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Legislature unlikely to increase taxes

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Thousands of words will be written and spoken about the need for a state tax increase, but it can be surmised now that there likely will be none at the 1986 Idaho Legislature starting next month.

That's not because there isn't an urgent need, but the decision makers have vowed against a tax hike at a time when Idaho is struggling through economic doldrums.

Gov. John V. Evans and the two top Republican legislative leaders, Senate President Pro Tem James Risch, R-Boise, and House Majority Leader Tom W. Stivers, R-Twin Falls, have repeatedly said they favored no tax increase. They are the three main leaders to decide the fate on this legislative issue.

This is in keeping with the ultra conservative stance of Risch and Stivers, but it's out of character for the moderate Evans. The reasons are obvious. Evans is running for the U.S. Senate and he doesn't want the onus of a tax increase pledge during next year's election campaign.

Also, it would appear that many conservative legislators, perhaps a majority of the Republicans and many of the Democrats, are against general tax hikes as they face the voters at election time.

Among the exceptions is State Rep. Don C. Loveland, R-Boise, a member of the State Tax Commission in 1969-82 and one of the four sponsors of the Idaho Economic Recovery Act of 1986. The other three are Reps. L. Ed Brown, R-Pocatello; Larry EchoHawk, D-Pocatello, and Tim Tucker, D-Porthill.

The bill would raise state taxes as much as $75 million. Among other things it would extend sales tax to cover most services or raise the tax by 1 percent from the current 4 percent; allows local-option taxes with 55 percent voter approval, repeals the jobs and investment tax credits and lifts the 5 percent cap on the annual increase in property tax revenues.

Loveland said Idaho is at the crossroads. The legislators can "either wring their hands in despair and proclaim helplessness", or "they can summon courage, provide leadership, be honest with the people and enact the necessary tax reforms to stimulate recovery, and fund education and local govenment".

Rep. Mack Neibaur, R-Paul, one of the leading conservatives, has proposed, raising the sales tax to 5 percent from 4 percent effective Feb. 1.

House Majority Leader Mark G. Ricks, R-Rexburg, said he thinks the Economic Recovery Act will not get out of committee. He is opposed to any type of tax increase.

"When the economy is running at a very slow pace it is hard to increase taxes," he said.

Rep. M. Reed Hansen, R-Idaho Falls, said he favors a tax hike. He likely is the only one in the eastern Idaho delegation.

All the lawmakers agree there is need for more education funds.

Risch and Stivers said budget cuts, not tax increases, are solutions to the state's projected huge budget shortfall.

Risch says the Legislature should look at across-the-board cuts, eliminating programs or a combination of the two.

Stivers says the Legislature should exempt public schools from the budget cuts, but he conceded that would increase cuts for all other agencies up to 9 percent. However, he said those agencies could handle such cuts.

Evans said there could be other options. It's possible he may call again for quarterly tax collection, which was rejected by the Legislature last year but could raise $40 million on a one-time basis only.

EchoHawk said raising the sales tax a half-cent or 1 cent would be necessary to fund next year's state budget.

The Legislative Budget Office has mailed a report to the lawmakers which said the 1986 budget would be up to $26.4 million in the red. That's $12 million higher than the governor projected last summer when he imposed a 2.5 percent spending holdback.

Martin Peterson, director of the governor's budget office, agrees with the shortfall estimate and added the Legislature would have a hard time to avoid a tax increase.

If the Legislature doesn't exempt public schools from a holdback, a property tax increase would be automatically imposed to make up the money the schools lose from the state.

It would then mean budget cuts may target on the Department of Health and Welfare, the largest department in the state. The department, however, receives $3 from the federal govenment for each $1 the state contributes. If the department loses that money, the burden of caring for low-income people would fall on the counties. They in turn face state-imposed limits on raising taxes.

From all angles, the financial picture looks bleak indeed and it appears certain state programs, including education, face drastic cuts to the bone and into the bone itself.