



Associated Taxpayers of Idaho

61st Annual Tax Conference

November 14, 2007

Tax Exemption Interim Committee

- Senator Brent Hill
Co-chair
- Senator Joe Stegner
- Senator Tim Corder
- Senator Lee Heinrich
- Senator Jeff Siddoway
- Senator David Langhorst
- Senator Diane Bilyeu
- Rep. Dennis Lake
Co-chair
- Rep. Gary Collins
- Rep. Jim Clark
- Rep. Mike Moyle
- Rep. Dell Raybould
- Rep. Nicole LeFavour
- Rep. Bill Killen

Our Charge:

- Study the state's tax exemptions, deductions and credits.
- Recommend a strategy to statutorily limit exemptions, deductions and credits.
- Evaluate existing exemptions, deductions and credits to determine if they are meeting their originally intended purposes.

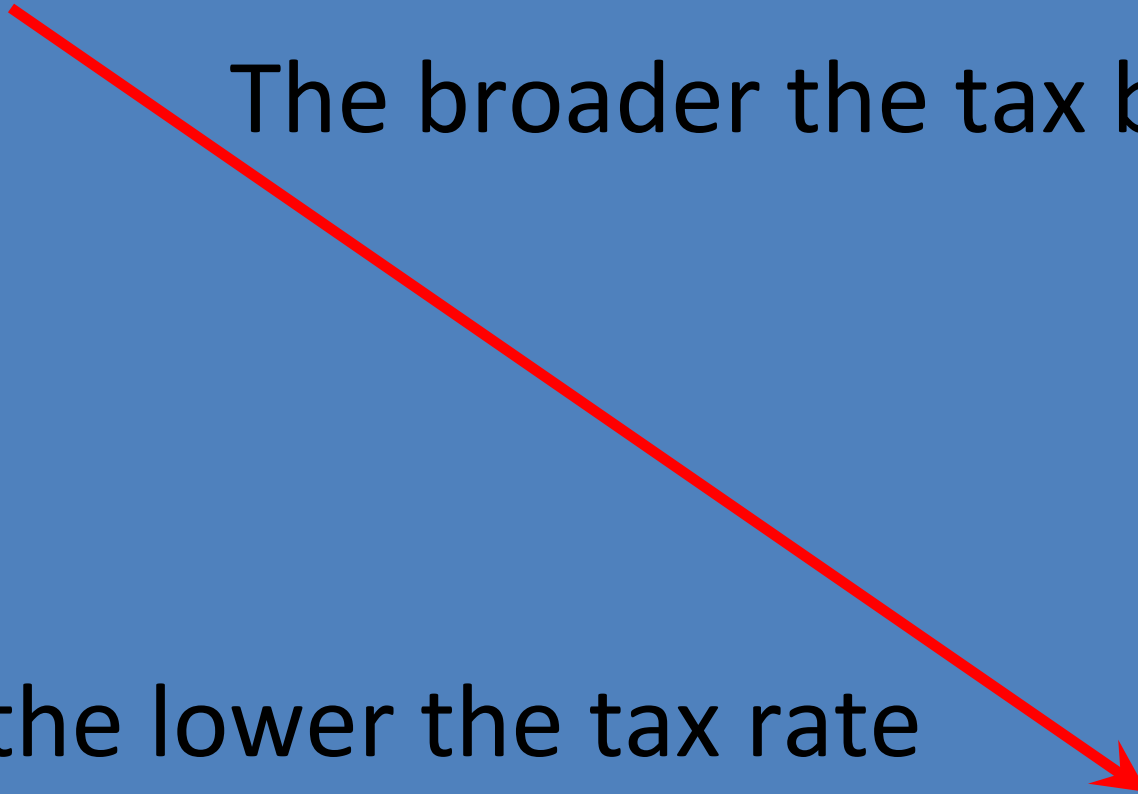


RATE

The broader the tax base

