

# Grocery tax repeal still cooking

## Idaho lawmakers may try to get rid of tax again, but future for broader tax reform doesn't look promising

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**William L. Spence/Lewiston Tribune** Idaho lawmakers may take another run at repealing the grocery tax next session, but the chances for broader, more comprehensive tax reform aren't looking good.

Moreover, potential changes in federal tax policy could hamper which tax relief options the Legislature can even afford to consider.

Senate President Pro Tem Brent Hill, R-Rexburg, said the strong revenue performance in fiscal 2017 likely will feed interest in repealing the 6 percent state sales tax on groceries.

Year-over-year tax collections increased by nearly \$265 million or 8.3 percent last year, and are projected to jump another 4.6 percent in fiscal 2018, which began July 1.

"With the surplus we have, I think there's a good chance the Legislature will again look at eliminating the sales tax on food," Hill said. "There's obviously strong support (for the concept)."

After years of behind-the-scenes work, rogue lawmakers finally succeeded in eliminating the tax during the 2017 session. Relying on an obscure procedural maneuver, they hijacked an income tax bill and replaced it with language repealing the grocery tax, as well as a related grocery tax credit.

Despite opposition by Republican leaders, the resulting bill was easily approved, only to be vetoed by Gov. C.L. "Butch" Otter after the session ended.

In his veto message, Otter suggested it was time for the Legislature "to undertake a more comprehensive assessment of our tax system, and particularly the wisdom and continuing utility of the multitude of tax exemptions in Idaho Code."

Hill supports that type of systematic review, which he believes could result in a broader tax base and lower tax rates.

"Right now we put together our tax code piecemeal," he said. "Every session we throw various ideas at the wall and see what sticks. That isn't the best way to come up with fair, sound tax policy."

However, tax bills must originate in the House, and Hill noted that "influential members of the House" historically have favored a more incremental approach to tax reform.

One of those influential members is House Majority Leader Mike Moyle, R-Star, who has twice participated in exactly the kind of comprehensive assessment Otter is proposing. He sat on two interim committees, both of which reviewed the merits of various sales tax exemptions - which collectively cost the state about \$1.8 billion per year in lost revenue - yet neither committee succeeded in overcoming resistance to removing the tax breaks.

"It's easy to say 'let's get rid of exemptions to broaden the base and lower the rates,'" Moyle said. "But when you tell people they're going to have to start paying sales tax on their doctor bills, on accounting bills, on grandpa's casket, then everybody starts backing up."

Since then, he has sponsored or co-sponsored most of the incremental tax bills approved in the House. His focus primarily has been on lowering Idaho's top corporate and individual income tax rates, which he sees as a barrier to attracting businesses to the state.

Given the strong opposition to the grocery tax, which many lawmakers consider immoral, Moyle thinks it will be gone within the next few years. Nevertheless, he wants to see that tied to income tax relief - similar to an omnibus bill he co-sponsored in 2015.

That measure, which passed the House but stalled in the Senate late in the session, reduced the number of income tax brackets, lowered the top tax rate and eliminated the grocery tax and tax credit.

"I assume we're going to see some sort of fight (next session) over the grocery tax, but if we do that it needs to be part of a broader picture that looks at the income tax," Moyle said. "That's where Idaho is at a disadvantage."

Senate Local Government and Taxation Chairman Dan Johnson, R-Lewiston, isn't a particular fan of Moyle's "package deal" approach, which can be difficult to evaluate. He'd prefer to see a "clean" proposal, with a focus on creating opportunities, rather than simply adopting new credits or exemptions.

"Everybody needs to enjoy the benefits," he said.

Sen. Cliff Bayer, R-Meridian, co-sponsored the 2015 bill, but shares Johnson's preference for "clean-cut" tax policy that doesn't combine multiple issues.

Bayer also led the 2017 grocery tax repeal effort, and expects a similar effort next session.

"I'm just not sure what it will look like," he said. "I think it will be part of a greater debate about what's fiscally responsible and what we can afford."

Changes in federal tax policy could influence that debate. The Trump administration, for example, has floated a number of income tax reform proposals, including doubling the standard deduction, increasing the personal exemption and eliminating the deduction for state tax liabilities.

Such changes "would have a significant fiscal impact on Idaho," Hill said. "We might have to choose between eliminating the grocery tax or reducing income taxes - or not conform to the federal code and end up with our own unique tax code, which we've always tried to avoid."

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