The case for repealing Idaho's income tax

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Introduction

Over the past few legislative sessions Idaho lawmakers have been caught up in a tax-cutting frenzy. After coming off what is arguably the most successful legislative session in the state's history, both lawmakers and laymen alike are eager to see more tax reform when the legislature reconvenes next January. Earlier this year, Governor Little signed HB 40, effectively delivering over $253 million in income tax relief, but there is still much more to do to protect Idahoan people and businesses from the burden of the state's most heavy-handed tax.

It is time for Idaho to do away with the antiquated and unethical income tax, but that's a task much easier said than done. The income tax equates to a lion's share of general fund revenue[1], and finding innovative solutions to supplement that revenue is paramount to the success of repealing the income tax. Fortunately, achieving this goal is possible, largely due to the abundance of the Gem State's natural resources, as well as the ingenuity of other states that have overcome the same challenges. This paper provides a case for repealing the income tax in Idaho, as well as a practical plan for revenue replacement and reducing the taxpayer burden.

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KEY INFORMATION COLUMN

The Idaho legislature passed a bill instituting income taxation on March 18, 1931.

History of Idaho's Income Tax

The Idaho legislature passed a bill instituting income taxation on March 18, 1931.[3] When determining their rationale for doing so, however, the extenuating circumstances of the time period shed some light on their decision. Perhaps the most responsible factor is the disastrous effect of the Great Depression on the state's economy.[4] As Idaho's economy crashed, property values fell with it, drastically reducing the sums of revenue the state received as a result of property taxation. At this time, property tax was one of the state's primary sources of revenue collection, the lack of which spelled certain trouble for the barely 40-year-old Idaho.[5]

Simultaneously, job markets across the state bellyflopped, and the insistence for government welfare increased dramatically. Idaho lawmakers faced a dilemma. The skyrocketing demand for government assistance, coupled with historic losses of revenue, was racking up a destructive budget deficit that desperately needed to be filled.

Deciding that the state of Idaho needed to enact emergency measures, Governor C. Ben Ross called a special session in early March of 1931 to address the budgetary concerns.[6] The main talking point discussed during this emergency session was the institution of an income tax. During the 1920's states across the nation began adopting income taxes, and after the Stock Market Crash of 1929, income taxation spread like wildfire.

To add to the already mounting pressure, the state of Idaho was controlled by democrats like Governor C. Ben Ross, many of whom were likely eager to align with FDR's New Deal objectives. On March 18, the special session came to a close, and the Idaho legislature enacted two measures. First, a kilowatt tax was put in place. More significantly, however, a bill which had been presented to the legislature during the regular legislative session, but not passed, was enacted, marking the institution of the income tax in Idaho.[7]

Within a decade, the Great Depression was dead, but the income tax remained. Before long, Idaho began to feel the economic toll of World War II and the conflict in Korea, as the need to settle the wartime debt and provide welfare for returning veterans arose. Throughout the 1940s and 50s, income tax rates rose, and new tax brackets were established to meet these economic challenges.[8] Fortunately, the 1960s led to an era of overall economic prosperity, as Idaho's

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[3] "Title 63, Chapter 30," Idaho Statutes, available at https://legislature.idaho.gov/statutesrules/idstat/Title63/T63CH30/
[4] "When Did Your State Adopt Its Income Tax," Tax Foundation, June 10, 2014, available at https://taxfoundation.org/data/all/state/when-did-your-state-adopt-its-income-tax/
[5] IBID.
[6] "Governors' Messages to Special Legislative Sessions in 1931," The American Political Science Review, April 1932, available at https://www.jstor.org/stable/1947110
[7] IBID.
[8] "Title 63, Chapter 30," Idaho Statutes, available at https://legislature.idaho.gov/wp-content/uploads/statutesrules/idstat/Title63/T63CH30.pdf

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The Gem State is suited to employ a variety of innovative measures as major revenue earners.

population, infrastructure, and industry flourished, but no effort to dismantle the income taxation system was undertaken.

By this time, the income tax had showcased its ability to collect revenue rapidly; however, no regard was given to the woes of the taxpayer. Income tax rates in Idaho remained very similar until the early 2000s when a series of incremental rate deductions began to take place.[9] Since then, Idaho lawmakers have continued to deliver gradual income tax relief; however, the income taxation system is still very much alive in the state of Idaho today.