the lower the tax rate

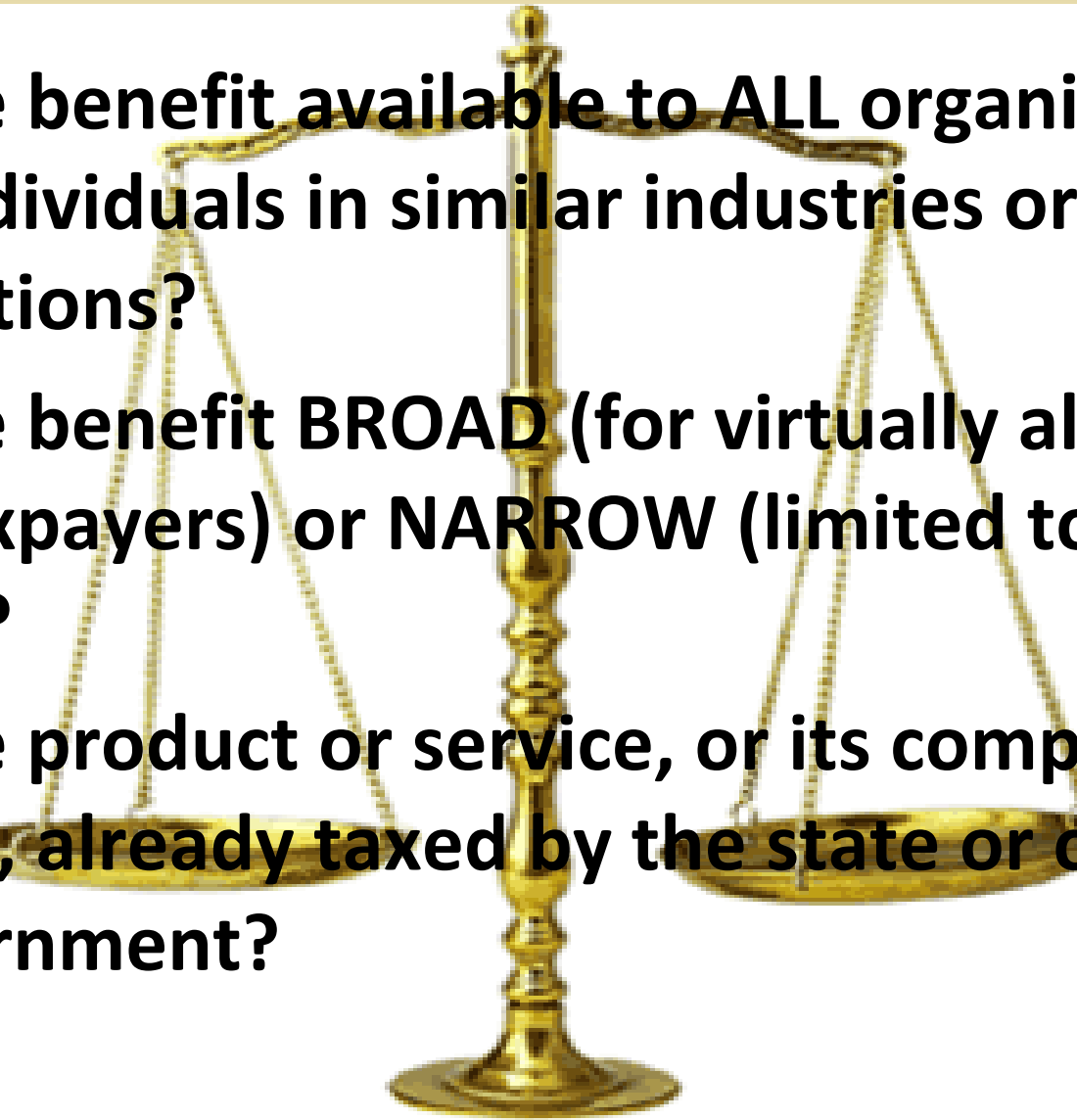
TAX BASE



Basic Principles Adopted

- **The broader the tax base the lower the tax rate.**
- **Exemptions, deductions and credits reduce the tax base.**
- **Any elimination or reduction of exemptions, deductions or credits is for the purpose of reducing rates or avoiding future rate increases, not to increase revenues to the state.**

1. EQUITY AND FAIRNESS

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- a. Is the benefit available to **ALL** organizations or individuals in similar industries or situations?
 - b. Is the benefit **BROAD** (for virtually all classes of taxpayers) or **NARROW** (limited to a few)?
 - c. Is the product or service, or its component parts, already taxed by the state or other government?

