

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

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

1.2.07 Indian Earnings on Reservation Exclusion *Idaho Income Tax Administrative Rule 033*

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

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

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

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

History: Enacted in 1989.

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

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

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

SALES AND USE TAX DETAIL

The following sales tax expenditures can be divided into four broad categories: 2.1.01 through 2.1.32 cover sales tax expenditures that are related to the specific uses of goods and services; 2.2.01 through 2.2.15 cover sales tax expenditures that are related to specific goods; 2.3.01 through 2.3.16 cover sales tax expenditures that are related to specific services; and 2.4.01 through 2.4.29 cover sales tax expenditures that are related to specific entities that receive exemptions on either all or part of the purchases or sales they make.

The listing for exempt services requires a special note. While a variety of classification systems are possible, the classification used here follows the structure of the North American Industry Classification System (NAICS) Manual, Executive Office of the President, Office of Management and Budget. This classification system was chosen because it is the basis for reporting a considerable variety of economic data, including that used for estimating the revenue impact associated with the various services delineated.

The NAICS coding system is based on the primary activity of the establishment being coded. For example, one of the activities included under the major group heading Personal Care Services is Barber Shops and Beauty Salons. The primary function of these establishments is the performance of haircuts and hair styling, both personal services that are presently exempt from sales tax. However, such establishments will also typically engage in retailing hair care products, transactions that are taxable. Thus, the receipts of a service establishment (such as a barbershop) can contain both exempt and taxable components. This is taken into consideration in the estimates of fiscal impact contained herein.

Another feature of the services classification used in this document relates to the classification of types of services versus classification of industrial categories. NAICS categories include major groupings for Repair and Maintenance. This category includes repairs to televisions, stereos, appliances, tools, watches, jewelry, furniture, and most other tangible property. This group covers the bulk of all "repair services."

For these reasons, care must be taken in moving from this classification of services (based on NAICS definitions) and any other classification of services (based on broader conceptual notions, such as repairs to tangible personal property).

2.1.01 Production Exemption - Equipment *Idaho Code 63-3622D; 63-3622J*

Description: This feature of the production exemption exempts equipment used to produce a taxable product for retail sale. Production activities covered by this exemption are limited to manufacturing, processing, fabricating, logging, farming, and mining. The equipment must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its equipment to qualify. The only exception to this is logging, where any logging equipment qualifies.

Certain specific exclusions from the production exemption exist. They include: hand tools with a unit purchase price of \$100 or less; equipment that is used in

activities other than the actual production activity; equipment used in transportation, including motor vehicles and aircraft that are required to be licensed by any state; equipment used to make repairs; any tangible personal property that is or is intended to become a component of real property; recreational vehicles; and equipment used to produce exempted gas, electricity, water, literature, or liquor.

History: This exemption was originally enacted in 1965 as 63-3622D. In 1987, custom farmers were added to the exemption by amending 63-3603, definition of farming. In 1989, 63-3605A was added to include contract loggers in the production exemption. In 1990, logging was moved to a separate section and expanded to include persons who are not primarily engaged in logging. It was amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the integrated plant doctrine, exempting equipment used to fabricate or install production equipment, and adding safety equipment. Amended in 2006 to include equipment used to manufacture heating materials. Amended in 2008 to include equipment used to process certain materials for the production of energy.

2.1.02 Production Exemption - Supplies *Idaho Code 63-3622D; 63-3622JJ*

Description: This feature of the production exemption exempts supplies used in the process of producing a product for resale. Production activities covered by this exemption are limited to manufacturing, processing, fabricating, farming, logging, and mining. The supplies must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its production supplies to qualify. The only exception to this is logging, where any logging supplies qualify.

Certain specific inclusions to the production exemption for supplies exist. They include: repair parts, lubricants, hydraulic oil, coolants, chemicals, catalysts, safety supplies (except for logging), and, in the dairy industry, disinfectants used to clean cow udders or to clean pipes, vats, or other milking equipment. Fuel used in logging trucks is also exempt.

Certain specific exclusions from the production exemption for supplies exist. They include: supplies that are used in activities other than the actual manufacturing, mining, farming, or logging process; supplies used in transportation activities; repair supplies, other than parts for production equipment; any tangible personal property that is or is intended to become a component of real property; and supplies used to produce exempted gas, electricity, water, literature, or liquor.

