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# IDAHO SALES TAX

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In 1968 Idaho began assessing a sales tax on selected items. In doing so, it joined most of the other states which use a sales tax to generate state revenue. Oregon, Montana, Alaska, Delaware and New Hampshire are the only states with no sales tax.

Idaho's 3% sales tax charge is about average compared with the other states. The percentage ranges between 2 and 7%, although most fall in the 3 to 4% category. Idaho's sales tax is collected on food, clothing, cigarettes and admissions to hotels, motels and recreational events. All alcohol except that sold by the state liquor dispensary is also taxed. Utilities, motor fuels and prescription drugs are exempt.

Most revenue generated by the sales tax becomes a part of the state's general fund. Income and other state taxes also go to the same fund. The general fund finances education, public health, welfare, correctional institutions and other state-funded programs.

## *Business Inventory Tax*

Until the state sales tax became a reality, local governments were able to assess property taxes on a category of personal property known as "business inventory" property. It included the following items:

1. Livestock, fur-bearing animals, fish, fowl and bees.
2. All nursery stock, stock in trade, merchandise, products, finished or partly finished goods, raw materials, supplies, containers and other personal property which is held for sale or consumption in the ordinary course of the taxpayer's manufacturing, farming, wholesale jobbing or merchandising business.

When the sales tax was passed, business inventory property was exempted from property taxation. While state revenues increased because of the sales tax, local revenues declined because of the loss of property taxes on business inventory property.

## *Inventory Tax Phaseout*

In an attempt to compensate for the loss of county and local revenue, the state began setting aside money in a fund at the following rate, to be distributed back to the counties:

- July 1, 1968 — 5%
- July 1, 1969 — 10%
- July 1, 1970 — 15%
- July 1, 1971 — 20%

Currently, 20% of the total sales tax money collected each year is paid back to the counties, with each one receiving a share determined in the following way:

1. County auditors went back to the years 1965, 1966 and 1967 and averaged the income from property taxes on business inventory property.
2. The percentage each county received of the total of all taxes on business inventory property was determined.
3. Each county now receives that same percentage as its share of the 20% reimbursement.

For example, the average tax charge for business inventory property for the whole state for 1965, 1966 and 1967 was \$6,264,729.97. The amount collected in Ada County was \$910,184.30 or 14.529% of the total. Ada County then receives 14.529% of the total inventory tax phaseout money each year.

Table 1 shows the average assessed value on business inventory property for the base years (1965, 1966 and 1967), the average tax charge on business inventory property for the same years, the gross sales tax paid by taxpayers for 1976 and the amount received from the inventory tax phaseout by each county for 1976.

## *Local Government's Share*

A further division of funds takes place within each county depending on two variables: (1) The average assessed valuation of property subject to the inventory tax during the base years is determined for each taxing unit in the county. That valuation is multiplied, each year, by the previous year's tax levy for each taxing unit, and the result is called the "tax charge." (2) The taxing unit (city, special district or other unit) then receives a share of the county's inventory tax phaseout money in the proportion its tax charge bears to the total tax charge of all such units in the county.

## *Summary*

Although the sales tax is a state tax and revenue generated by it is used primarily to fund state programs, the counties do receive 20% of the total money collected each year. The money counties get is referred to as the inventory tax phaseout, because it compensates for county and local revenue lost when business inventory property was exempted from property taxes.

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**Table 1. Apportionment of 20% of sales tax collections to counties authorized by Section 63-3638(G) I. C. for exemption of "business inventories" State of Idaho.**

County	Average assessed value-business inventory ((1965, 1966, 1967)	Average tax charge business inventory (1965, 1966, 1967)	Gross sales tax paid by taxpayers year end 6/30/76	Amt. of sales tax apportioned to counties year end 6/30/76
Ada	\$7,440,186	\$910,184.30	\$18,763,965.40	\$2,578,507.88
Adams	774,754	57,247.31	90,221.95	162,210.49
Bannock	2,864,993	381,991.58	4,583,747.98	1,082,053.99
Bear Lake	703,200	58,376.76	362,435.64	165,405.01
Benewah	450,127	44,218.07	431,578.14	125,296.07
Bingham	2,566,646	229,144.63	1,564,247.27	649,196.91
Blaine	849,750	62,078.78	1,344,357.04	175,875.92
Boise	620,766	30,981.40	78,418.54	87,849.22
Bonner	1,152,077	102,522.55	1,390,223.42	290,346.13
Bonneville	3,815,502	398,180.11	5,506,555.05	1,128,019.55
Boundary	592,994	50,814.03	301,377.14	143,930.75
Butte	392,695	29,012.18	157,202.26	82,170.09
Camas	349,419	19,649.16	31,547.87	55,726.58
Canyon	5,241,036	502,985.32	4,899,049.44	1,424,754.71
Caribou	1,169,326	88,842.44	503,893.20	251,656.97
Cassia	2,089,548	174,806.47	1,842,957.81	495,150.18
Clark	497,719	32,821.81	41,914.17	92,995.95
Clearwater	1,980,595	158,427.72	581,083.32	448,829.68
Custer	1,077,687	70,508.57	177,839.22	199,657.33
Elmore	1,099,534	89,399.59	898,272.16	253,254.24
Franklin	645,696	68,563.41	425,282.76	194,155.66
Fremont	800,542	69,747.84	567,161.27	197,527.66
Gem	1,174,439	91,598.79	491,795.76	259,465.80
Gooding	1,140,387	93,542.87	524,111.64	264,967.47
Idaho	2,000,784	159,546.80	829,760.98	452,024.20
Jefferson	1,179,716	81,112.00	516,012.66	229,827.77
Jerome	1,099,154	92,710.41	703,363.79	262,660.30
Kootenai	1,862,971	229,265.04	3,606,401.55	649,551.85
Latah	1,274,296	120,262.93	1,600,552.93	340,748.52
Lemhi	1,362,579	105,809.54	465,739.62	299,752.21
Lewis	604,790	35,971.79	270,382.41	101,869.60
Lincoln	605,645	52,886.44	105,705.77	149,787.37
Madison	622,483	59,994.72	1,003,518.20	170,019.31
Minidoka	1,529,404	126,905.44	1,096,325.18	359,560.68
Nez Perce	2,556,476	319,389.51	4,104,750.31	904,758.29
Oneida	517,267	43,024.38	150,154.83	121,924.09
Owyhee	1,615,667	108,512.07	380,248.80	307,383.54
Payette	941,773	77,965.32	526,638.64	220,776.64
Power	1,121,718	80,106.77	256,541.31	226,988.21
Shoshone	1,654,584	145,155.90	1,240,796.20	411,205.37
Teton	383,911	32,741.10	155,169.21	92,818.47
Twin Falls	4,511,991	432,606.17	4,119,654.74	1,225,452.33
Valley	778,562	51,292.51	331,956.25	145,350.53
Washington	1,587,960	93,825.44	440,321.77	265,854.83
<b>TOTAL</b>	<b>\$67,301,349</b>	<b>\$6,264,729.97</b>	<b>* \$67,463,233.60</b>	<b>\$17,747,318.35</b>

\*Does not include multi-county associations \$13,614,253.41 and payments by other states \$7,796,557.62.

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