Although the income tax was effective at gathering revenue during the trying decades of the 1930's-50's, the necessity of utilizing income taxation as a chief revenue earner in today's day and age is becoming increasingly doubtful. Over the past 35 years, Idaho's economic base has widened, largely due to increased agricultural development, and the success of the state's mining, aerospace, and electronics manufacturing industries.

Now more than ever, the Gem State is suited to employ a variety of innovative measures as major revenue earners. Furthermore, the economic and moral harms of income taxation have become especially recognized since the turn of the century. These realizations have led numerous states across the nation into a metaphorical "golden era of tax reform," characterized by rate slashing, the decluttering of tax codes, and, in many circumstances, income tax repeal.

The Case for Repealing The Income Tax

It is Harmful to Economic Well-Being

Perhaps the most important reason for abolishing the income tax in Idaho is the adverse effect it has on the economic well-being of not only taxpayers, but the state as well. In a recent congressional bill, Congressman Earl "Buddy" Carter (R-GA) stated that the income tax, "retards economic growth and has reduced the standard of living of the American public… lowers productivity," and, "impedes upward social mobility."[10] To support these findings is a 2021 study conducted by Jonas Arias, a senior economist at the Federal Reserve Bank of Philadelphia.

Arias' study, titled *The Economic Effects of Changes in Personal Income Tax Rates,* took an empirical approach to the income tax issue, utilizing sophisticated modeling technology to gauge the macroeconomic effects of shifting income tax rates. Unlike previous studies of its kind, Arias focused on

[9] "General Fund Revenue Book, FY 2002 Executive Budget," Idaho Division of Financial Management, January 2001, available at https://idahodocs.contentdm.oclc.org/digital/collection/p16293coll8/id/163025/rec/2

[10] "H.R.25- FairTax Act of 2025," U.S. Congress, January 3, 2025, available at https://www.congress.gov/bill/119th-congress/house-bill/25/text/ih

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As the state's population balloons, and advancements in infrastructure and economic output become increasingly more necessary, so does the goal of abolishing the income tax.

how changing tax rates affected the market as a whole, while still zeroing in on the individual. Arias writes:

> "When Rubio-Ramírez, Waggoner, and I used an alternative and more flexible approach to compare the two [marginal and average income tax rates], we found that changes in average tax rates do also affect personal income, real GDP, and the unemployment rate. Based on our estimates, when we increase the net-of-tax marginal tax rate by 1 percent [refers to a decrease of the marginal tax rate], real personal income increases by 1.5 percent, real GDP increases by 0.8 percent, and the unemployment rate declines by about 0.5 percentage point. Similarly, when we reduce the average tax rate by 1 percent, real personal income increases by 0.5 percent, real GDP increases by 0.4 percent, and the unemployment rate decreases by 0.1 percentage point."[11]

In layman's speech, Arias, and fellow economists Rubio-Ramírez, and Waggoner found an increase in personal income and GDP, as well as a decrease in unemployment when income tax rates, both marginal and average, were decreased. This, of course, exhibits the inherently detrimental effect that income taxation has on wealth and prosperity. To further compound the impact of the experimental tax cuts, Arias noted heavy substitution effects as the market adjusted to the decreased income tax rates. Simply put, substitution effects are changes in economic behavior due to economic factors, such as changes in tax rates or swings in the value of goods.[12] Arias found that, whereas conclusive data regarding the effects of income tax cuts are illustrated by unemployment and GDP statistics, tax cuts also operate significantly through market-wide substitution effects that lead to lower prices of leisure and living.[13]

As the state's population balloons, and advancements in infrastructure and economic output become increasingly more necessary, so does the goal of abolishing the income tax. If economic productivity is to be prioritized by state leadership, then many of the findings regarding the effects of the income tax simply cannot be ignored. As any tax meant to prey on financial earnings must be, the income tax is harmful to the wealth and prosperity of individuals, and through market-wide macroeconomic effects, the state as well. Logically, when the income tax rates fall, wealth increases and along with it comes increased

[11] "The Economic Effects of Changes in Personal Income Tax Rates," Federal Reserve Bank of Philadelphia, available at https://www.philadelphiafed.org/-/media/FRBP/Assets/Economy/Articles/economic-insights/2021/q3/eiq321-the-economic-effects-of-changes-in-personal-income-tax-rates.pdf

