

**P4...PAINTING A PICTURE  
OF THE PUBLIC PURSE COMPARISON  
OF IDAHO'S TAXES TO IT'S NEIGHBORING STATES**

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This bulletin describes personal income and taxation for Idaho citizens and compares them with our neighboring states. Clearly when we speak of taxes and income we are discussing issues on which everyone has an opinion. The outline for this bulletin is to show how taxes in Idaho compare with other states.

Overall, the economy is the tax base. If our economy grows, revenues rise. If it declines, our revenues fall. If the economy changes, the tax burden is shifted.

Taxes and public services can be used to encourage or discourage economic activity to some degree.

Critics of Idaho tax policy argue that high tax rates make Idaho uncompetitive. They allege that lower rates would spur economic growth.

Defenders of Idaho tax policy argue the rates are not exceptionally high. In certain instances we are lower than our neighbors and in other instances we are higher.

Many times Idaho's economic times are influenced by factors beyond the control of Idahoians: interest rates, import/export policies, drought, etc.

While there is agreement that our economy is our tax base, there is debate about the effects of taxation and the level of public services in our economy. We don't know what mix of tax policies best fits our economy. We do know that our economy changed dramatically in the 1980s. Are these changes permanent or temporary? If these changes are temporary, can we cope until we return to normal. If the basic structure of our economy has changed, the structure of tax policy will have to change also.

## **PERSONAL INCOME**

Idaho benefitted from the world economy of the 1970s. In the 1980s some sectors grew while other sectors were forced to make severe adjustments.



## The 1970s

- Ag prices rose and net farm income grew as world economy changed.
- Demand for primary products (agricultural commodities, timber and minerals) grew.
- Inflation reduced the real liabilities of debtors (homeowners, farmers/ranchers, small business owners)

## The 1980s

We lived out the ancient Chinese curse: "May you live in interesting times".

- Record high interest rates with low inflation
- Energy demand growth declined
- Mineral and timber demand declined
- Agricultural prices fell.
- Tourism became more important.

Idaho's personal income has been flat through the 1980s when measured in real terms, 1978 dollars (Figure 1). When measured in nominal terms it increased over 100%.

Idaho citizen's personal income comes from three major sources. Wages paid for services performed, transfer payments which are retirement funds, social security payments and returns from previously invested funds. Business/investment income which is the return to current efforts of running a business such as profit or return to management (Figure 2).

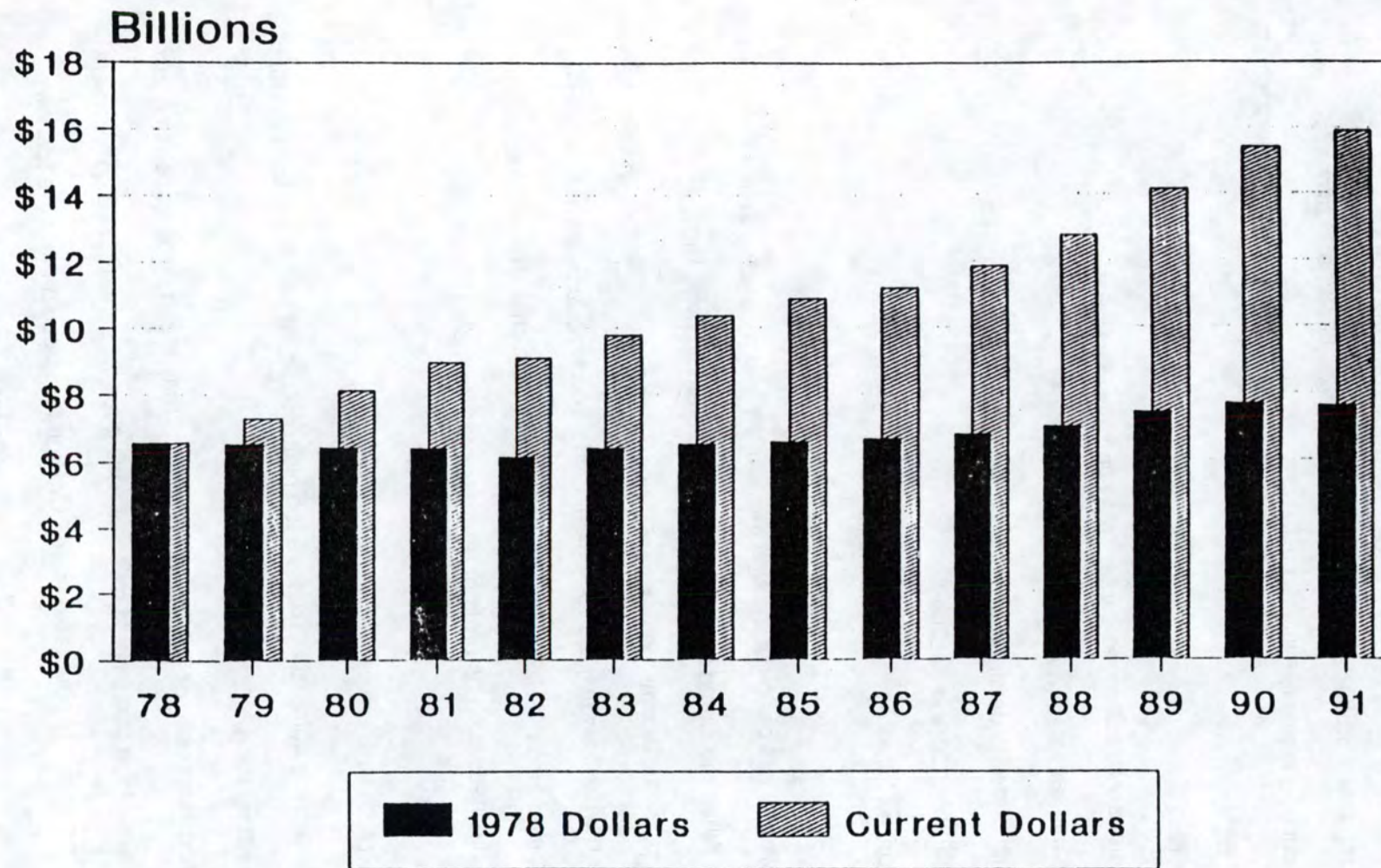
## TAXATION IN IDAHO

Idaho citizens frequently complain taxes are too high, public support is too low or public revenues go for the wrong thing.

