

Depth



OPINIONS

PAUL RYAN, WHO
VALUES HOME LIFE,
TAKES OVER AS
HOUSE SPEAKER 4C

STATESMAN EDITORIAL

Bigger not better for trucks

Anybody at the Idaho Transportation Department or the trucking company that wants to roll 129,000-pound vehicles through the heart of the Treasure Valley 1,750 times a year is asking us to:

- Hold our breath five times a day as one of these behemoths passes through busy Boise, Garden City and Meridian intersections and rumbles through an elementary school zone.

- Suspend reality while these trucks and their 64 tons of cargo (lumber, steel, grain and fertilizer) contribute to traffic jams on roads already at or near capacity.

- Overlook the fact that most mayors, officials, Ada County and the Ada County Highway District are opposed.

- Consider different detour routes in 2016 when the Broadway Bridge is shut down for nine months.

Now, granted, the Arlo G. Lott Trucking company — which is seeking the application for the larger trucks — is already delivering essentially the same cargo on 105,500-pound trucks.

The rationale is that there would be fewer trucks making the trips if they could carry 129,000 pounds and that the cargo would be more evenly distributed because the bigger trucks have an extra axle: less trips, lighter overall footprint on the roads.

That is all well and good, but we don't see the long-term benefits of allowing larger trucks to use urban areas as delivery routes. Where does it end?

We have to side with Boise, Meridian and ACHD officials in saying no thank you. The priority here is public safety and adhering to existing laws governing the weight of truck transports. If we're going to make exceptions, let's do it in less populated areas along more remote routes.

We understand that among ITD's mission is the customer service factor of assisting motorists — ranging from citizens to corporations — to get them and their cargo from Point A to Point B. But this is a case where we feel these urban areas would be assuming most of the risk in order to make the truck exceptions. Plus, the cargo is already being delivered on the 105,500-pound trucks.

We hope ITD comes to the same conclusion as almost every other Treasure Valley stakeholder: Bigger is not necessarily better in a complicated urban setting.

Statesman editorials are the unsigned opinion expressing the consensus of the Statesman's editorial board. To comment on an editorial or suggest a topic, email editorial@idahostatesman.com.

SEE TAXES, 2C

WASHINGTON **9.4%** (37th)

		RANK
GDP change 2010-14	9.0%	10
Per capita personal income	\$44,988	15
Spending per capita	\$10,769	13
Income tax	none	--
Corporate tax	none	--
Property tax	2.9%	28
Sales tax	4.17%	2
Tax Inequality Index (2015)		1

MONTANA **9.5%** (34th)

		RANK
GDP change 2010-14	8.3%	13
Per capita personal income	\$37,470	37
Spending per capita	\$9,238	29
Income tax	2.4%	22
Corporate tax	0.35%	21
Property tax	3.6%	15
Sales tax	none	--
Tax Inequality Index (2015)		47

OREGON **9.9%** (28th)

		RANK
GDP change 2010-14	6.8%	17
Per capita personal income	\$38,019	34
Spending per capita	\$10,161	20
Income tax	3.9%	2
Corporate tax	0.32%	25
Property tax	3.4%	19
Sales tax	none	--
Tax Inequality Index (2015)		48

IDAHO **8.9%** (41st)

		RANK
GDP change 2010-14	5.1%	32
Per capita personal income	\$33,799	50
Spending per capita	\$7,099	51
Personal income paid in tax	8.9%	41
Income tax	2.2%	30
Corporate tax	0.35%	22
Property tax	2.6%	38
Sales tax	2.25%	28
Tax Inequality Index (2015)		43

WYOMING **13.2%** (4th)

		RANK
GDP change 2010-14	0.6%	47
Per capita personal income	\$49,878	7
Spending per capita	\$15,007	4
Income tax	none	--
Corporate tax	none	--
Property tax	4.5%	7
Sales tax	4.14%	3
Tax Inequality Index (2015)		14

NEVADA **10.2%** (21st)

		RANK
GDP change 2010-14	2.1%	43
Per capita personal income	\$37,467	38
Spending per capita	\$8,178	45
Income tax	none	--
Corporate tax	none	--
Property tax	2.7%	32
Sales tax	3.6%	8
Tax Inequality Index (2015)		13

HOW MUCH OF YOUR INCOME GOES FOR TAXES?