History: This exemption was originally enacted in 1965 as 63-3622(d); custom farmers were added to the production exemption in 1987 by amending 63-3603, definition of farming; contract loggers were added in 1989 by adding 63-3605A. In 1990, logging was moved to a separate section and expanded to allow the exemption to apply to persons who are not primarily engaged in logging. Amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the

integrated plant doctrine, exempting supplies used to fabricate or install production equipment, and adding safety supplies (except for logging). Amended in 1996 to add all fuel used in logging trucks. Amended in 2006 to add inputs used to manufacture heating materials. Amended in 2008 to include inputs used to process certain materials for the production of energy.

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

Description: Exempts agricultural irrigation equipment and supplies, even if attached to real property, and even if purchased by a contractor for an agricultural irrigation project.

History: Originally enacted in 1975 as 63-3622(f).

2.1.04 Pollution Control Equipment *Idaho Code 63-3622X*

Description: Exempts equipment required by regulatory agencies for air or water pollution control.

History: Originally enacted in 1977 as 63-3622(e). Amended in 1997 to add certain dry-cleaning equipment. Amended in 2006 to include liners and reagents mandated by state or federal governments to meet water quality standards. Amended in 2007 to include personal property that is primarily used for meeting air or water quality standards that becomes a component, fixture, or improvement to real property.

2.1.05 Broadcast Equipment and Supplies *Idaho Code 63-3622S*

Description: Provides an exemption for equipment and supplies used to produce and broadcast radio and television programs.

History: It was originally enacted in 1975 as 63-3622(w) and was amended in 1987 to add aircraft to the exclusions from the exemption.

2.1.06 Publishing Equipment and Supplies *Idaho Code 63-3622T*

Description: Provides an exemption for equipment and supplies used to publish advertising type newspapers that are sold or given away to the public, as long as the paper contains at least 10% editorial comment and advertising revenue is the publisher's primary source of income.

History: This exemption was originally enacted in 1979 as 63-3622(x). The only amendment in 1987 to this exemption was to add aircraft to the exclusions from the exemption.

2.1.07 Commercial Aircraft *Idaho Code 63-3622GG*

Description: Exempts aircraft purchased for commercial transport of passengers or freight. This exemption was expanded in 2012 to include parts used in nonresident, private aircraft.

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

2.1.08 Railroad Rolling Stock and Remanufacturing *Idaho Code 63-3622CC; 63-3622DD*

Description: Provides an exemption for railroad rolling stock and for parts, equipment, and supplies used in the process of remanufacturing railroad rolling stock, whether or not the rolling stock is for resale. Rolling stock must have been used in interstate commerce at least three months prior to rebuild to qualify.

History: Enacted in 1986.

2.1.09 Interstate Trucks *Idaho Code 63-3622R(c)*

Description: Exempts trucks weighing over 26,000 pounds when registered in the international registration plan, as well as their trailers, when miles accumulated by the fleet outside of Idaho are minimally 10% of the total fleet miles in any annual registration period. Failure to meet the mileage requirement in any annual registration period invalidates the exemption and results in a tax liability based on the fair market value of the vehicles at the end of the non-conforming period.

History: Enacted in 1989.

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

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

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

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

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

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

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

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

History: Originally enacted as 63-3622(l), it was amended in 1967 to add bulk sales and change in form of doing business by adopting a new definition (Section 63-3612A). Section 63-3612A was repealed and moved to 63-3622K in 1988, then amended in 1990 to add related business transfers and sales. Amended in 1996 to add leases of assets among family-owned businesses.

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

Description: Exempts goods purchased with WIC checks and federal food stamps.

History: Mandated in 1987 by the federal government.

2.1.14 Motor Vehicles Used Outside of Idaho *Idaho Code 63-3622R(a)*

Description: Exempts vehicles under 26,000 pounds bought in Idaho for use by a nonresident outside of Idaho. It also applies to trailers. (See 2.1.09 Interstate Trucks for vehicles over 26,000 pounds and trailers used in interstate commerce.)

History: Originally enacted as 63-3622(q) in 1965, it exempted vehicles sold in Idaho for use out-of-state. It was amended in 1989 to add the weight limit.

2.1.15 Common Carrier Purchases and Out-of-State Sales *Idaho Code 63-3622Q; 63-3622P*

Description: Exempts goods delivered to buyers outside Idaho (63-3622Q) and in-state purchases by common carriers for use outside Idaho if transported out of Idaho under a bill of lading (63-3622P).

