

Capitol Reflections



2018 LEGISLATIVE SESSION

"Whenever we lower the tax rates, our entire nation is better off." President Ronald Reagan

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TAX RELIEF—THIS IS THE YEAR!

One of the main topics of discussion this week at the Capitol has been the federal tax reform bill and how it will affect Idaho income tax collections. Based upon numbers that the Tax Commission has put together, although individuals and businesses will see a reduction in their federal income taxes, it is projected that Idaho will collect an additional \$97.4 million in state income tax revenues due to the federal changes; if Idaho conforms with all federal changes. Idaho typically conforms so taxpayers do not have to keep two sets of books for both federal and state tax purposes.

Although the additional state tax revenue is somewhat counter-intuitive, this is because Idaho uses the same calculations as the federal government to calculate Adjusted Gross Income. The federal tax reform law has the effect of increasing AGI, especially for those with large families, but it reduces taxes through lower federal rates and enhanced credits. This means Idaho AGI increases, especially where families have several dependents. Unless our rates are also cut, most Idahoans will be paying more in state income taxes.

To alleviate this situation, Governor Otter has proposed cutting both corporate and individual income tax rates by .45% at every bracket. That would provide \$149.2 million in income tax relief, for a net reduction in income taxes of about \$52 million. The Governor is also proposing an \$85 non-refundable credit per dependent, to offset the loss of the federal dependent deduction, which



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would result in another \$43 million in tax savings for a total Idaho income tax relief package of just under \$95 million.

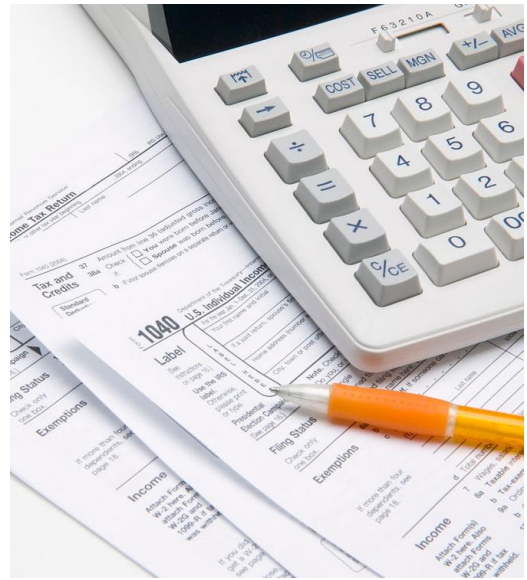
Most Legislators appreciate the Governor's proposal and are viewing it as a minimum for tax relief this year, with desires to achieve much more. We have run hefty excess taxation surpluses over the past several years, but have managed to spend nearly all of it, with no real tax relief at the state level. Recent figures indicate there is at least \$300 million in excess tax revenues over-and-above what is needed to maintain and enhance state government that would be available for tax relief efforts.

Since this over-taxation really belongs to the citizens, many legislators believe an additional cut in the top individual and corporate income tax rate of at least an additional one-half percentage point is achievable and necessary. This would bring the top marginal rate down to 6.45%, and would make our tax rates much more competitive with surrounding states. Since you only need to earn about \$19,000 as a single filer to be in Idaho's top marginal bracket, nearly every taxpayer would benefit from this additional tax cut.

This would put an additional \$140 million back into the pockets of Idaho citizens. It would also provide a total tax relief package of nearly \$235 million, providing further stimulus to our state economy while still allowing for required rainy-day account deposits and other enhancements.

As a side note, the wind in the sails of eliminating sales tax on groceries appears to be waning. On the surface this effort has appeal to many people,

until they understand that they are already receiving a \$100 per person grocery tax credit. Since most people do not do their own taxes, they are usually unaware of the grocery tax credit. As their accountants are running the numbers, they are concluding that the current system is a better deal for their clients.



For example, if a family of four spends roughly \$6,660 per year on groceries, or about \$555 per month, they are already getting a tax credit back for every dime of sales tax they are paying on groceries. If they spend more than that amount per month, they would get a very slight tax break by eliminating the sales tax on groceries. Conversely, if they spend less than that amount, they would actually suffer a tax increase if the sales tax on groceries is eliminated and the grocery tax credit is repealed.