Taxes are an important public policy issue. High taxes may mean we are spending too much on public services. High taxes could mean providing roads, schools, and government services costs extra in a sparsely populated state. Or High taxes could mean we Idahoians are getting the public services we prefer and we are paying for them. We don't know what each individual wants and is willing to pay for, the service provided and level of taxation are



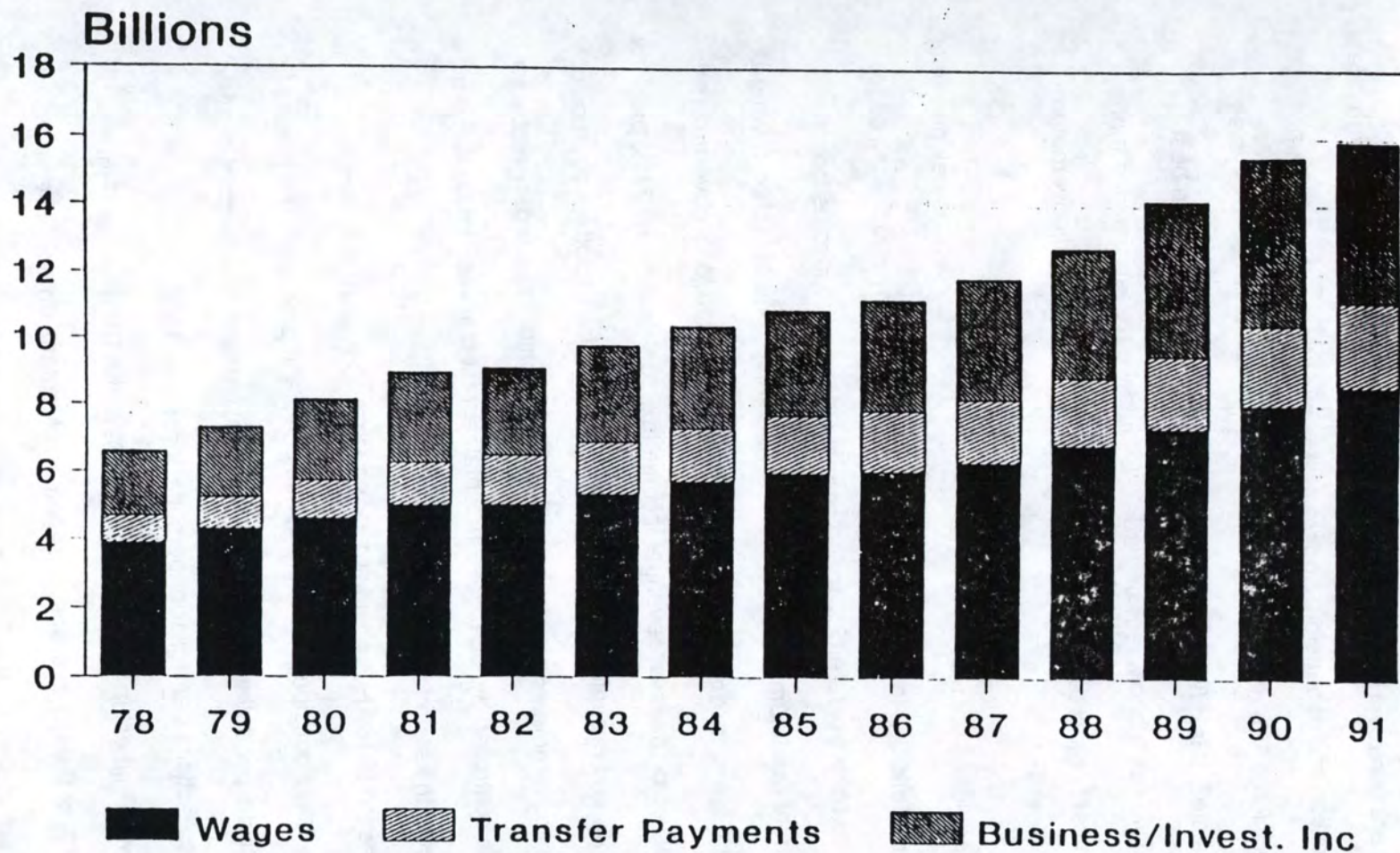
# Figure 1. IDAHO'S PERSONAL INCOME



*Idaho Tax Equity Summit, Dec. 12, 1991*



# Figure 2. IDAHO'S PERSONAL INCOME



*Idaho Tax Equity Summit, Dec. 12, 1991*



worked out in our political process. The question of value also comes up. Are we getting good value for the money we pay for taxes?

Taxes on business are controversial. They can influence business decisions: high rates discourage business location and expansion; poor quality public services also influence business investment decisions. We don't know what is the "correct" or "best" tax system.

Is Idaho a high tax state? It is difficult to even get agreement on what is the best measuring stick. Should we use inches, feet or yards? Should we measure all the money available to state government or just tax revenues? Should we include local government taxes?

Over the past 14 years Idaho tax revenues have increased substantially as has personal income (Compare Figures 2 and 3). In addition to growth in the economy and the tax base, there were increases in the sales tax rate (2% to the current 5%) and the income tax rate (increased .7% to the current maximum rate 8.2%). Taxes provided 51% of Idaho's revenue. The taxes considered were sales, income and property. Idaho state and local governments are dependent on five classes of taxes for revenue: income tax, 30%; sales tax, 24%; property tax, 27%; excise taxes, 11% and miscellaneous taxes, 8%. All are also important sources of revenue for state and local governments. Property taxes are the major source of revenue for local governments and are controlled by local governmental representatives. Idaho income and sales tax rates are set at the state level