[12] "What is the Substitution Effect?," Investopedia, June 19, 2025, available at https://www.investopedia.com/terms/s/substitution-effect.asp

[13] "The Economic Effects of Changes in Personal Income Tax Rates," Federal Reserve Bank of Philadelphia, available at https://www.philadelphiafed.org/-/media/FRBP/Assets/Economy/Articles/economic-insights/2021/q3/eiq321-the-economic-effects-of-changes-in-personal-income-tax-rates.pdf

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The modern-day income taxation system has become such a normalized method of revenue collection for federal and state governments that many citizens ignore its blatant harms.

employment and productivity, marking the primary reason why the income tax should be done away with.

The income tax is harmful to individual and economic liberty

A prime justification for income tax repeal in Idaho is the unabashedly tyrannical nature of the tax. At its core, the income tax can be viewed as government-mandated theft. Via the income tax, the government takes substantial deductions from a paycheck in which it has done nothing to provide. The exchange is nonconsensual, and refusal to comply with tax laws can result in heavy fines or jail time. Meanwhile, wealthier citizens are disproportionately expropriated, subject to higher tax rates.

By this point in time, the modern-day income taxation system has become such a normalized method of revenue collection for federal and state governments that many citizens ignore its blatant harms. But when the income tax structure is broken down carefully, its true nature is revealed. Almost comically, it draws similarities to the plot of a Robin Hood flick; the government's wealth increases off the wages of its citizenry, while refusal to pay is met by force. However, the solution to the income tax issue is not vigilante action; it's tax reform. The flagrant tyranny of modern-day income taxation is an affliction on the great citizenry of Idaho that demands legislative action. Repealing this unjust tax would reaffirm the God-given rights of Idahoans protected under the U.S. Constitution, and establish Idaho among the freest states in the nation.

Income Tax Collection is Ineffective

As has been demonstrated thus far, there are ample justifications for abolishing the income tax in the state of Idaho, many of them stemming from the premise that the current income taxation system is especially effective at taking advantage of taxpayers. However, the final justification presented in this study highlights an area of ineffectiveness that allows taxpayers to take advantage of the income taxation system. Particularly, this area of inefficacy is the result of a steadily rising trend in taxpayer noncompliance.

As prefaced by Congressman Carter in the aforementioned HR 25, the income tax "is not being complied with at satisfactory levels and therefore raises the tax burden on law-abiding citizens."[14] This declaration amounts to more than just partisan rhetoric, as IRS data from recent years corroborates. The rapidly growing 'tax gap' as it's titled, is the dollar amount of deviation from IRS revenue forecasts. It is accumulated as a result of noncompliance with tax laws, and in this context, the income tax.

[14] "H.R.25- FairTax Act of 2025," U.S. Congress, January 3, 2025, available at https://www.congress.gov/bill/119th-congress/house-bill/25/text/ih

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Idaho's income tax was modeled after the federal income tax that has been in place since 1913.

According to the IRS, tax gap projections for Tax Year 2022, the net tax gap from Income, Employment, and Estate taxes was $606 billion, $447 billion of which was from the individual income tax alone. This staggering loss of revenue was due to a 13.1 net noncompliance rate.[15] To make matters worse, the U.S. Treasury Department estimates that the gross tax gap over the next decade will be around $7 trillion nationwide,[16] indicating that this issue is not likely to dissipate on its own.

While these data points specifically pertain to a national scale, their ramifications extend well beyond federal lines, making this a severe issue for all states. However, Idaho is in a unique position to be hit especially hard by this. A notable percentage of Idaho's revenue comes from federal funding, in other words, funding that may be jeopardized or influenced by swings in income tax noncompliance percentages. The state of Idaho cannot rely on inconsistent streams of revenue for financial stability, especially in the present day. Idaho is experiencing an unprecedented season of growth, and the need for increases in infrastructure, housing, and overall development is becoming increasingly prevalent.[17]

When the potential harms of federal income tax noncompliance are ignored, there is still a glaring problem. Although there have been modifications made over the years, the fact still remains that Idaho's income tax was modeled after the federal income tax that has been in place since 1913. As recent IRS data shows, the federal income tax has become irreparably damaged by fraud and should be considered a catastrophic failure. Replicating the mistakes of the federal government and relying on them for vital revenue is irresponsible and spells certain disaster for Idaho in the future.