Big blue numbers are each state's percentage of personal income paid in state and local taxes (and where that ranks nationally).

UNITED STATES **10.3%**

GDP change 2010-14	7.8%
Per capita personal income	\$42,709
Spending per capita	\$9,970
Income tax	2.3%
Corporate tax	0.36%
Property tax	3.3%
Sales tax	2.33%

UTAH **9.6%** (33rd)

		RANK
GDP change 2010-14	10.5%	4
Per capita personal income	\$34,218	48
Spending per capita	\$8,831	34
Income tax	2.5%	21
Corporate tax	0.26%	33
Property tax	2.7%	33
Sales tax	2.52%	19
Tax Inequality Index (2015)		34

Sources: U.S. Bureau of Economic Analysis, U.S. Census Bureau, Idaho Legislative Services Office, Institute for Taxation & Economic Policy
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GOVERNMENT

Does 'fixing' Idaho taxes mean cutting, or something else?

Analysis shows Idaho's overall tax burden is comparatively light

Data also show a state tax system that is relatively fair

Policymakers start to discuss investments as well as cuts

BY BILL DENTZER
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Talk about taxes in the Idaho Legislature typically focuses on one thing — how to cut them. For better or worse, though, that talk seldom materializes into action.

During the 2015 session, for example, sweeping proposals that promised debatable degrees of tax "reform" and

"fairness" didn't get very far, either because they were too big and complex, or because they surfaced late in the session and got lost amid other priorities and distractions.

To avoid what lawmakers acknowledge is a perennial end-of-session pileup, leaders from both houses this summer teamed up to convene an informal "working group" of lawmakers to start looking at tax policy for Idaho, long and short term. The move came

after discussions with counterparts in Utah, where comprehensive tax changes were implemented in 2008 after years of discussion and debate.

Idaho's leaders want to get the same process going here. Utah's tax structure is particularly attractive to Gem State tax-cut hawks, who see its lower single-rate income tax as a business-friendly economy booster.

But building the case for tax cuts doesn't seem to be the working group's primary modus operandi. In fact, testimony and data received by the panel to date may point to a different course, one that recommends investment over tax cuts. That's to the dismay of some panel members who go as far as to advocate eliminating the state income tax entirely.

A sizable amount of data presented to the panel shows

When looking to Utah, you see more tools

Utah does more bonding and has more debt

Idaho's GDP grew 5.1 percent from 2010 to 2014, 32nd among states

Utah's grew by 10.5 percent, fourth in the nation

BY BILL DENTZER
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Outside of tax policy, another difference that sets Utah apart from Idaho on investment and economic vitality is its approach to public debt. Idaho retains practical and philosophical barriers to borrowing and has fewer tools to put toward

economic and community development and urban renewal.

"The conventional wisdom in Idaho is that saving and less taxes, 'shrinking government,' is ideal, that that's the solution. In some states, and certainly in some circumstances, that is the right answer," said Cameron Arial, a vice presi-

dent in public finance with Zions Bank in Boise. "But in Idaho, that's the only answer."

During the recession, Utah took advantage of historically low interest rates and construction costs to invest. That catapulted Utah's economy forward, Arial said. State GDP growth in Utah from 2010-14 was twice Idaho's rate.

"Whereas Idaho, by virtue of its finance policies, is hunkered down, didn't invest and quite frankly missed an opportunity," said Arial, who serves on the state Treasurer's Investment Ad-

visory board that reviews and guides state investments.

Zions Bank's public finance group outlined key investment policy differences between the two states in an August report:

- Idaho has a higher approval threshold for bonds. General obligation bonds requires two-thirds approval of voters in Idaho; Utah requires a simple majority.

- Idaho's urban renewal financing mechanism is stretched for uses where it doesn't quite fit because other options "don't exist or are inflexible."

- Idaho "invests approximately one-quarter as much in infrastructure as Utah per capita."