History: Originally enacted as 63-3622(p) and 63-3622(o) in 1965.

2.1.16 Donations of Real Property to Idaho Government *Idaho Code 63-3621(m)*

Description: Allows an exemption from use tax for goods that are donated to either the State of Idaho or to a nonprofit listed in 63-3622O, where the goods are incorporated into real property.

History: Enacted in 1991.

2.1.17 Incidental Sales of Tangible Personal Property *Idaho Code 63-3609*

Description: Exempts goods sold incidentally when selling real property, such as a stove and refrigerator included with a home.

History: Enacted in 1985.

2.1.18 Lodging, Eating, and Drinking Places *Idaho Code 63-3612*

Description: Allows these industries an exemption for nondepreciable goods that are consumed by customers, such as guest hand soap provided in a motel room.

History: Enacted in 1988.

2.1.19 School Lunches and Senior Citizen Meals *Idaho Code 63-3622J*

Description: Exempts federal meals programs for youth and elderly.

History: School Lunch programs were exempted in 1965 as 63-3622(k). Amended in 1974 to add sales of meals to aging persons under the Older Americans Act Program.

2.1.20 Drivers Education Automobiles *Idaho Code 63-3622R(e)*

Description: Exempts the value of motor vehicles that are temporarily donated to drivers' education programs.

History: Enacted in 1995. Designation changed from *Idaho Code 63-3622R(d)* to *Idaho Code 63-3622R(e)* in 2006.

2.1.21 Ski Lifts and Snowgrooming Equipment *Idaho Code 63-3622Y*

Description: Exempts the lifts, snowgroomers, and snowmaking equipment used by the owner of a ski area.

History: Enacted in 1995.

2.1.22 Clean Rooms *Idaho Code 63-3622NN*

Description: Exempts any tangible personal property that is used in or becomes a part of a "clean room" used to manufacture semiconductors. Also includes property that is used to maintain a clean room.

History: Enacted in 1999. Extended to include clean rooms used for research and development in 2005.

2.1.23 Alternative Electricity-Producing Equipment *Idaho Code 63-3622QQ*

Description: Provides a refund of sales tax paid for machinery and equipment used in alternative types of electricity production. To qualify, the facility must have a capacity of at least 25 kilowatts. The alternative methods that qualify for this exemption are fuel cells, low-impact hydro, wind, geothermal, cogeneration, solar, landfill gases, and biomass.

History: Enacted in 2005 and sunset on July 1, 2011.

2.1.24 Research and Development Equipment *Idaho Code 63-3622RR*

Description: Exempts tangible personal property used in research and development activities.

History: Enacted in 2005.

2.1.25 Corporate Headquarters Construction *Idaho Code 63-2908*

Description: This rebate is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005." It provides a sales and use tax rebate for all sales and use taxes paid on property constructed, located, or installed in the "project site" (as specified in 63-2902) through December 31, 2009. General qualification criteria are specified in 63-2902, and can be summed up as making an investment of at least \$50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over \$50,000 per year, or b) that average \$65,000 per year.

History: Enacted in 2005. Repealed July 1, 2008.

2.1.26 Small Employer Headquarters Construction *Idaho Code 63-4408*

Description: This rebate is contingent on a taxpayer qualifying under the "Idaho Small Employer Incentive Act of 2005." It provides a sales and use tax rebate for 25% of sales and use taxes paid on property constructed, located, or installed in the "project site" (as specified in 63-4402) from January 1, 2006 through December 31, 2020. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least \$500,000 in new facilities and adding at least ten new jobs paying at least \$19.23 per hour. The average wage for each additional job above the initial ten must be at least \$15.50 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this exemption to 2020.

2.1.27 Glider Kit Vehicles *Idaho Code 63-3622R(d)*

Description: Glider kit vehicles, as defined in *Idaho Code* 49-123(f), are exempted from the Idaho sales tax.

History: Enacted in 2006.

2.1.28 Media Production Projects *Idaho Code 63-3622TT*

Description: Rebates sales tax paid on certain media projects produced in Idaho.

History: Enacted in 2006. Sunsets on July 1, 2016.