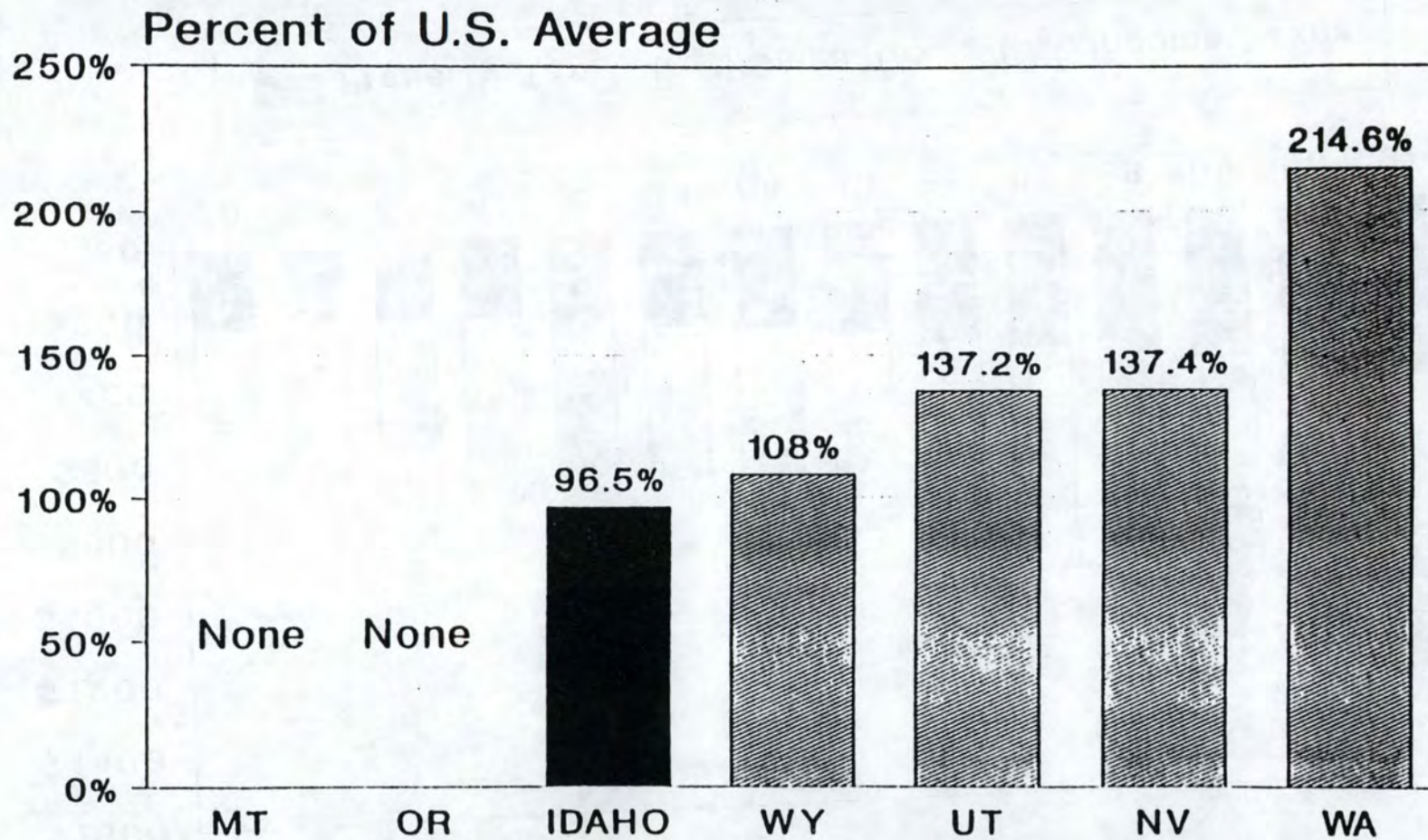
To respond to the question IS IDAHO A HIGH TAX STATE? Comparisons were made with bordering states. The taxes considered were income, sales and property. The basis of comparison was tax collections per dollar of personal income expressed as a percent of all states' state and local tax collections per dollar of personal income in 1990.

Sales tax collections were highest in Washington at 215% of the US average (Figure 4). Idaho's collections were 97% of the US average. Oregon and Montana do not have sales taxes. Idaho's collection were slightly over 2.5% of personal income (Figure 5).



# Figure 4. FY90 SALES TAX COLLECTIONS

## Idaho and Neighboring States

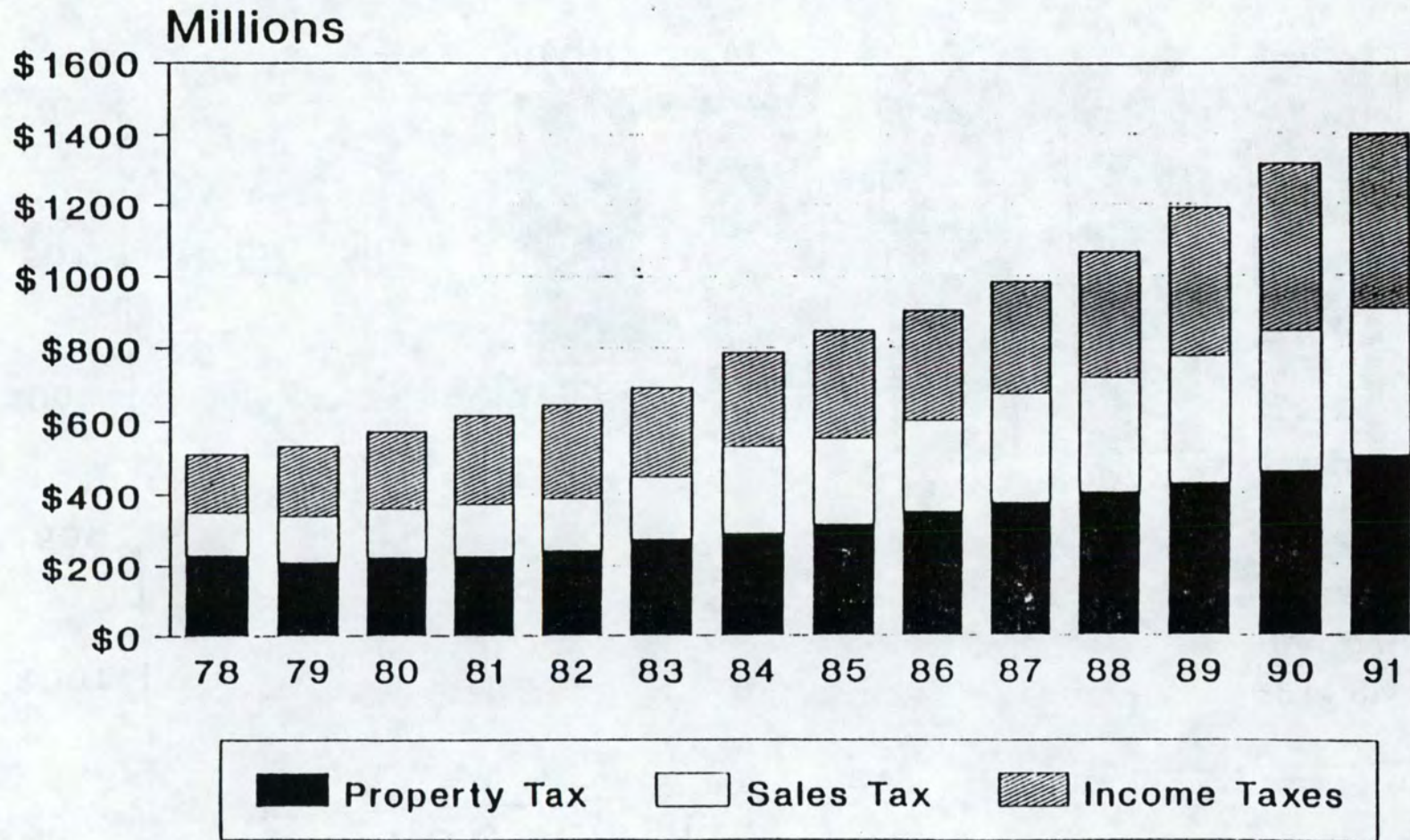


Graph shows state and local sales tax collections per dollar of personal income expressed as a percent of all states' state and local sales tax collections per dollar of personal income.



