

Idaho's tax cut mania comes up short - again

Marty Trillhaase/Lewiston Tribune

Two years ago, members of the Idaho Senate Local Government and Taxation committee asked if Idaho's primary economic development tool - driving down taxes - was doing any good.

They put that question to the Legislature's Office of Performance Evaluations.

Even before OPE staffers went to work in March 2012, the anecdotal evidence was abundant.

For more than a decade, Republican governors and legislators had been busy trimming back the income taxes wealthy individuals and corporations paid. Thanks to a 2006 tax shift, people who owned expensive homes and businesses got a property tax break while lower-income families forked over more in sales taxes.

In 2012, Idaho lawmakers peeled back the top income tax rate paid by high-income families and corporations.

This year, they repealed \$20 million worth of property taxes businesses pay on equipment.

Yet Gov. C.L. (Butch) Otter says that should be just a beginning toward repealing the remaining \$120 million in personal property taxes Idaho's largest corporations pay. Either that or continue to lower income tax rates. Meanwhile, support for public education has ebbed. Cuts imposed during the depth of the Great Recession have not been restored. Idaho's spending per pupil is ranked next to last. And the share of Idaho's personal income devoted to public schools is down more than 20 percent - or about \$500 million a year - since the turn of the century.

Likewise, institutions of higher learning have boosted student tuition to compensate for losses of state revenues.

And it's been 17 years since any Idaho governor and Legislature raised fuel taxes and registration fees to maintain highways and bridges. Otter last tried to adjust those revenues for inflation four years ago and got nowhere.

During the same time frame, Idahoans have seen their wages fall relative to the rest of the country. The state is ranked 49th in per capita income and could be headed for last place. Many of Idaho's skilled workers could make more simply by moving into another state.

The state has the highest rate - 7.7 percent - of minimum-wage jobs in the country.

Last year, more people left the state than moved in - the first time that's happened since the 1980s. Many of those leaving are people in their 20s.

Nobody can say the state's tax cut mania has produced those results, but it certainly has done nothing to prevent them.

Now comes the OPE study, which reports:

- Tax rate comparisons used to justify new breaks are notoriously stilted. For instance, if a business group contends Idaho's corporate tax rates are high, it often neglects to mention how many exemptions and breaks enable businesses to avoid paying taxes. "None of the studies tell the complete story."
- "... Multistate tax comparisons are not the only factors important to business investment. ... Nontax factors such as labor costs, climate, education and infrastructure are often more important to business investment decisions than are tax cuts."
- You can't isolate tax policy from the services and infrastructure those taxes provide. In fact, a lower tax rate that produces inadequate schools, unskilled workers or a deteriorating infrastructure can hinder business expansion. "Businesses rely on tax-funded government services such as infrastructure development, education and workforce training. Tax policy changes that affect Idaho's ability to fund such programs might improve Idaho's competitiveness in the short term by reducing business tax burden, but decrease Idaho's competitiveness in the long term by eroding the quality of nontax factors."

You've probably heard all of this before. It's so widely accepted that the concepts are practically generic.

But when it's an economist or progressive business executive who makes this case, Idaho lawmakers find it easy to dismiss.

Perhaps not this time. OPE has no agenda, other than answering the questions lawmakers raise. It deals with facts. In this case, those facts confront a legacy of political faith, the belief that low taxes are the path to prosperity.

Before lawmakers take another step down that path, they ought to pore over the OPE report.

After all, they paid for it. - M.T.