

# Idaho places one more bet at the tax cut casino

Marty Trillhaase

It's good for you when Idaho Republicans cut \$35.7 million from the tax burden borne by the state's corporations and richest citizens.

At least, that's what they say.

"It lowers taxes in the state of Idaho, it makes Idaho more competitive with its surrounding states," said House Majority Leader Mike Moyle, R-Star, who is co-sponsoring this measure with Gov. C.L. (Butch) Otter. Speaking to the House tax committee Tuesday, Moyle promised lowering taxes at the top tier would make "Idaho known on the map and sends the world a message that Idaho is open to do business. While I don't think it's enough, I think it's a step in the right direction, and it's probably the best economic development bill we've seen all year."

In other words, if the rich pay less in taxes, they'll invest more. That way, everybody else in Idaho will prosper.

Just one thing: It doesn't work.

Mike Ferguson, director of the Idaho Center for Fiscal Policy and chief economist under six governors, compiled this record:

- During the severe downturn that gripped Idaho in the early 1980s, Gov. John Evans and the Republican Legislature cut spending but also increased taxes.

Corporate tax rates rose from 6.5 percent to 8 percent.

The top individual income tax jumped from 7.5 percent to 8.2 percent.

The sales tax rose from 3 percent to 5 percent.

With that money, Idaho maintained its public schools, higher education, infrastructure and social safety net.

According to trickle-down economics, Idaho should have tanked. It didn't.

Beginning in 1987, the Gem State went on a 20-year boom. Every year, Idaho grew faster than the national average. The economy was so robust that Idaho breezed past a national recession in 1990-91. Idaho's output of goods and services slowed during the dot-com bust of 2001, but even then it never fell into negative territory.

- Beginning in 2000, Republican governors and lawmakers began hacking away at the tax rates.

In 2000, income tax rates dropped 0.1 percent.

The next year, they were pulled another 0.3 percent lower. The corporate tax rate dropped from 8 percent to 7.6 percent.

In 2006, schools were lifted from property tax support, a move that cut taxes on corporations and wealthy landowners by \$50 million.

Along with commitments to expand Idaho's grocery sales tax credit from \$20 to \$100 and to free businesses from paying the personal property tax on the first \$100,000 worth of equipment in each county where a firm operates, lawmakers have obligated the state toward \$250 million worth of tax cuts.

The one exception was former Gov. Dirk Kempthorne's two-year penny sales tax increase to get Idaho past the post 9-11 slowdown.

To pay for these tax breaks, Idaho first slowed - and then reversed - its spending on public investments. According to trickle-down economics, the sustained volley of infusions into the private sector should have super-charged Idaho's economy. Quite the reverse.

Even before the 2008 crash, Idaho was in trouble. Its economic output slumped in August 2007. So it fell earlier, harder and deeper than just about anywhere else. At this rate, Idaho will be among the last places in America to emerge from this recession. Otter's budget office projects state revenues won't return to pre-crash levels until 2015, not counting inflation.

There's no proof raising taxes in the 1980s jump-started Idaho's economy for the next two decades. But it certainly didn't hurt.

Likewise, you can't blame Idaho's current troubles on a decade of tax cutting. Neither did it prevent Idaho's slide into the abyss.

Tuesday, only tax committee Chairman Dennis Lake, R-Blackfoot, broke ranks and joined the panel's three Democrats in voting against the tax reduction. The remaining 13 Republicans sent it to the House floor.

In so doing, they can only be certain of this much:

They will hand more money to Idaho's wealthiest citizens.

They will further crimp government programs.

Whether it gets you a job or primes Idaho's economic pump is no more than a gamble. All they're doing is plunking more coins into a slot machine and assuring you that this time, it has got to work. - M.T.