2.1.29 State Tax Anticipation Revenue *Idaho Code 63-3641*

Description: Rebates sales tax paid to developer for costs of building or improving qualified freeway exchanges. In order to qualify, the developer must spend at least \$4 million on a retail commercial complex and at least \$6 million on a freeway interchange or interchange improvements. The maximum any developer could be reimbursed for a given freeway project is \$35 million.

History: Enacted in 2007. Amended in 2009 to lower minimum freeway interchange project size from \$8 million to \$6 million.

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

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

History: Enacted in 2011.

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

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

History: Enacted in 2011.

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

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

History: Enacted in 2012.

2.2.01 Motor Fuels *Idaho Code 63-3622C*

Description: Exempts motor fuels subject to motor fuels tax; exempts off-road fuels loaded in Idaho and used outside Idaho.

History: Originally enacted in 1965 as 63-3622(c). Exempted on road use of motor fuels; amended in 1986 to exempt locomotive fuels unless loaded and burned off in Idaho.

2.2.02 Heating Materials *Idaho Code 63-3622G*

Description: Exempts wood, coal, gas, and petroleum products used as a source of heat for either industrial or domestic purposes.

History: Originally enacted in 1965 as 63-3622(g).

2.2.03 Utility Sales *Idaho Code 63-3622F*

Description: Exempts sales of natural gas, electricity, and water delivered to consumers by means of wires, pipes, mains, or similar systems.

History: Originally enacted in 1965 as 63-3622(f).

2.2.04 Used Mobile Homes *Idaho Code 63-3622R(b)*

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

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

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

Description: Exempts coin-operated machines that vend a taxable product or service.

History: Enacted in 1990.

2.2.06 Prescriptions and Durable Medical Equipment *Idaho Code 63-3622N*

Description: Exempts most prescription medical items.

History: This exemption was originally enacted as 63-3622(o) in 1967 to exempt prescription drugs. It was amended in 1971 to add prescription oxygen and amended in 1976 to add prosthetics, limbs, wheelchairs, hearing aids, and crutches. It was amended in 1990 to add durable medical equipment, and numerous other prescription items. Amended in 1998 to exempt dental prostheses and other orthodontic appliances, except fillings. Amended in 2008 to include qualified items prescribed by physician assistants.

2.2.07 Funeral Caskets *Idaho Code 63-3622U*

Description: Exempts goods sold in conjunction with a funeral.

History: Originally enacted in 1977 as 63-3622(y).

2.2.08 Containers *Idaho Code 63-3622E*

Description: Exempts containers that are part of goods for sale, including returnable containers.

History: Originally enacted in 1965 as 63-3622(e).

2.2.09 Nonprofit Literature *Idaho Code 63-3622I*

Description: Exempts literature published and sold by 501(c)(3) nonprofit organizations.

History: Originally enacted in 1965 as 63-3622(j), exempting only religious literature. Amended in 1989 to include literature of all 501(c)(3) nonprofit organizations in response to the US Supreme Court ruling in *Texas Monthly versus Bullock*. Amended in 1999 to include alternative forms, including audio-visual, magnetic, optical, and other machine-readable media.

2.2.10 Official Documents *Idaho Code 63-3622AA*

Description: Exempts sales of documents when the fee for the document is set by *Idaho Code*.

History: Originally enacted in 1984.

2.2.11 Precious Metal Bullion *Idaho Code 63-3622V*

Description: Exempts sales of precious metal bullion and coins.

History: Originally enacted in 1982 as 63-3622(z).

2.2.12 Idaho Commemorative Silver Medallions *Idaho Code 63-3622PP*

Description: Exempts sales of Idaho commemorative silver medallions.

History: Originally enacted in 2003.

2.2.13 New Manufactured Homes or Modular Buildings *Idaho Code 63-3613(c)*

Description: Excludes 45% of the sales price of new manufactured homes and modular buildings from the taxable sales price.

History: Originally exempted 60% of the sales price of mobile homes when enacted in 1965. It was amended in 1976 to exempt 45% and add modular buildings (which were previously treated as real property improvements and taxed on materials as built).

2.2.14 Telecommunications Equipment *Idaho Code 63-3613(b)10; 63-3621(a)*

Description: Exempts from taxation the amount of discount or price reduction that is offered as an inducement to commence or continue telecommunications service.

History: Enacted in 1996.

2.2.15 Personal Property Tax on Rentals *Idaho Code 63-3622UU*

Description: Exempts from taxation the amount of property tax included in a rent payment for tangible personal property. To be eligible the property must initially be leased for at least a year.

