

2012 legislative priority: Cut taxes for Idahoans

By Wayne Hoffman

Now that we're nearing the final weeks of the state's budget year, it appears fairly obvious that the state will close out June with a budget surplus in the range of \$70 million. The state's tax collections had been running about \$74 million ahead of expectations. May tax collections came in \$8 million lower than projections, but May is a relatively small month and the deviation probably doesn't reflect a trend.

Nonetheless, a situation is being created wherein the state's general fund income is, by far, exceeding budgeted needs, and now there are renewed calls increased state spending. Assuming the revenue collections continue to grow larger, those calls will only grow louder. Lawmakers already obligated some of the surplus to the state's public schools. But higher-than-expected revenues tend to have a compounding effect because it gives the state a bigger-than-expected starting point for the new fiscal year on July 1. It means there will probably be more money -- a lot more money -- for the governor and state lawmakers to consider when they arrive in Boise in January 2012.

Today's situation kind of reminds me of 2000. Then, lawmakers arrived in Boise to find out that the state was running a budget surplus of about \$55 million. Gov. Dirk Kempthorne proposed taking the revenue and sticking it in the state's rainy day account. But conservatives in the Legislature balked. Even as Kempthorne was delivering his budget proposal to joint session of the House and Senate, you could see the wheels turning in the heads of tax chairs Dolores Crow and Jerry Thorne, and lead budget writer Atwell Parry. They wondered why the state should bank the surplus when the surplus could be used to cut taxes. The lowered personal income tax rates lawmakers approved in 2000 and 2001 are the ones we use today.

In recent years, lawmakers have been reluctant to pass new, substantive tax cuts (an occasional targeted tax credit notwithstanding) because tax cuts are viewed as a net negative for the state's general fund. It's the chief reason Rep. Marv Hagedorn's proposal to cut corporate taxes has gotten nowhere the last two years. In reality, tax cuts tend to stimulate the economy, freeing money that can be absorbed into payrolls and cash registers, and that tends to positively impact state revenues.

Regardless, personal income tax rates are too high, a huge impact on both small businesses and individual income earners. The corporate income tax is a deterrent to business growth and investment and tends to drive companies out of Idaho or keep new companies from considering moving here. The personal property tax is not only another business expense but a paperwork nightmare. In short, there are many, many ways to give needed relief to taxpayers across Idaho in 2012. To do so, lawmakers are going to have to resist the deafening calls to plow more money into those agencies and programs that have been cut back in recent years. Government is too big, even now, and should be cut even more; the tax burden is too great, and with tax collections beating current estimates, one of next year's leading priorities must be to lower taxes for Idahoans.

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