So lawmakers face a dilemma. Those who comply with income tax laws are at an economic disadvantage, as demonstrated in the previous sections, while many who violate income tax laws remain unpenalized, and both federal and state governments face significant losses of revenue. So what methods do legislatures employ to ensure compliance with income tax laws? A 2025 report from the IRS suggests that they should perform massive rounds of random auditing while receiving huge new sums of federal funding.[18] However, this option would be very costly up front with no real promise of return, while raising concerns over personal privacy. The only viable solution to the 'tax gap'

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[15] "Tax Gap Projections for Tax Year 2022," IRS, available at https://www.irs.gov/pub/irs-pdf/p5869.pdf
[16] "The Case for a Robust Attack on the Tax Gap," U.S. Department of the Treasury, September 7, 2021, available at https://home.treasury.gov/news/featured-stories/the-case-for-a-robust-attack-on-the-tax-gap
[17] "Idaho's Transportation System: A Look into the State's Transport Infrastructure," Boise State University College of Business and Economics, September 27, 2024, available at https://www.boisestate.edu/cobe/blog/2024/09/idahos-transportation-system-a-look-into-the-states-transport-infrastructure/
[18] "More Than Meets the Eye: The Comprehensive General Indirect Effect of Auditing Individual Income Tax Returns," IRS Research, Applied Analytics, and Statistics, January 10, 2025, available at https://www.irs.gov/pub/irs-soi/24rpcompgenindirecteffectaudit.pdf

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problem, and the plethora of other problems that arise from the income tax issue, is simple: repeal the income tax.

The income tax preys on economic prosperity, lowering personal income, GDP, and employment rates. A tax that is harmful to the economic well-being of the state should not be allowed to continue running its course. It is a concept so universal that it can be applied under virtually any circumstance. When an automobile engine has a defective part, it is replaced as quickly as possible to avoid causing a major detriment to the engine itself. While this goal remains largely unachievable on a congressional level, Idaho lawmakers have already taken bold steps towards eliminating the tax. Of any time in the state's history, to repeal the income tax, it appears that this is the most likely era in which it could happen.

By repealing the income tax, lawmakers can usher Idaho into a period of economic prosperity, marked by higher employment rates and increased GDP, while protecting individual liberties and recognizing the fundamental principles that this nation was founded on.

It is of the utmost importance that as the state of Idaho grows, its economy thrives alongside its citizenry. By repealing the income tax, lawmakers can usher Idaho into a period of economic prosperity, marked by higher employment rates and increased GDP, while protecting individual liberties and recognizing the fundamental principles that this nation was founded on. However, the beckoning question is how to substitute the revenue that occurs as a result of repealing the income tax. Fortunately, Idaho lawmakers can rely on the innovations of other states with no income tax to establish reliable sources of revenue and turn Idaho into the best state to live, work, and raise a family.

Filling the 'Revenue Gap'

Increased Sales Tax Rates

Once the income tax has been successfully repealed in Idaho, state legislators will face the challenge of filling the revenue gap as a result. Lawmakers can attempt to accomplish this goal in a variety of ways, but one of the most utilized methods nationwide is increasing the sales tax rates. The reasoning behind this is simple. Sales tax is the result of a voluntary exchange between two willing parties. How much a consumer pays in sales tax per year is completely dependent on the choices of that consumer. It all relies on the quantity of taxable goods the consumer decides to purchase and the price of those goods. For all these reasons, it is much less intrusive and tyrannical than the mandatorily enforced income tax, which taxes gross earnings, as opposed to the quantity and value of taxable goods the consumer decides to purchase.