History: Enacted in 2008.

2.3.01 Construction *Idaho Code 63-3609*

Description: Sales tax is paid on the cost of materials that are used in construction projects, but the labor component is generally not taxed. Mobile and manufactured homes are taxed on 55% of the sales price [*Idaho Code 63-3613(c)*] in order to give them equivalent treatment.

History: The original language of the sales tax defined a "sale" as any transaction involving the exchange of tangible personal property for a consideration (*Idaho Code 63-3612*). In the section of the Sales Tax Act defining a retail sale it is stated that "all persons engaged in constructing, altering, repairing or improving real estate are consumers of the material used by them; all sales to or use by such persons of tangible personal property are taxable whether or not such persons intend resale of the improved property (*Idaho Code 63-3609*)."

2.3.02 Agricultural and Industrial Services

Description: This category of services includes agricultural soil preparation, planting, cultivating, and harvesting; farm management; forestry service; and mining services. NAICS major groups 115 and 213 are included in this category.

History: Originally excluded from definition of sales tax base.

2.3.03 Transportation Services *Idaho Code 63-3613(b)7*

Description: Most charges for transportation of freight and passengers are exempt from the sales tax [*Idaho Code 63-3613(b)7*]. Exceptions (i.e., taxable transportation charges) include transportation of manufactured homes by the dealer [*Idaho Code 63-3613(b)7*] and the cost of transportation prior to the sale [*Idaho Code 63-3613(a)3*]. NAICS major groups 481 through 492 are included in this category.

History: Transportation services have generally been exempt since the enactment of sales tax in 1965. The exclusion for transportation of manufactured homes was added in 1986. Air charter transportation of freight and passengers was made taxable in 1988.

2.3.04 Information Services

Description: Subscriptions or charges for one-way and two-way transmissions of signals containing information (sound, images, data, etc.) and information services (internet providers, etc.) are not taxed. This exemption consists mostly of local and long-distance telephone service and cable television. NAICS major groups 515, 516, 517, 518, and 519 are included in this category.

History: Communications have been exempt since the enactment of the sales tax in 1965.

2.3.05 Repairs *Idaho Code 63-3613(b)4*

Description: The labor charges associated with repairing or installing tangible personal property are generally not taxable as long as they are separately stated on the bill. NAICS major group 811 is included in this category.

History: Exempt since enactment of the sales tax in 1965.

2.3.06 Professional Services

Description: Legal, accounting, engineering, architectural, consulting, scientific research, and advertising services fall within this category. NAICS major group 541 is included in this category.

History: Exempt since enactment of the sales tax in 1965.

2.3.07 Business Services

Description: Office services, employment services, building services, employment agencies, facility services, and security agencies are some of the major elements of this category. NAICS major groups 561 and 562 are in this category.

History: Exempt since enactment of the sales tax in 1965.

2.3.08 Personal Services

Description: Laundry and dry cleaning, barbers and beauticians, shoe repair, funeral services, massage parlors, and escort services are among the elements of the personal services major group. NAICS major group 812 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.3.09 Health and Medical Services

Description: Doctors, dentists, hospitals, and nursing home services are the principal elements of this category. NAICS major groups 621 through 623 are in this category.

History: Exempt since enactment of the sales tax in 1965.

2.3.10 Social Services

Description: Adult and child day care, residential care, and adoption services are some of the principal elements of this category. NAICS major group 624 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.3.11 Educational Services

Description: Private elementary and secondary schools, colleges and universities, libraries, vocational schools, driving instruction, flight schools, and modeling schools are among the establishments covered by this category. NAICS major group 611 is this category.

History: Exempt since enactment of the sales tax in 1965.

2.3.12 Lottery Tickets and Pari-Mutuel Betting *Idaho Code 67-7439*

Description: Exempts the sale and purchase of lottery tickets and pari-mutuel betting from the sales tax. Also exempts from sales tax any equipment used in lottery operations.

History: Enacted in 1988.

2.3.13 Media Measurement Services *Idaho Code 63-3622LL*

Description: Exempts the sale and purchase of any television, radio, newspaper, or other media measurement service.

History: Enacted in 1997.

2.3.14 Miscellaneous Services

Description: This includes all personal service industries not classified elsewhere. Includes pet care, barber shops, and parking lots and garages. NAICS major group 8129 is in this category.