# Figure 3. MAJOR TAX COLLECTIONS

## Idaho's Three-Legged Stool

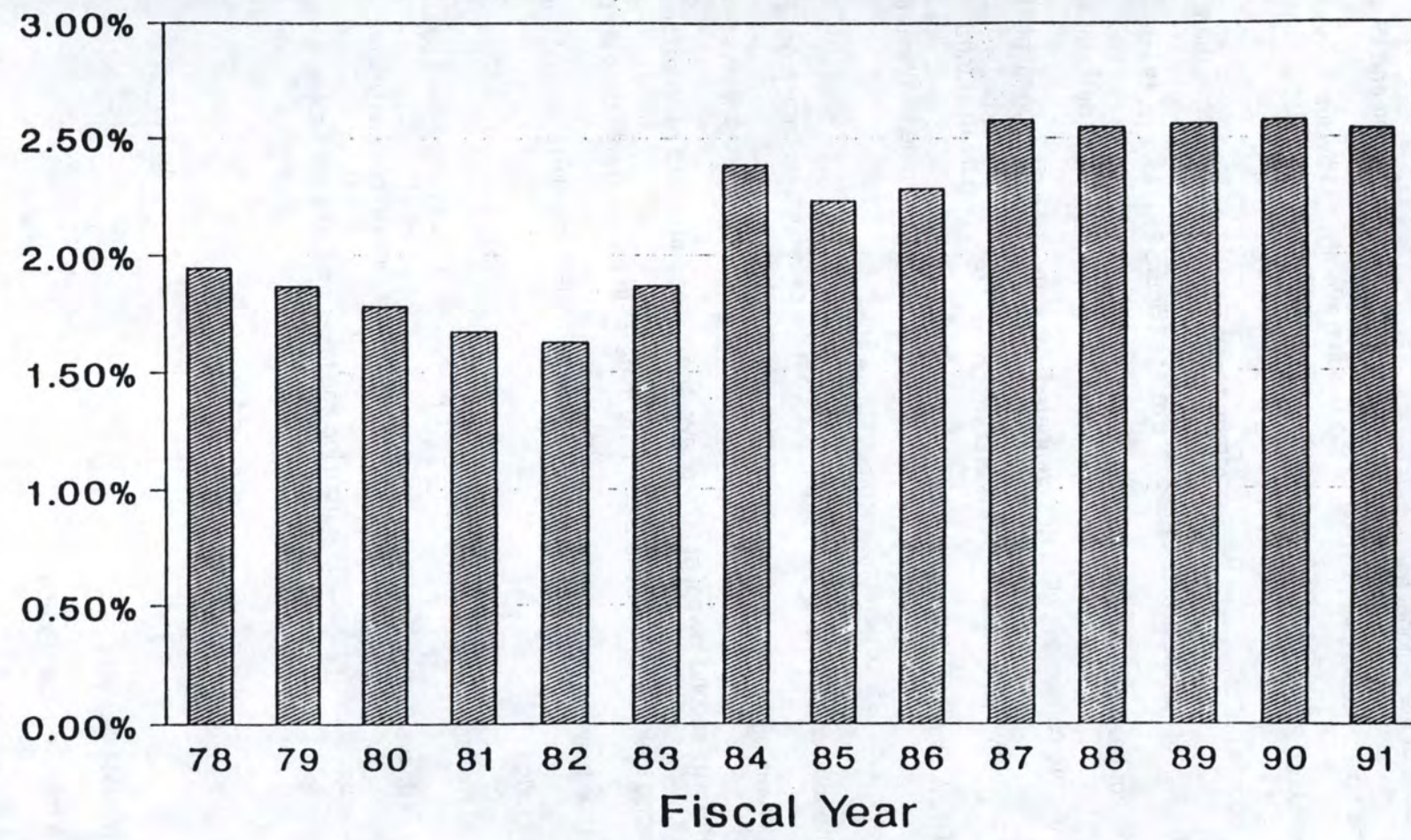


Idaho Tax Equity Summit, Dec. 12, 1991



# Figure 5. IDAHO SALES TAX

## Net Collections as % of Personal Income



*Idaho Tax Equity Summit, Dec. 12, 1991*



- Individual income taxes were compared for the same states. Oregon's income taxes were the highest at 165% of the national average (Figure 6). Nevada, Washington and Wyoming do not have income taxes. Idaho's were 101% of the national average. Individual income tax collections were about 2.25% of personal income (Figure 7).

Corporate income tax collections were compared for the states that did have them. Montana was the highest at 130% of the national average (Figure 8). Nevada, Washington and Wyoming do not have corporate income taxes. Idaho's were 94% of the national average.

Property taxes are collected in all states compared. Wyoming had the highest at 169% of average followed closely by Montana at 162% and Oregon at 148% (Figure 9). Idaho collections were 82% of average. Nevada was the lowest at 67% of average. Idaho property tax collections were about 3% of personal income (Figure 10).

Looking at the total collections of the three taxes from the seven states compared (Figure 11 and Table 1): Wyoming was the highest at 128% of average; Nevada was lowest at 94% of average; and Idaho was second lowest at 96% of average. Based on these comparisons, Idaho has the second lowest total collections from the three sources. Also with the exception of Wyoming, variance between Nevada's 94% and Montana's 109% is only 15%. Idaho is in the low end of that range.

A concern of all managers of any entity is stability of income. One management strategy to achieve stability is diversification of sources. Currently among the sources considered, Idaho collects 36% from property taxes, 35% from income taxes and 29% from sales taxes (Figure 12).

