



Idaho Association of
Commerce & Industry
The Voice of Business in Idaho®



Legislative Report — February 19, 2010 • Week 6

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NEWS TO USE — The Ox's Opinion

With apologies for poorly using the metaphor, it appears the legislature is developing an appetite for going ox hunting. Of late there have been more and more calls for the Legislature to do another examination of sales tax exemptions. In addition, many are seeking to take a look at new taxes on services that are appropriately excluded from the tax code. Interestingly, Idaho has been down this path before—many times in fact. Will this time result in any new conclusions? Will the Legislature understand that eliminating any exemption and/or adding a new class of tax is actually a tax increase? This is why IACI

has long opposed removing many of the exemptions and continues to strongly advise against expansion of the sales tax code to include services.

IACI has been instrumental over the year in the development of the tax system we have today. So have many other business organizations with an interest in how the Legislature will go about reviewing the exemptions. Business in Idaho fully understands that we are the oxen that are going to be hunted.

So, if Idaho is once again heading down the path of evaluating exemptions, perhaps we should expand the scope of the review. Would it be possible to have an interim committee to evaluate ALL sources of revenue into government coffers? While certainly the income tax, property tax, and sales tax and their corresponding exemptions are constantly under scrutiny, there should be consideration for reviewing **all** fees assessed by state and local government. Let's add in an evaluation of grants, both federal and private, and include donations, especially those from the oxen, as well. How about looking at government profits from product and service sales? We should also consider ALL of the various state and local reserve funds and the interest they bear. The Legislature should ask the simple question, "How big is government in Idaho?" We believe the results may surprise many who have long touted Idaho as a fiscally sound, small government, conservative state. If the Legislature truly wants to bring down the trophy ox, should they not first look at the biggest one of all?

Only by understanding the breadth and scope of the magnitude of the wide variety of sources of revenue received by both state and local government can Idahoans and their elected officials have a true understanding of the cost of government in Idaho. And only then can we make proper evaluations about the tax code to ensure that the services being demanded are being met with the right (and appropriate) mix of revenue sources. Without such a full picture of the entire revenue system, Idaho's leaders will only be attempting to gore an ox without a true picture of the impacts they have on the economy over the long term. Those oxen have every right to stand together in the herd and defend the soundness of the exemptions that now exist. We have no doubt that they will.

Constitutional Amendment

The Idaho House will soon be considering HJR 5, which proposes to amend the Idaho Constitution with respect to the authority of airports operated by regional authorities or political subdivisions to incur long-term debt. IACI strongly supports this measure and spoke in favor of it at the House State Affairs Committee. Idaho is the only state in the union with a prohibitively restrictive law governing the ability of airports to incur such debt. This puts Idaho at a distinct disadvantage when we have the opportunity to expand facilities to meet the demands of commerce and the military. Passage of this bill will put this issue on the ballot in November.

Progress on Personal Property Tax



IACI continues to work on the permanent elimination of the personal property tax. This week IACI held a very constructive meeting with the Idaho Association of Counties, including a number of county commissioners and assessors from around the state. This meeting provided some very positive feedback on the draft legislation that was developed out of the prior meetings between these two groups. It achieves the ultimate goal of ending this onerous tax. The representatives of each group will now be responsible for dis-

Upcoming Meetings

- ▶ **Tue, Feb. 23 — 10:00 a.m. Legislative Committee**
- ▶ **Thur, Feb. 25 — 10:00 a.m. Board Meeting** (Board only)

State Budget Progress

The major issue looming over the head of this Legislature is the budget and how to respond to the decline in revenue. Before addressing the 2011 budget, the Legislature still has to respond to the deficits in the 2010 budget. Today we got one step closer to a solution when JFAC balanced the 2010 budget by ordering a 7.1% permanent reduction on all state agencies, including education. JFAC did then return the money to public schools for the 2010 year using stimulus and reserve account dollars. This will allow K-12 education to avoid any holdbacks in the 2010 budget year. The Governor sent out a press release agreeing with these Legislative actions. Now that the 2010 budget is balanced as required by the constitution, JFAC will begin setting the 2011 budgets using the lower budget targets.



cussing this legislation with their own memberships and determining a legislative timeline to introduce the bill. This issue will be discussed by the IACI Board of Directors next week.

BILL TRACKING:

[Click here](#) for an updated list of legislation on which IACI has taken a position.

Immigration Reform

The Idaho Business Coalition for Immigration, of which IACI is a member, was successful in stopping H-497 that would have penalized businesses for hiring illegal immigrants. While the bill's sponsors, Rep. Phil Hart and Rep. Raúl Labrador, had been gracious in working with business on the issue, the legislation that was ultimately crafted was unacceptable.

IACI representatives spoke against the bill on a variety of points, including that it set up a selective enforcement mechanism that would only penalize businesses with local licenses. The legislation set up a default defense for using the fatally flawed E-Verify system and exacerbated the problem by creating another standard for enforcement using the current I-9 system. IACI made it clear that failure to use the I-9 system now was already illegal and that implementation of such a law would create unnecessary burdens on businesses that follow the law. IACI continues to recommend to the legislature that they communicate with Congress in Washington, DC to fix the problem by the creation of a guest worker program that recognizes the reality of America's needs for immigrants to work here legally.

Support Bringing the F-35 Program to Idaho

Governor Otter, Lt. Governor Little, Idaho's congressional delegation, and IACI continue to encourage all citizens to show their support of the state's efforts to secure the [Idaho F-35](#) programs, and the economic boost it would bring to Idaho. The programs offer the potential for approximately 3,000 new careers — the kind of economic development we welcome into the state. Go to [IdahoF35.com](#) today and show your support for new jobs!



Any Willing Provider Statute Back in the News

IACI's Board of Directors will be addressing the "Any Willing Provider" issue at its February 25th meeting. At issue is proposed legislation that will allow a North Idaho hospital-centered network to participate in what is currently a closed provider system. The proponents of the legislation, which include at least one IACI Board member, state that the proposal seeks to close a so-called "loophole" in Idaho's current policy. The opponents have a competing bill that would essentially eliminate the policy of any willing provider for the state. This has set up the Idaho Legislature and IACI for a debate on the merits of the current policy, which was originally developed in response to the expanding role of Health Maintenance Organizations (HMOs) in the early '90s. While HMOs are mostly a thing of the past, there are some who believe that the any willing provider policy in law has outlived its necessity.

Regardless of the outcome of the two bills, it is likely that IACI will host a forum on the issues surrounding "any willing provider" as part of its June annual meeting in McCall. The debate will be designed to inform members, as well as explore options that may be satisfactory to a majority of the membership.

IACI is pleased to be working with the [Idaho Prosperity Project](#) to provide Idaho companies, employers, and their employees with the information and tools needed to help policy makers understand how their decisions can impact the health of Idaho's economy and, therefore, the opportunities for Idaho's citizens, families, and companies to prosper in their local communities and on a global scale. Contact IACI staff for more information.



[Click here](#) to learn more about the Idaho Prosperity Fund!