History: Exempt since enactment of the sales tax in 1965.

2.3.15 Nonprofit Shooting Range Fees *Idaho Code 63-3622SS*

Description: Exempts fees and memberships of nonprofit shooting and hunting organizations from the Idaho sales tax.

History: Enacted in 2006.

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

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

History: Enacted in 2011.

2.4.01 Educational Institution Purchases *Idaho Code 63-36220(1)(a)* and 33-5204

Description: Exempts all purchases by nonprofit colleges, universities, and primary and secondary schools. Excludes from exemption schools that primarily teach business, dancing, gymnastics, dramatics, music, cosmetology, writing, exercise, and "other special accomplishments."

History: This was originally enacted as 63-3622(s) in 1967 and amended in 1990 to add nonresident schools with Idaho facilities. It was amended in 1993 to add all nonresident schools not otherwise excluded. In 1999, 33-5204 was added to explicitly include charter schools to this exemption. Amended in 2008 to include the Idaho Digital Learning Academy.

2.4.02 Hospital Purchases *Idaho Code 63-36220(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 63-36220(1)(a)*

Description: Exempts all purchases by certain specified "health-related entities." The list consists of: the Idaho Cystic Fibrosis Foundation, Idaho Epilepsy League, Idaho Lung Association, March of Dimes, American Cancer Society, Mental Health Association, The ARC, The Children's Home Society of Idaho, American Heart Association, Idaho Ronald McDonald House, United Cerebral Palsy, Arthritis Foundation, Muscular Dystrophy Foundation, National Multiple Sclerosis Society, Rocky Mountain Kidney Association, American Diabetes Association, Easter Seals, Idaho Community Action Agencies, Idaho Primary Care Association and its community health care centers, the Idaho Diabetes Youth Program, the Idaho Women's and Children's Alliance, and Special Olympics Idaho. It also includes the local or regional chapters or divisions of these entities.

History: Amended in 1980 to add first list of health-related entities. Amended several times to expand the list of eligible entities.

2.4.04 Canal Company Purchases *Idaho Code 63-36220(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 63-36220(1)(a)*

Description: Exempts all purchases by forest protective associations. Forest protective associations are associations that detect, prevent, and suppress forest or range

fires. They include only those associations that contract with the State of Idaho pursuant to Chapter 1, Title 38, *Idaho Code*.

History: Enacted in 1979.

2.4.06 Food Bank Purchases *Idaho Code 63-36220(1)(b, c)*

Description: Exempts all purchases by food banks or soup kitchens. Includes the Idaho Food Bank Warehouse, Inc. by specific reference, and also includes any other nonprofit corporation or association "one of whose" primary purposes is the furnishing of food or food products to others without charge.

History: Enacted in 1991.

2.4.07 Nonsale Clothier Purchases *Idaho Code 63-36220(1)(d)*

Description: Exempts donations or sales of clothes to nonsale clothiers. Nonsale clothiers are defined as any nonprofit corporation or association "one of whose" primary purposes is the furnishing of clothes to others without charge.

History: Enacted in 1992.

2.4.08 Centers for Independent Living *Idaho Code 63-36220(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 63-36220(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 63-36220(5)*

Description: This exempts the renting of a place to sleep by the Ronald McDonald House.

History: Enacted in 1997.

2.4.11 INL Research and Development Purchases *Idaho Code 63-3622BB*

Description: Exempts goods used for research and development at the Idaho National Laboratory (INL).

History: It was originally enacted in 1967 and exempted all federal research and development and nuclear fuel reprocessing under 63-3615. It was amended in 1969 to limit to INL only. It was recodified in 1985 as 63-3622BB and removed nuclear fuel reprocessing from the exemption.

2.4.12 Motor Vehicle Purchases by Family Members *Idaho Code 63-3622K(c)*

Description: Exempts sales of motor vehicles between family members related within the second degree of consanguinity.

History: Section 63-3612A was amended in 1980 to add the sale of motor vehicles to family members. It was repealed and moved to 63-3622K in 1988.

2.4.13 Sales by 4-H and FFA Clubs at Fairs *Idaho Code 63-3622K(b)7*

Description: Exempts sales of animals by any 4-H club or FFA club held in conjunction with a fair or the Western Idaho Spring Lamb Sale.