## **SUMMARY**

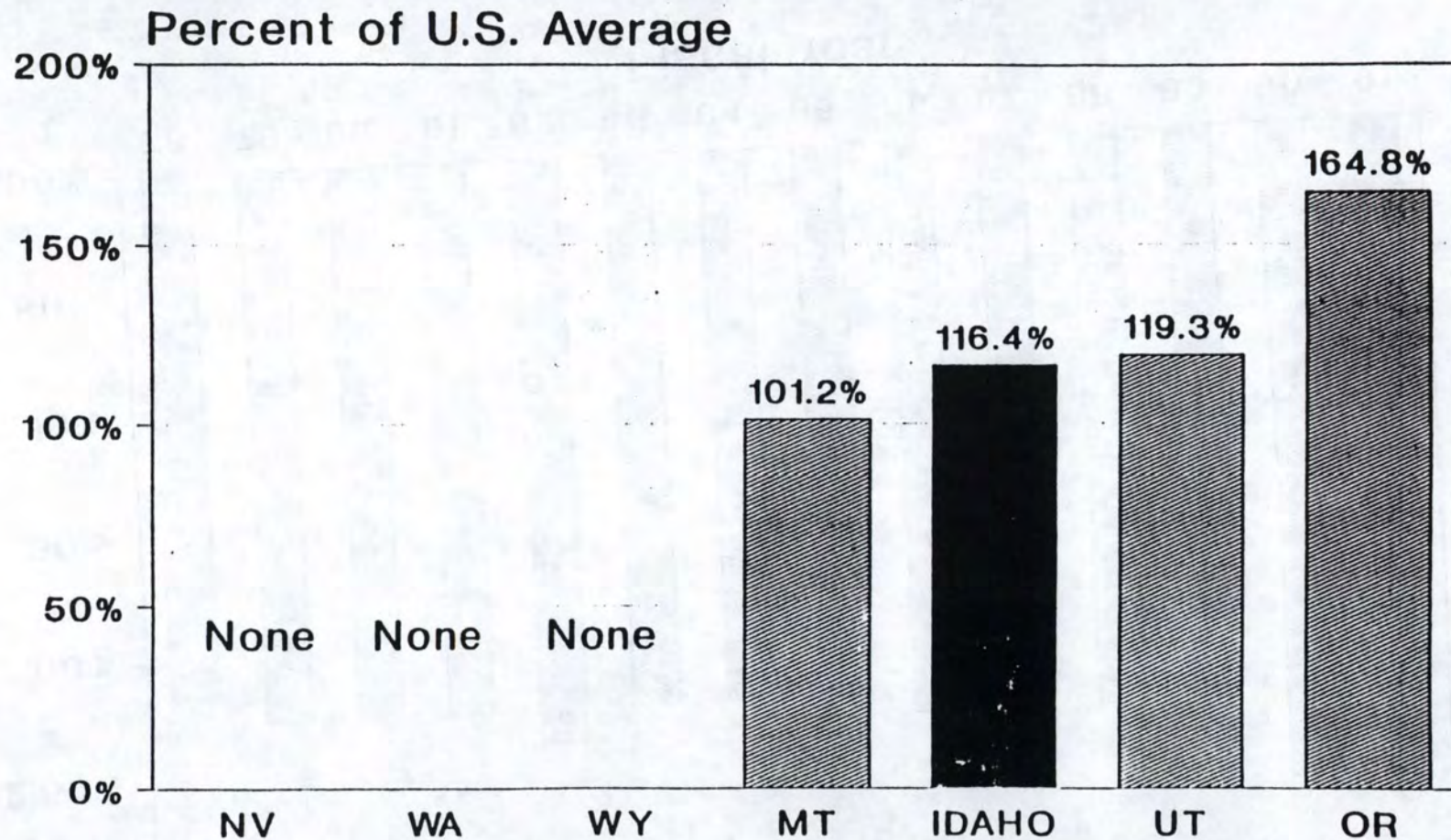
Summing up, the data indicate:

- Idaho is a relatively low tax state.
- State and local taxes comprise slightly over 8% of personal income
- Overall, the level of taxes does not vary much among neighboring states.
- Idaho has relatively balanced sources of revenue.



# Figure 6. FY90 INDIVIDUAL INCOME TAX COLLECTION

## Idaho and Neighboring States

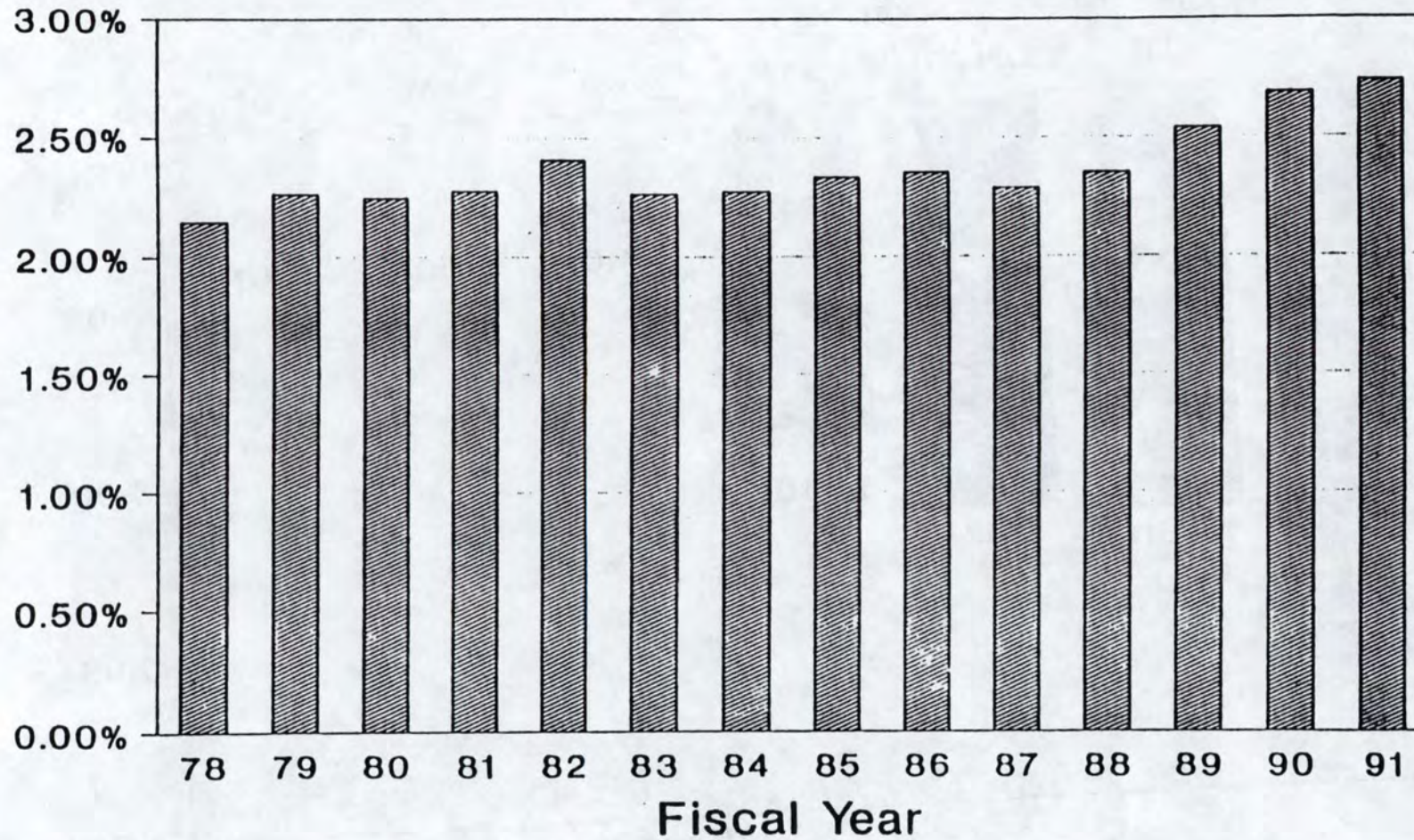


Graph shows state and local individual income tax collections per dollar of personal income expressed as a percent of all states' state and local individual income tax collections per dollar of personal income.