It is evident that a further reduction in the income tax would provide greater tax relief to more Idaho citizens than elimination of the grocery tax, while also maintaining a stable sales tax base.

REP. DELL RAYBOULD ANNOUNCES RETIREMENT

On Wednesday, January 17, Representative Dell Raybould, 9-term Rexburg Republican, announced his retirement from the Idaho House of Representatives. Representative Raybould, a successful farmer and businessman, is currently Chairman of the Environment, Energy and Technology Committee for the second time. He formerly served as Resources and Conservation Committee Chairman, and was the Environment, Energy and Technology Committee Chairman prior to that.



Recognized as one of the Legislature's water experts, Representative Raybould has served over 20 years on the North Fork Reservoir Co. Board of Directors, the water delivery entity that owns Henrys Lake. He also served on the Committee of 9 and the St. Anthony Canal Co. Board of Directors. Representative Raybould has been a director of the Consolidated Farmers Canal Company Board for over 50 years; 52 as secretary.

Rep. Raybould says the only reason he became a farmer is because he enjoys working in his farm shop. He holds 3 farm equipment patents, so he's

obviously good at it. He has also been an outstanding state and national potato industry leader; serving as President of the Idaho Potato Growers Association, Chairman of the Idaho Potato Commission, President of the National Potato Council and Chairman of the National Potato Promotion Board (NPPB). While serving on the NPPB, Representative Raybould participated in a 3-week trade mission to the Orient, promoting the United States' potato industry.

An accomplished businessman, Representative Raybould was the first to successfully develop the frozen baked potato with his business partner and former Republican House member, the late Golden Linford (R-Rexburg).

Representative Raybould has been a good friend of the Idaho Farm Bureau. We wish he and his wife, Vera, well. Idaho Farm Bureau thanks Raybould for his long service to the State of Idaho.

SENATOR LODGE AMENDS INMATE LABOR STATUTE

Patti Anne Lodge (R-Huston) has introduced legislation to broaden the original inmate labor statute she sponsored in 2014. The original legislation allowed farmers to use inmate labor "in the production, harvesting and process of perishable agricultural food products," as defined in 22-2602, Idaho Code.

All of agriculture faces labor shortages to varying degrees. S1208 omits the words "perishable" and "food," which allows producers in other ag segments like horticulture and forestry to utilize inmate labor as well.

Idaho Farm Bureau supported the 2014 legislation and supports S1208 as well.

CROP RESUIDE BURNING

On Tuesday, the House Environment, Energy, and Technology Committee held a hearing to approve rule amendments to Idaho's field burning program. The Department of Environmental Quality (DEQ) presented a general overview of the rule change which would ensure the State's crop residue burning (CRB) program remain effective and functional. The committee voted to approve the rule amendments. On Monday, it will be heard in the Senate Health and Welfare Committee for their consideration.

Idaho Code 39-114 requires DEQ to assess air quality conditions prior to approving any open burning of crop residue. After the amendments to the statute last year, the law now states that air quality levels are not to exceed 90% of the ozone National Ambient Air Quality Standard (NAAQS) and 75% of any other NAAQS, and cannot be projected to exceed these levels 24 hours prior to the approval of any CRB event. The amendments to the rule that were presented to the committee would simply make the criteria that is spelled out in statute match that which is stated in rule.

Changes to the criteria of the state's CRP program became necessary after EPA changed the Ozone NAAQS from 75 ppb to 70 ppb, in 2015. DEQ projected this change would double,

if not triple, the number of no-burn days during the burn season. Absent the law change that was presented last year in S1009 adjusting the burn approval criteria for ozone from 75% of the Ozone NAAQS to 90%, and now the rule change that was presented to the committee on Tuesday, the state's CRB program would have been unworkable and completely useless to farmers.



Farm Bureau applauds DEQ for their willingness to listen to stakeholders and settle on a solution that remains protective of human health and allows farmers the resource of field burning.

Idaho Farm Bureau Policy #69 states, "We support long-standing sound agricultural practices such as field burning, including grass seed, straw, [and] residue burning." **IFBF supports Docket # 58-0101-1601**

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