

S-R editorial: Talent trumps taxes for businesses looking to grow, relocate

Spokesman-Review Editorial Board

Idaho's outgoing Department of Commerce director surprised legislators Tuesday with the problematic message that talent trumps taxes.

Jeff Sayer, an entrepreneur who will return to the private sector at year's end, told a working group on taxation that tax rates seldom come up in conversations with businesses considering expansion or relocation.

Further up the list of priorities, he said, is the availability of skilled workers. Some are shelving plans to grow in Idaho because they do not see an adequate talent pool. None that he has spoken to even raised the tax issue.

What's so problematic?

For one, when Idaho legislators use the word "tax," the necessary suffix is "cut." When a tax policy group starts its meetings in secret, the antenna of Legislature observers _ and Idahoans in general _ should go up.

Secondly, Sayer's messages to lawmakers have not been very consistent. He has, for example, advocated local government authority to exempt businesses from property taxes if they invest in property or equipment. Exemptions simply shift the tax burden to other taxpayers.

Sayer himself said that four years ago he would have been among those supporting tax cuts as a business incentive. No more.

Talent comes first, and Idaho will need more of it over the next decade, Sayer said. State efforts to boost university engineering school capacity, for one, are not keeping up, which puts graduates in a no-man's-land in which businesses won't move into Idaho to absorb what talent there is, but they are happy to recruit students for jobs elsewhere.

Too few high school graduates — Idaho's share is among the worst in the country — even advance to a two- or four-year campus where they can get the skills needed for good jobs. The Legislature finally awakened to the economic threat this year, reversing years of declines in education funding, although holdouts like Sen. Steve Vick, R-Dalton Gardens, still do not get the idea that schools cannot deliver something for nothing.

Tax group chairman Sen. Jeff Siddoway, R-Terreton, does get it, and continues to put higher teacher pay above tax relief.

Worth noting, too, are Idaho's relatively good standing — 19th — in business tax burden, and the significant tax relief already on the books. Tax “expenditures” carve a \$2.3 billion hole in revenues, with sales tax exemptions of \$1.7 billion exceeding collections of \$1.2 billion.

Despite our concerns about the panel's initial secrecy, its deliberations could yield a more thoughtful tax policy than emerged during years of mindless tax-cutting that ignored the harm done to education along the way.

Meanwhile, taxpayers may get a breather from the surplus revenues the economic recovery is generating.

But Sayer identified the right priority: educating a workforce employers want. If they can fill more jobs, new tax revenue will fill state coffers.

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