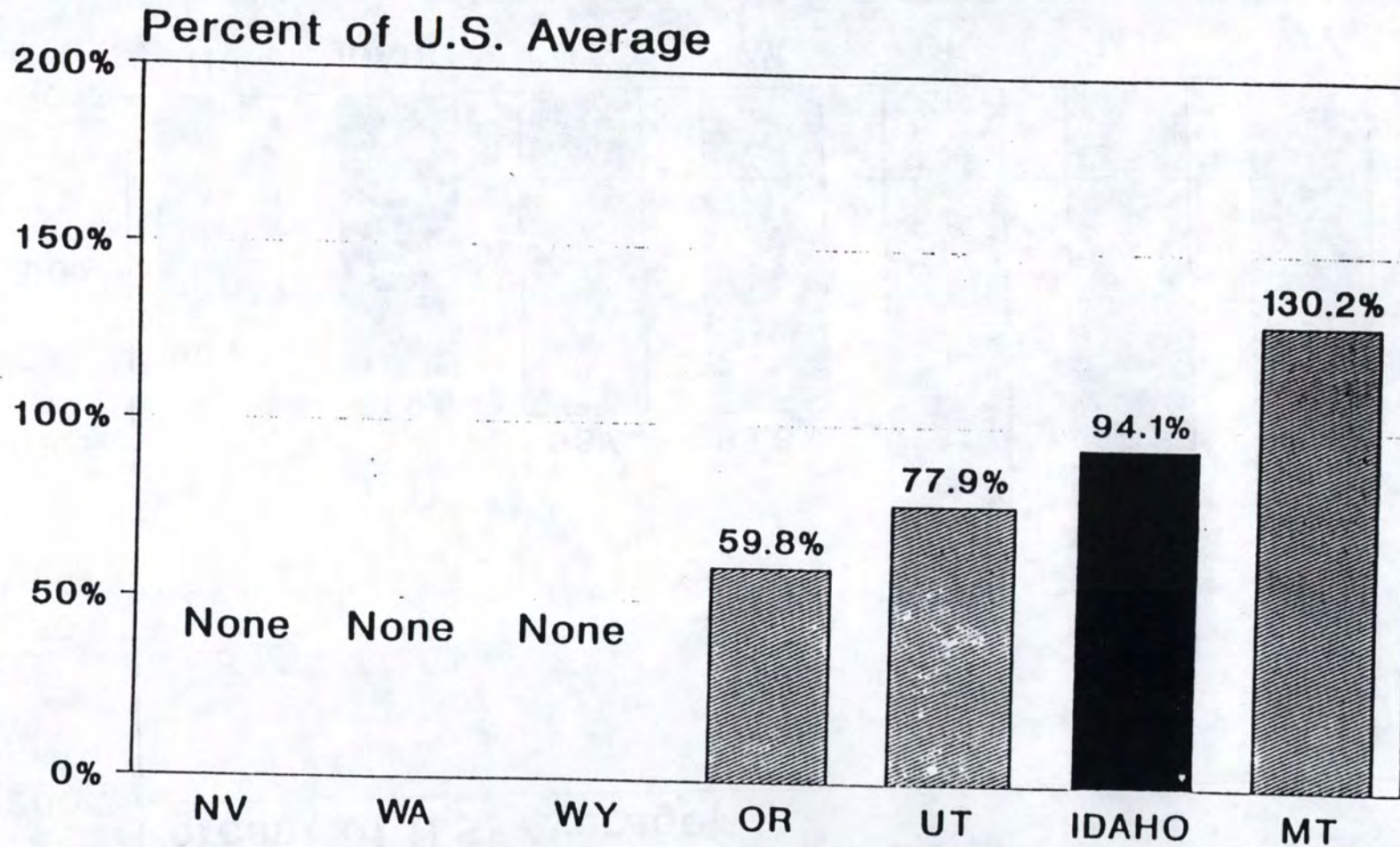
# Figure 7. IDAHO INDIVIDUAL INCOME TAX

## Net Collections as % of Personal Income





# Figure 8. FY90 CORPORATE INCOME TAX COLLECTIONS: Idaho and Neighboring States

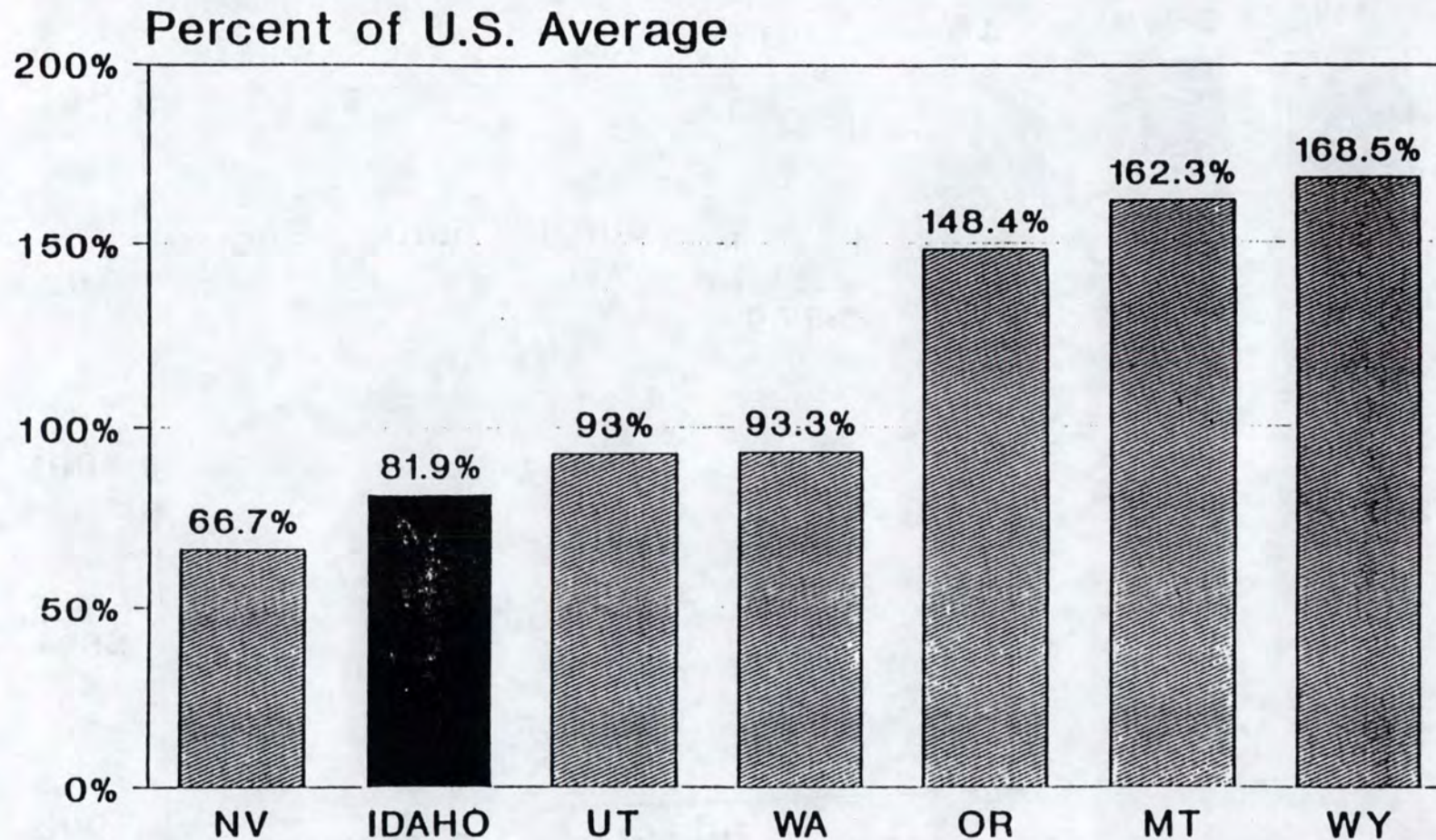


Graph shows state and local corporate income tax collections per dollar of personal income expressed as a percent of all states' state