



C.L. "BUTCH" OTTER  
GOVERNOR  
March 16, 2017

The Honorable Brent Hill  
President Pro Tem  
Idaho Senate  
State Capitol  
Boise, ID 83720-0081

Dear Pro Tem,

As the Legislature considers tax reform proposals, I want to clearly state my opposition to eliminating the grocery tax credit and removing the sales tax on groceries.

The grocery tax credit is working. It is fully phased in and Idahoans are seeing the benefit. The State will return approximately \$147 million to Idaho taxpayers through the grocery tax credit in fiscal 2018.

Removing the sales tax on groceries would reduce General Fund revenue by almost \$194 million, which is almost \$48 million more than the amount now being paid out through the grocery tax credit. That reduction would make it more difficult to meet our commitments to improving Idaho's education system.

Local units of government also would see a \$25 million reduction in revenue-sharing funds if the sales tax on groceries was eliminated.

What's more, we understand from the experience of other states that removing the sales tax on groceries destabilizes the revenue stream. People buy groceries in good times and bad, so the tax provides a steady source of revenue for the essential services of State government. As revenue fluctuates from less-stable sources it could be more difficult to fund our commitments.

Our current system of grocery tax credits provides relief to individuals purchasing groceries while providing a steadier stream of revenue. I see no reason to change our current system and I oppose efforts to do so.

As Always – Idaho, "Esto Perpetua"

C.L. "Butch" Otter  
Governor of Idaho

CLO/jr

Cc: House Speaker Scott Bedke