CENTER ON BUDGET AND POLICY PRIORITIES

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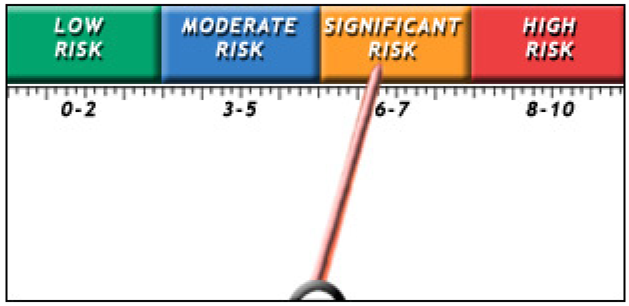

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Idaho is rated as having a significant risk of a structural deficit based on its score of seven on the risk scale for structural deficits.

- Idaho's sales tax covers less household services than the average state.
- Idaho could lose an estimated $80 to $125 million in revenue a year due to the growth of e-commerce. This loss is greater than the national average as a share of total revenue.
- Idaho's income tax preferences for its seniors exceed the US average.
- During 1994-2000, Idaho reduced its personal and corporate income taxes and increased its gasoline tax. Then during 2001-2004, Idaho enacted a substantial sales tax increase and a smaller cigarette tax increase. This is problematic since income taxes provide stronger growth over the long term than sales and excise taxes.
- Idaho has a constitutional spending limit that restricts general fund appropriations to 5.33% of personal income and a limit on local property tax rates.
- Idaho remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated $10.8 million per year.
- Two other national studies (Hovey 1998 and Boyd 2002) found that Idaho has a structural gap.
- Lastly, although this paper did not categorize Idaho as having unusually high spending needs, it does face some spending pressures from: the number of K-12 students and a growing elderly population.