and local corporate income tax collections per dollar of personal income.



# Figure 9. FY90 PROPERTY TAX COLLECTIONS

## Idaho and Neighboring States

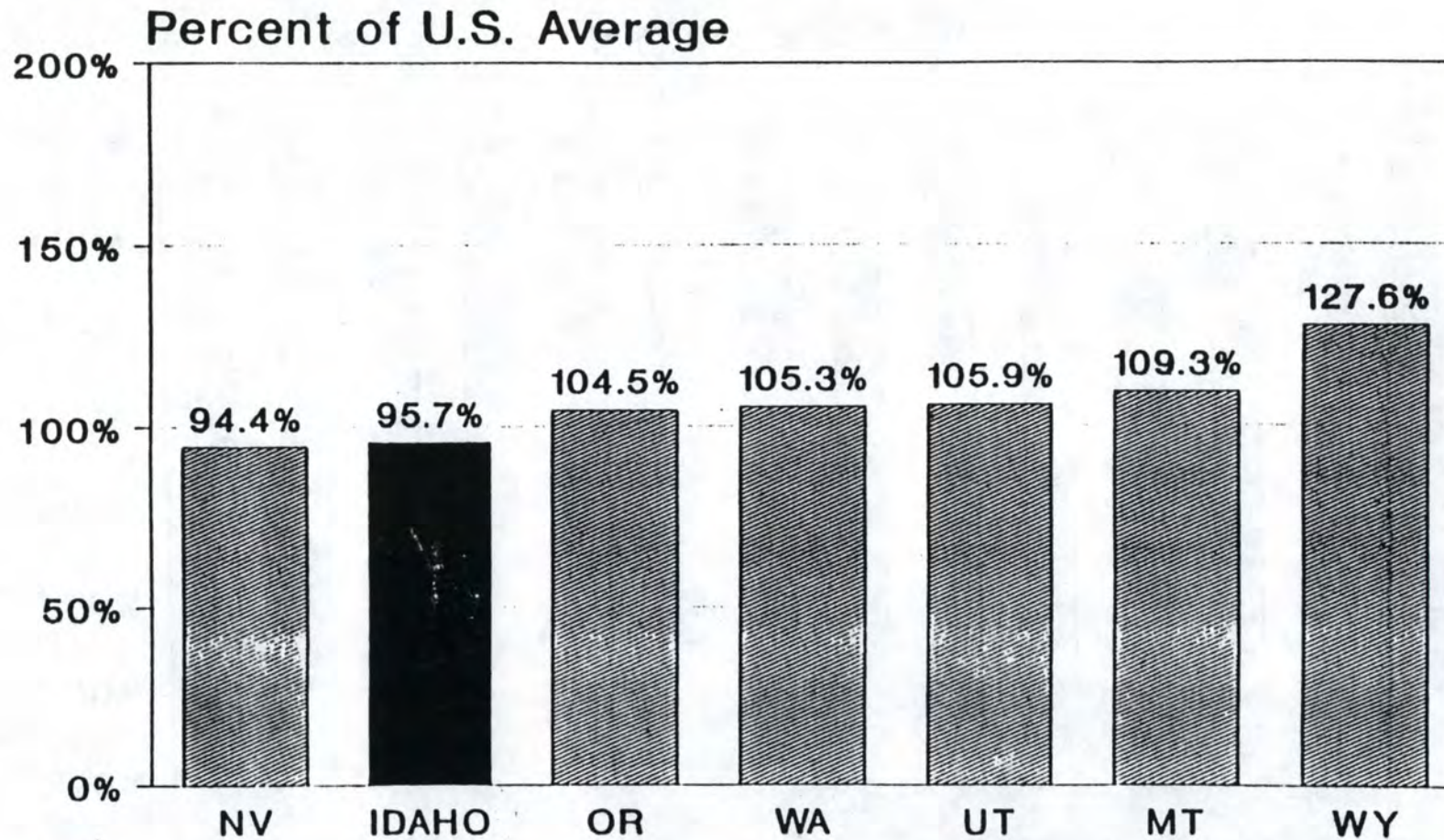


Graph shows state and local property tax collections per dollar of personal income expressed as a percent of all states' state and local property tax collections per dollar of personal income.



