

Crises in Education Funding Call for Special Session

The funding cutbacks of the last two years (and likely further cutbacks in coming years) will inflict serious and long-term damage to the educational infrastructure of Idaho if not immediately reversed with adequate funding. This is an emergency which justifies a special session of the Legislature in the spring or summer of 2010 where the Legislature can focus on this one critical issue. We have drafted a Bill which accomplishes the following:

1. Eliminates certain exemptions in the Sales Tax;
2. Reduces the tax rate from 6% to 5%; and
3. Produces a **Net Revenue Increase** of approximately **\$200 Million**.

RATIONALE

- When the Sales Tax was instituted in 1965 it contained only seventeen (17) exemptions – there are now more than eighty (80) exemptions.
- Presently, the Sales Tax produces revenues of approximately **\$1 Billion**, while the exemptions eliminate potential revenues of **\$1.7 Billion**. That is, the exemptions are 1.7 times the income.
- In 1965 the Idaho economy was approximately 60% **resource** based and 40% **services** based. Currently, the ratio is reversed with the economy having become 60% **service** based. The Sales Tax has never been modified to reflect that dramatic shift.
- Idaho cannot afford to wait another year to reverse the severe deterioration of its educational and human services infrastructure.
- No further studies beyond the existing three studies are needed – no studies were made prior to enacting successive exemptions. The time to act is now.

The main features of the Legislation are:

1. Retains the Production/Agricultural exemptions;
2. Eliminates ten exemptions: broadcast equipment, commercial aircraft, railroad rolling stock and remanufacturing, drivers education automobiles, trade in value, ski lifts and snow grooming equipment, heating materials, utility sales, precious metal bullion, telecommunications equipment; and
3. Extends Sales Tax to nine categories of Services (Professional, Personal, Business, Construction, Transportation, Repairs, Lottery and Par-mutual betting, Media Measurement, and miscellaneous. **Maintains the exemption for Medical Services**; and extends Sales Tax to motor vehicle purchases by related parties, sales through vending machines, and sales by outfitters and guides.