

Corporate tax decreases hamper state revenue

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Corporate income tax collection in September dropped, resulting in lagging state revenue.

That was the report Friday of Martin L. Peterson, administrator of the Division of Financial Management for the period ending Oct. 1, or the first quarter for the current fiscal year.

For all revenues for the first quarter, the total was \$110.4 million, below the \$112.8 million predicted to date.

The report showed corporate income tax amounted to only \$2.2 million for the first three months of the fiscal year, which was \$2.2 million below expectation.

Other funds were above expectation and included predicted and accrued to date, respectively, personal income tax \$50.8 million and \$53.9 million; sales tax \$51.6 million and \$50.2 million, products taxes \$3.3 million and \$3.4 million, and miscellaneous \$4.8 million and \$5.1 million.

The latest predictions place the fiscal 1984 revenue ending June 30 at \$497.4 million. Of this \$228.9 million is expected in personal income tax, \$22.5 million in corporate income tax, \$194.8 million in sales tax, \$13.5 million in product taxes, and \$37.7 million in miscellaneous taxes.

Peterson said in the report that refunds in the corporate income tax exceeded gross collections due to the loss carrybacks and net operating losses, as well as refunds to banks.

"The bank refunds are the result of a ruling by the U.S. Supreme Court earlier in the year that states such as Idaho which do not tax interest on municipal

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securities issued in its borders, cannot tax interest on federal securities, said Peterson.

"This and other court decisions along with changes in federal and state tax laws explain the expected drop in corporate income this fiscal year despite projected increases in corporate profits.

"Individual income tax collections continue to be somewhat higher than expected, and sales tax collections remained within the target range."

Peterson said that following the national trend, services and trade employment in Idaho has grown from 40 percent of total non-agricultural employment in 1970 to about 44 percent now.

Manufacturing's share of Idaho nonfarm employment has steadily declined from 21 percent of the total in 1970 to only 17 percent this year, he added.

"With increased per capita income, expanding use of computers, growth in tourism and changing lifestyles, services should continue to grow in Idaho," he said.

Peterson said that nationwide "the recovery appears to be maturing. The real Gross National Product in the third quarter is estimated to have grown at a 7 percent annual rate as opposed to the 9.7 percent in the second quarter."

He added housing starts in August rose to 1.935 million unit level at an annual rate. With house prices continuing to rise and mortgage rates expected to stay near 13.7 percent, the August level is likely to be this year's peak, he said.