2. CERTAINTY



Are rules clear about when and how tax is paid and amount due?

3. CONVENIENCE OF PAYMENT



Is the tax payable at a time and manner convenient to taxpayers?

YOU'VE GOT TO HAND IT TO JOHNSON...IF ANYONE OWES TAXES, HE'S THE MAN TO COLLECT THEM!

4. ECONOMY IN ADMINISTRATION

- a. Is the benefit easy to claim by the taxpayer?
- b. Is the benefit easy to administer by the government?



5. SIMPLICITY

- a. Does the benefit simplify or clarify existing tax code rather than complicate it?**
- b. Is the benefit easily calculated and accountability maintained with minimal recordkeeping?**
- c. Does the benefit bring us in compliance with federal law rather than create another departure?**
- d. Are unintended consequences unlikely? (Are ramifications well-understood?)**

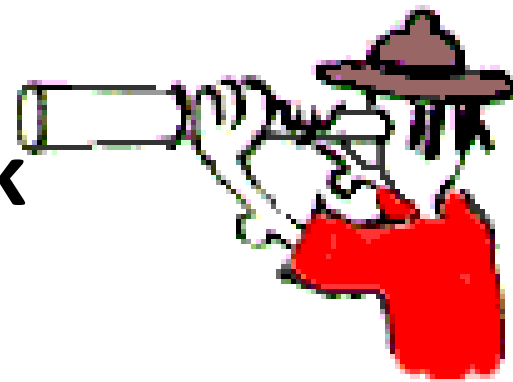
6. BENEFIT OBJECTIVES

- a. How does the benefit influence the behavior of individual taxpayers or organizations?
- b. Are the objectives of the benefit clearly stated?
- c. To what extent does the tax benefit promote the public interest?
- d. Does the benefit serve to attract or stimulate the state's economic condition?
- e. Is the benefit needed in order to compete with similar benefits in surrounding states?



7. TRANSPARENCY AND VISIBILITY

- a. Can the public easily understand the benefit and/or consequence of any tax shift?**
- b. Is the benefit better claimed as a tax break rather than through a budget appropriation?**
- c. Would a sunset, clawback or cap provision be appropriate?**



8. APPROPRIATE GOVERNMENT REVENUES

- a. Does the tax break benefit an organization that provides goods or services that the government would otherwise have to provide?**
- b. Is the fiscal impact reasonably determinable with existing or readily developed data?**
- c. Does the benefit have an acceptable impact on government revenues?**

TO BE ELIMINATED

1. Sales tax exemption on **SKI LIFT AND GROOMING** equipment.
 2. Sales tax exemption on **BROADCAST** and **PUBLISHING** equipment and supplies.
 3. **INVESTMENT TAX CREDIT** on future investments.
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TO BE EVALUATED BY GERMAINE COMMITTEES

INCOME TAX CREDITS:

- 1. Investment tax credit**
- 2. Youth rehabilitation credit**
- 3. Broadband investment credit**
- 4. Corporate headquarters investment credit**
- 5. Corporate headquarters new jobs credit**

TO BE EVALUATED BY GERMAINE COMMITTEES

SALES TAX EXEMPT USES:

- 1. Broadcast equipment and supplies**
- 2. Publishing equipment and supplies**
- 3. Ski lift and snow grooming equipment**
- 4. Corporate headquarters construction**

TO BE EVALUATED BY GERMAINE COMMITTEES

SALES TAX EXEMPT GOODS AND SERVICES:

- 1. Vending machine and amusement devices**
- 2. Funeral caskets**
- 3. Lottery tickets and pari-mutuel betting**
- 4. Professional services (2nd tier)**

TO BE EVALUATED BY GERMAINE COMMITTEES

SALES TAX EXEMPT ENTITIES:

- 1.State of Idaho and local government purchases**
- 2.Sales through vending machines**
- 3.Auto manufacturer rebates**



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