# Figure 11. FY90 TOTAL TAX COLLECTIONS

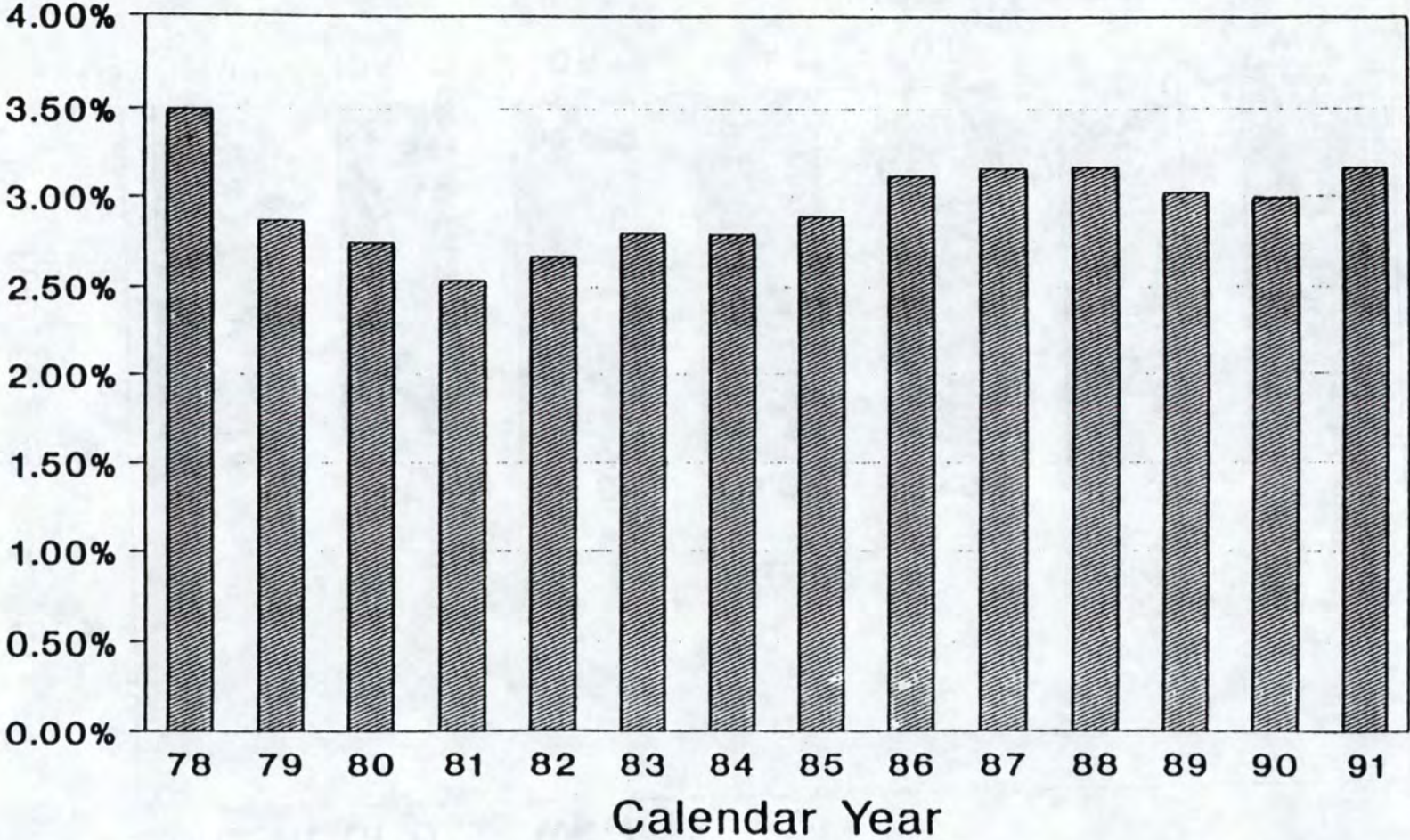
## Idaho and Neighboring States



Graph shows state and local tax collections per dollar of personal income expressed as a percent of all states' state and local tax collections per dollar of personal income.



**Figure 10. IDAHO PROPERTY TAX**



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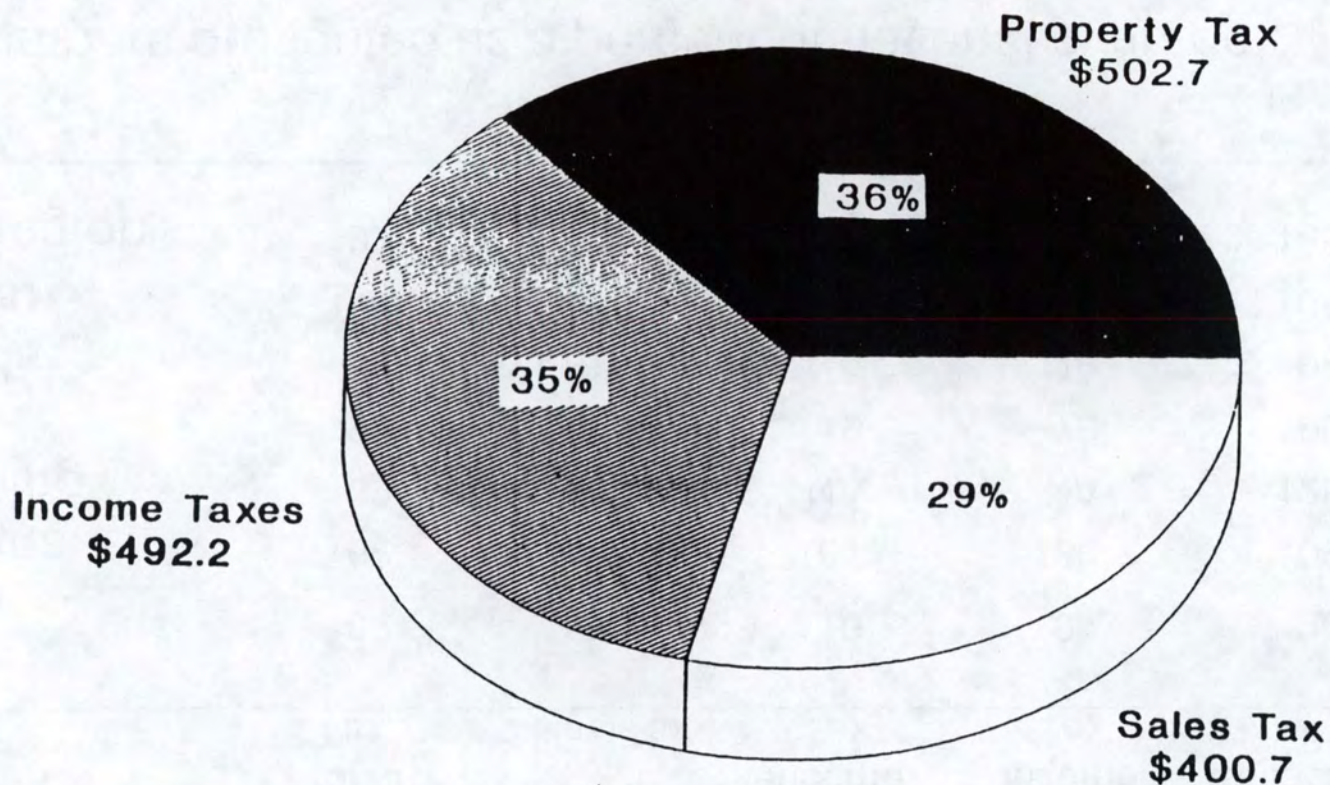
**Table 1. INDEX OF REVENUE SOURCES<sup>1/</sup>**

	Property Tax	Sales Tax	Personal Income Tax	Corporate Income Tax	Total Tax Collections
Idaho	82	97	116	94	96
Montana	162	NA	101	130	109
Wyoming	169	108	NA	NA	128
Utah	93	137	119	78	106
Nevada	67	137	NA	NA	94
Oregon	148	NA	165	60	105
Washington	93	215	NA	NA	105

<sup>1/</sup> Numbers presented as a percent of national average



**Figure 12. IDAHO'S THREE-LEGGED STOOL**  
**1991 Tax Collections, \$ Millions**



*Idaho Tax Equity Summit, Dec. 12, 1991*