

GOP would gobble lion's share of 'Fair Share'

Posted: Thursday, December 10, 2015 12:00 am

William L. Spence/Lewiston Tribune

Just in time for Christmas, the League of Women Voters of Idaho rolled out the group's "Fair Share" ballot initiative, which seeks to lower the state's overall sales tax rate and eliminate a number of exemptions.

The initiative is billed as a way to boost school funding, but in reality it's a \$424 million gift to Republicans, wrapped up with a bow.

Should the measure actually qualify for the ballot and be approved, there is zero chance the Legislature will follow through and spend the money on education. Instead, the revenue would pay for every tax-cut scheme the majority party has been dreaming about for the past two decades.

The initiative hands Republicans \$120 million to finally get rid of the business personal property tax - something they've been working toward since 2001.

It gives them \$90 million to abolish the top corporate and individual income tax bracket, as Gov. C.L. "Butch" Otter proposed in his 2015 State of the State address.

And it provides \$115 million to eliminate the sales tax on groceries - another favorite target for legislative tax hawks - without even touching the grocery tax credit.

That still leaves nearly \$100 million in new revenue, some of which may actually be dedicated to schools.

However, barring a massive upheaval in the makeup of the Legislature, there is no way Idaho lawmakers will accept a \$424 million tax increase - even one that's approved by voters - and spend it all on education.

To be clear, while the Fair Share initiative certainly suggests more money is needed to meet the state's education mandate, it doesn't actually specify how the new revenue should be spent. In fact, the measure is as much about tax fairness as school funding.

The initiative website, www.fairshareidaho.org, notes that sales taxes are typically regressive, hitting lower-income households disproportionately. It also suggests Idaho's growing list of sales tax exemptions and exclusions provides an unfair advantage to special interests.

"Trends in state tax policy have caused the state's overall tax structure to become unbalanced by favoring a few, while shifting total sales tax burdens to lower-income individuals and families,"

according to the website. "The tax base is unstable, and families have less disposable income to help grow local economies."

Idaho now has more than 80 sales tax exemptions and exclusions that collectively cost about \$2.2 billion in lost revenue each year.

The League of Women Voters initiative would eliminate 34 of them, generating \$677 million. It would then cut the overall rate from 6 percent to 5 percent, at a cost of \$253 million, for a net benefit of \$424 million.

Businesses and professional services, which currently aren't subject to the sales tax, would be the biggest sources of new revenue. The initiative also applies the tax to transportation and information services, as well as some construction labor, repairs and social services such as day care and adult residential care.

The basic intent is to tax all goods and services purchased by the end consumers, while exempting goods and services that businesses use during the production process.

However, the initiative leaves in place major exemptions for things like motor vehicle fuel (with an estimated \$173 million in lost revenue annually), health and medical services (\$521 million), utility sales (\$108 million) and educational services (\$49 million). It also doesn't touch the three dozen or so income tax credits and deductions that cost the state another \$430 million per year in lost revenue.

As a matter of tax policy, some Republicans may actually agree with the proposal. Many dislike the proliferation of special interest exemptions, so they might quietly root for the league to prevail.

Far fewer, though, would agree that taking another \$424 million from the pockets of Idaho businesses and citizens each year is the right direction to go. Virtually every session you will hear one or more Republicans voice the sentiment that "we don't have a revenue problem, we have a spending problem."

They can also point to Idaho's ongoing economic growth, which by the end of fiscal 2016 will have boosted state tax collections by an estimated \$917 million and 40 percent, compared to 2010, even with all the exemptions and exclusions in place.

More than half that revenue was spent on state programs, including \$250 million for education. Much of the rest was used to increase the state's budget reserve accounts, while \$80 million or so paid for various tax cuts.

Granted, an argument could be made that if voters approve a \$424 million tax increase for education, the Legislature would be obliged to follow through.

Except this is Idaho, where majority rule only applies on Election Day; after that, it's representative government all the way - and these representatives just don't believe in tax hikes.

The initiative may be good tax policy, but don't bank on schools ever finding a \$424 million gift under their Christmas tree.

Spence covers politics for the Tribune. He may be contacted at bspence@lmtribune.com or (208) 791-9168.