Committee studies several ways to spend state income tax money

Sun Sept 25 1983

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State Sen. Dane Watkins, R-Idaho Falls, co-chairman of the Legislative Council's Interim Tax Structure Committee, said Friday a number of options will be studied on how to best utilize the state income tax.

Watkins, who said the property tax subcommittee which he chairs will meet again Oct. 17, plans to delve further into the matter. The subcommittee held its initial session last Monday.

Watkins said that 53 percent of Idaho's general account money came from the state income tax in 1981-82, up from 47 percent in 1976.

"Whether we want it to play that major a role is a question the committee has to decide," he said.

The committee will also study a proposal by Rep. Gordon Hollifield, R-Jerome.

Watkins said that under that proposal, people who don't own property could be assessed a local income tax that would be used to fund education and reduce property taxes.

Also being studied is the quarterly collection of income taxes. That idea was proposed unsuccessfully by some Democrats last session as a way to help raise state funds without raising taxes.

But Watkins said the $10 million-$12 million raised would be a one-time windfall. "What do you do after that?" he asked.

He emphasized the committee is reminding the Legislature to make tax-related laws simple to understand and process. Watkins said that request came from the State Tax Commission.

Also discussed was whether the $10 per person "head tax" that goes to the state permanent building fund is justified.

Watkins noted this head tax was passed by the Democrats under Gov. Ben Ross in 1959.

Watkins said there are both pros and cons in having the state income tax conform with the federal code.

This tax goes for general revenue purposes.

Its advantages is that it is easier to collect, but its disadvantge is the fact it loses some of the flexibility.

"Our talk is in looking at graduated ratings but nothing definite has been decided," said Watkins.

In the last subcommittee meeting this week, Darwin Young, of the State Tax Commission, said he was concerned over administering tax laws with many exemptions and deductions.

For example, he said, there are 26 different provisions on the Job Credit Bill.

He said many other pieces of legislation also offer similar worries that make the laws difficult to administer.

Pat Harwood, Boise, executive director of the Idaho Association of Commerce and Industry, complained the business sector is taking too big a load on taxes.

He pointed out the sales tax was increased 50 percent, from 3 cents to 4.5 cents; corporate income tax was hiked 15 percent, some of the job credit tax bill benefits were removed and the 50-50 Tax Initiative shifted property taxes to business and farmers.

Russell Westerberg, Boise, president of the Associated Taxpayers of Idaho, reviewed history of the property tax, noting it was first instituted in 1931. The sales tax was invoked in 1965 to help ease burden of the property tax and to help finance schools. The income tax was reduced from 10 to 7 percent.

He said corporate tax is now 7.7 percent, a maxiumum of 5 percent from some individual brackets.

Watkins presided over the intergovernmental relations subcommittee Friday at Boise.

The property tax and intergovermental relations subcommittees are two of five subcommittees studying various phases of revenue proposals under the parent Legislative Council's Interim Tax Structure Commitee. They others includes sales tax, miscellaneous tax and users fee, and property tax.

The parent committee will study the proposals offered by the five subcommittees to consider recommendations for the 1984 Legislature which convenes in early January.