The main question Idaho lawmakers face when trying to utilize sales tax to alleviate the revenue gap is, by what amount do sales tax rates need to be increased in order to make up for the lost revenue? For this, they can rely at least partially on the precedent set by lawmakers in other states with no income

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The state's sales tax does not apply to education services, insurance, medical costs, home services, and other non-commodity related transactions that make up a large percentage of purchases the Idaho consumer makes.

taxes that have employed similar methods. In Tennessee, the state sales tax rate is 7%, with many counties and cities tacking on an additional 2.75%.[19] South Dakota's sales tax rates also vary, from approximately 4.2% to 10.4%.[20]

Although this data helps establish a working baseline to consider when adjusting sales tax rates in Idaho, lawmakers must keep in mind that the necessary sales tax rates in other parts of the nation all rely on the varying economic conditions and needs of that specific state. What Idaho legislators need in order to confidently implement an increased sales tax rate is data specific to the economic needs and conditions of Idaho. Although in-depth data on this topic has not been collected, rudimentary estimates at least provide some context as to how the state of Idaho may need to raise sales tax rates in the case of a full income tax repeal. However, it is important to keep in mind that further research, utilizing vastly superior economic modeling techniques, will have to be conducted in order to truly gauge the state's economic needs.

Idaho's revenue data suggests that a full income tax repeal, in which both the individual and corporate income tax rates are set to zero, would reduce general fund revenue by approximately $3.1806 billion annually.[21] Estimates on how much Idaho lawmakers would need to increase sales tax rates in order to make up for this sum are reliant on a variety of factors. The main one to consider in this case is the size of the state's sales tax base. Put simply, of all the economic transactions that occur throughout the state of Idaho, what percentage of them are eligible for sales taxation? Calculating this metric, however, provides a challenge.

The state's sales tax does not apply to education services, insurance, medical costs, home services, and other non-commodity related transactions that make up a large percentage of purchases the Idaho consumer makes. Of the most common economic transactions, the grocery tax's revenue-gathering effect can be easily nullified as a result of the newly increased grocery tax credit. For all these reasons, it's safe to make a conservative estimate that approximately 40% of Idaho's economic transactions are eligible for sales taxation. The estimates of Idaho's sales tax base shared in this paper, however, account for a varying range from 35-55%, in accordance with reputable data regarding common state sales tax bases.[22],[23] According to these estimates, Idaho

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[19] "Sales and Use Tax," Tennessee Department of Revenue, available at https://www.tn.gov/revenue/taxes/sales-and-use-tax.html
[20] "South Dakota Sales Tax Rates," Tax-Rates, available at https://www.tax-rates.org/south_dakota/sales-tax
[21] "Idaho State Tax Commission Comparative Statement of Receipts and Distributions FY2023-FY2024," Idaho State Tax Commission, June 30, 2024, available at https://tax.idaho.gov/wp-content/uploads/reports/EPB00073/EPB00073_06-30-2024.pdf
[22] "How Broad Are Sales Tax Bases?," Urban Institute, April 19, 2021, available at https://www.urban.org/research/publication/how-broad-are-state-sales-tax-bases
[23] "Examining State Sales Taxes," NCSL, October 7, 2022, available at https://www.ncsl.org/fiscal/examining-state-sales-taxes

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lawmakers would potentially have to increase sales tax rates anywhere from 5-10% in order to fully supplement income tax revenue.[24]

Projected required sales tax rate adjustments

Taxable PCE%	Taxable PCE (in $ Billions)	Required Sales Tax Rate Increase	Total Sales Tax Rate
30%	27.27	10.74%	16.74%
35%	31.82	9.20%	15.20%
40%	36.36	8.05%	14.05%
45%	40.91	7.16%	13.16%
50%	45.45	6.44%	12.44%
55%	50.00	5.86%	11.86%

Reflecting back on these estimates, it is easy to see that they failed to account for a few very important considerations. First of all, the featured research neglected to account for external economic factors that would draw revenue, such as tourism. Idaho's assortment of natural beauties and recreational activities draws in large amounts of tourists annually, all of which are affected by the sales tax, and as a result contribute revenue to the state.

Other neglected factors include the potential for a population boom following the income tax repeal, as demonstrated by Florida and Texas,[25] but perhaps the most important issue with the estimations is that they were reliant on increased sales tax rates being the only method employed to replace the revenue gap left behind by the income tax. As the research shows, this is possible, but not without instituting burdensome sales tax rates.

It would instead be wise for Idaho lawmakers to utilize multiple methods to raise the required revenue. This method draws similarities to the principle of diversifying your portfolio in trading and would cut down Idaho's reliance on any specific industry for revenue. Fortunately, Idaho has a plethora of unique revenue-making opportunities to capitalize on.