History: Enacted in 1979 by amending 63-3612A. Moved to 63-3622K in 1988.

2.4.14 Sales by Nonretailers (Yard and Occasional Sales) *Idaho Code 63-3622K(b)(1,6,8)*

Description: Exempts sales of items by individuals who are not retailers and who are not behaving as a retailer. Covers transactions such as occasional yard sales, occasional classified ad sales, etc. Motor vehicle sales are specifically excluded from this exemption.

History: Originally enacted as 63-3622(l) in 1965. Yard sales added as 63-3622H in 1984 and moved to 63-3622K(b)(8) in 1997.

2.4.15 Sales by Indian Tribes on Reservations *Idaho Code 63-3622Z*

Description: Exempts sales by Indian Tribal Enterprises from sales and use tax. This exemption allows a tribal enterprise to make sales to both Indians and non-Indians without collecting sales tax. Further, it provides that no use tax applies to the purchase if a non-Indian removes the goods from the reservation.

History: Originally enacted as 63-3622(aa) in 1984; exempted sales of tangible personal property by tribes within reservation boundaries; amended in 1987 to include sales of services and to define reservation.

2.4.16 Sales of Meals by Churches to Members *Idaho Code 63-3622J*

Description: Exempts meals sold at church functions to members of the congregation.

History: Originally enacted as 63-3622(k) in 1965.

2.4.17 Sales by Outfitters and Guides *Idaho Code 63-3613(b)9*

Description: Allows outfitters to exclude from the taxable amount charged to their customers the federal fees imposed on outfitters for the right to use recreational sites.

History: Enacted in 1990. Amended in 1994 to eliminate the provision that the federal fees must be for the purpose of managing the land or water upon which the outfitting occurs.

2.4.18 Sales Through Vending Machines *Idaho Code 63-3613(e)*

Description: Allows retailers selling products through vending machines for \$1.00 or less to pay tax on 117% of their acquisition cost of the products rather than on the retail sales price.

History: Enacted in 1977.

2.4.19 Auto Manufacturer Rebates *Idaho Code 63-3613(b)8*

Description: Allows dealers to deduct the amount of a rebate given to the buyer, by the motor vehicle manufacturer, from the taxable sales price of the vehicle.

History: Enacted in 1990.

2.4.20 Incidental Sales by Churches *Idaho Code 63-3622KK*

Description: Exempts sales by churches that do not regularly compete with private enterprise.

History: Enacted in 1990.

2.4.21 Federal Excise Tax Imposed at Retail Level *Idaho Code 63-3613(b)5*

Description: Excludes retail level federal excise taxes from the taxable sales price.

History: Originally enacted in 1965.

2.4.22 Federal Constitutional Prohibitions *Idaho Code 63-3622A*

Description: State cannot tax goods when prohibited by the US Constitution.

History: Originally enacted in 1965 as 63-3622(a).

2.4.23 Other Federal and State Statutory Prohibitions

Description: Exemptions granted from state sales tax by other state statutes and by federal statutes, such as the American Red Cross, Amtrak, Credit Unions, Emergency 911, Federal Intermediate Credit Banks, Federal Land Banks, Foreign Diplomats, Idaho Health Facility Authority, Idaho Housing Authority, Idaho Life and Health Insurance Guaranty Association, Idaho Onion Commission, Idaho Potato Commission, Idaho Turnpike Authority, Idaho Wheat Commission, Junior College Dormitory Housing Authority, Production Credit Association, Regional Airport Authority, aircraft flights, and navigable water-based transportation.

History: Varies by statute.

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

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

History: Enacted in 2002.

2.4.25 Senior Citizens Centers *Idaho Code 63-36220(1)(h)*

Description: Exempts purchases by senior citizen centers.

History: Enacted in 2002.

2.4.26 Blind Services Foundation, Inc. *Idaho Code 63-36220(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 63-36220(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 63-36220(1)(k)*

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

History: Enacted in 2006

2.4.29 Museums *Idaho Code 63-36220(1)(l)*

Description: Exempts purchases by and admissions to nonprofit museums.

History: Enacted in 2006

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63-3622EE	2.1.13	Food Stamps/WIC
63-3622F	2.2.03	Utility Sales
63-3622FF	2.1.13	Food Stamps/WIC
63-3622G	2.2.02	Heating Materials
63-3622GG	2.1.07	Commercial Aircraft
63-3622I	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
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

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