Policy differences translate into statistics:

- Utah, along with Salt Lake City and a number

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IDAHO ... DIDN'T INVEST AND QUITE FRANKLY MISSED AN OPPORTUNITY.

Cameron Arial, vice president in public finance with Zions Bank

of counties, hold a Triple A credit ratings. The state's credit ranked third in a 2014 survey of state debt by Barron's, behind only North Dakota and Wyoming. Idaho's long-term debt isn't directly graded, but carries an "implied" rating a notch below. And no Idaho localities are Triple A rated. Higher ratings translate into cheaper financing costs.

- For 2012, Idaho's state debt of \$15.1 billion broke down to \$9,459 per capita, 44th among states. Utah had \$35.7

billion in outstanding debt, a per capita rate of \$12,513, or 37th overall. Idaho's per capita and overall debt was lower than its five other neighboring states as well.

The bottom line from the Utah experience, Arial said, is to have a broader discussion of taxation and investment: "The reality is that it's a much broader set of very conscious policy decisions that have really laid the groundwork for what they're seeing down there."

FROM PAGE 1C TAXES

Idaho's current tax structure, though complex, is actually lower and fairer than most of its neighbors, not to mention most of the states in the nation.

That's perhaps why one of the leading questions now before the panel is: Does the state tax code really need fixing?

"I think one of the primary drivers here is to simplify our taxes and how we're going to go about that," said Sen. Jeff Siddoway, R-Terretton, the Senate Local Government and Taxation Committee chair who is also co-chair of the working group.

The working group has three or four priorities, he said. "One of those is going to be the shorter-term goals — what do we want to do by the end of the session. We've made a big commitment to education. We're going to have to uphold that. That's going to be a limiting factor on what we're able to do as far as any tax relief, if we decide to do tax relief at all."

TAXES COMPARATIVELY LOW

Using U.S. Census data, the Legislative Services Office presented findings to the working group that compared state tax collections, rates and expenditures for 2012, the most recent year for nationwide figures. Consider:

Personal income: Idaho's per capita personal income was 50th in the nation — more than 26 percent below the national average. Only Mississippi was lower.

Spending and taxes: Idaho spends less per capita on its residents than any state in the nation. Nevada, the next lowest among Idaho's neighbors, ranks 45th. Wyoming, at No. 4, spends more than twice as much as Idaho per capita. The state's stingy spending matches its overall tax burden, which is also well below most states. Idaho ranks 41st in taxes paid as a percentage of personal income. Utah ranks 33rd. Wyoming, at the high end, is fourth.

"When you look at our low income levels, and our small state population, yeah, we're going to look great when you look at the overall tax burden on our citizens," said Jeff Sayer, the state's Commerce Department director. "To me that's not a positive, even though it looks good on the surface."

The reason we have a low tax burden is because the state doesn't spend very much, said Sayer, who is returning to the business world at year's end.

He gave jaw-dropping



BILL DENTZER Idaho Statesman

Commerce Department Director Jeffery Sayer, left, talks with Wayne Hoffman of the anti-tax Idaho Freedom Foundation during a break at a meeting of the ad hoc legislative tax group last month.

“ WHY CAN'T WE TALK ABOUT ACCELERATING THE SKILLS IN IDAHO?”

Commerce Director
Jeff Sayer

testimony to the panel in early October: Now is not the time to cut taxes, he told lawmakers. Now is the time to invest — in education, infrastructure and attracting talent. Businesses, he said, are more interested in those measures of the state's overall health.

"If we know that Idaho has the lower incomes in the nation, and we know our education rates are among the lowest, and we know that this competition for talent is going to become more fierce, why can't we talk about accelerating the skills in Idaho?" Sayer said.

Income tax: Idaho tax-cut advocates look longingly at Utah and its single-rate tax of 5 percent for personal and corporate income. Idaho's rates top out at 7.4 percent. Yet overall, the tax burden for Utah residents as a percentage of their income is higher. Why? Because Utah's income tax is structured differently, and because the Beehive state collects more in other taxes than

Idaho.

Income taxes paid by Idaho residents were 2.2 percent of personal income; Utah, 2.5 percent. In Oregon, residents pay 3.9 percent of personal income in income taxes, the second highest in the nation. Oregon has no sales tax; Nevada, Washington and Wyoming have no state income tax.

The corporate income tax comparison shakes out differently. Idaho's collections, as a percentage of income, are just below the national average, ranked 22nd. Utah ranked 33rd.

BALANCING THE THREE-LEGGED STOOL

The other two legs of Idaho's tax structure are sales and property taxes. On both scores, Idaho is in the lower half of states, and much lower on property taxes. Its overall tax structure is also fairer than most across income levels. State rankings on tax inequality compiled by the Institute on Taxation and Economic Policy put Idaho at No. 43 — that is, fairer than all but a handful of other states. The most unequal state was Washington, with its high reliance on the regressive sales tax. Oregon, with its high reliance on more progressive income taxes, ranked 48th. Utah was 34th.

That's not to say that Idaho's state tax system is a uniformly "fair" across all tax brackets. The ITEP data show that the lowest fifth of Idaho's wage-

earners — with incomes of \$18,000 or less — pay 8.5 percent of their total income in taxes. Earners in the top 20 percent (\$80,000 or more), pay 7.5 percent or less; the top 1 percent (\$376,000 and above) pay 6.4 percent.

Nonetheless, said Lauren Necochea, director of the Idaho Center for Fiscal Policy, "We have a lot of positive features about our tax system." And compared to Utah, she said, Idaho is "more in balance across the income spectrum."

UTAH VS. IDAHO: APPLES TO ORANGES

For Idaho tax cut advocates, there are two Holy Grails. The first is a single rate income tax like Utah. The second is reducing Idaho's top tax rate to below 7 percent. But that symbolic threshold carries a pretty steep price tag. Cutting the top personal income tax rate by a tenth of a point, to 7.3 percent, would cost the state nearly \$21 million. Cutting the remaining brackets by the same would cost \$6.8 million more.

What is readily apparent to people who analyze Idaho's tax structure is that the state cannot meet all of its commitments — including priorities like education and transportation — on tax revenues alone, and would be more hard-pressed if taxes were cut.

So how does Utah manage with a 5 percent sin-

gle-rate tax? (It's not a flat tax, because the rates fluctuate due to various exemptions.)

The two states assess taxes on different measures of income. So Idaho's rates might be higher, but they are based on a substantially lower number. Idaho's total state-wide taxable income for the 2013 tax year was \$20.2 billion. If the Utah methodology were applied to Idaho, our state's taxable income would have been calculated at \$29.7 billion.

Those numbers show up in a hypothetical comparison Legislative budget analysts prepared for the committee. Applying Utah's tax methodology to Idaho, the comparison showed the average effective tax rate under Utah's system would be lower, but overall collections would be lower as well, by \$60 million, not counting any cuts to the corporate income tax rate.

UTAH'S OTHER TAXES

So how else does Utah do it? For one, sales tax revenues are nearly double Idaho's. Part of the reason is because local option taxing jurisdictions are more prevalent in Utah. Sales tax rates there range from 5.95 percent to 8.35 percent.

In Idaho, the base state-wide rate is 6 percent, with a few exceptions for resort towns.

Further, the Idaho sales tax has exemptions that amount to \$2 billion in

uncollected revenue.

Similarly, property tax receipts in Utah were twice Idaho's, even though rates are comparable. That's because property values are higher in Utah — median home value in Utah is \$214,800 compared to \$170,200 in Idaho.

The Idaho tax working group concluded its last meeting with some quiet fretting among members about the group's mandate, as well as its overall direction. The panel's ad hoc status doesn't empower it to propose actual legislation, only to make suggestions to the Legislature. There is also an obvious lack of agreement among members on what to propose.

Beyond that, 2016 is an election year. Lawmakers are likely to face more immediate exigencies. Heavy lifting on tax policy likely will wait, if only for consensus, or urgency, to build.

Bill Dentzer writes about politics, government and accountability for the Statesman. He covered the 2015 legislative session. 208-377-6438, @IDSbill



ONLINE

Video: Sayer talks about taxes
IdahoStatesman.com