Implement a Mineral Severance Tax

[24] In all of the estimates, the following formula was used: ($2.9276B/Taxable PCE in B) x 100. The numerator is the required amount of revenue to replace ($3.1806B minus the $0.253B delivered by HB 40), and the denominator is the percentage of total annual economic transactions eligible for income taxation.

[25] "Why States With No Income Tax Are Winning The Population Battle," The Heritage Foundation, March 24, 2025, available at https://www.heritage.org/taxes/commentary/why-states-no-income-tax-are-winning-the-population-battle

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It is important to note that Idaho comes nowhere close to Wyoming in oil, coal, and natural gas production, its three biggest revenue earners.

When it comes to filling the revenue gap left behind by the income tax, it is essential to find innovative solutions that utilize Idaho's natural advantages. For inspiration on this front, lawmakers can look to the neighboring state of Wyoming. Like Idaho, Wyoming is equipped with a plethora of natural resources and relies heavily on mineral severance taxation for revenue. A severance tax is defined as "a state tax imposed on the extraction of non-renewable natural resources that are intended for consumption in other states."[26] Mineral severance taxes usually apply to valuable natural resources such as oil, natural gas, coal, and precious metals, and tax a specified percentage of the non-deductible value of the extracted mineral.

When instituting mineral severance taxes, the tax structure is vital to their success. Wyoming for example, assigns a specific rate to each individual mineral, ranging from 2-6%.[27] Not only does this system tax valuable revenue-earning materials like oil, coal, and natural gas at higher rates, but it also incentivizes the extraction of less valuable materials by levying lower rates against them. The success of this structure speaks for itself. In FY 2023, mineral severance taxes earned the state of Wyoming $729,535,285, while federal mineral royalties brought the combined revenue total well over $1 billion.[28] The success of mineral severance taxation in FY 2023 was not a fluke, however. Over the last 20 years, Wyoming's severance taxes have never provided less than $500 million in revenue, and in 2006 and 2008 they brought in over $1 billion.[29]

Estimating exactly how successful mineral severance taxation would be in Idaho is difficult. It is important to note that Idaho comes nowhere close to Wyoming in oil, coal, and natural gas production, its three biggest revenue earners. However, the beauty of the severance tax structure is that lawmakers can levy higher tax rates on resources that are abundant in Idaho, such as silver, phosphate, limestone, copper, and a variety of valuable gemstones. Another upside of severance taxation is that it does not encourage decreased mineral extraction.

States like Colorado have set a precedent of offering lowered tax rates or tax credits to extractors when profit margins become unsustainable. Oftentimes, there are even standardized exemptions for low-performing or small extraction operations.[30] This practice greatly improves government-extractor relationships. Both the state government and the extracting party rely on mutual

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[26] "Severance Tax: What it Means, How it Works," Investopedia, September 17, 2020, available at https://www.investopedia.com/terms/s/severance-tax.asp

[27] "Mineral Tax Division- Severance Taxes," Mineral Tax Division, available at https://mineral-tax-div.wyo.gov/solid-minerals/severance

[28] "Annual Comprehensive Financial Report," Wyoming State Auditor's Office, June 30, 2024, available at https://sao.wyo.gov/wp-content/uploads/2025/01/2024-ACFR-State-of-Wyoming.pdf

[29] "Wyoming State Government Revenue Forecast," Consensus Estimating Revenue Group, January 2025, available at https://wyoleg.gov/budget/CREG/Reports/JanuaryCREG2025.pdf

[30] "Severance Tax: What it Means, How it Works," Investopedia, September 17, 2020, available at https://www.investopedia.com/terms/s/severance-tax.asp

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Simply put, revenue triggers are a series of tax cuts employed once a predetermined target is met, with the tax rates decreasing until they reach a specified end amount.

cooperation for revenue, making them more willing to accommodate one another.

Mineral severance taxation would be a surefire method to bring the state of Idaho some much-needed revenue after an income tax repeal. The rates are customizable and easily suited to the geological advantages of the state. Regardless of whether mineral severance taxation proves as wildly successful for Idaho as it has Wyoming, it still holds a truly significant value. Revenue earned via severance taxation is revenue that does not need to be earned via sales taxation.

For a fiscally conservative state like Idaho, this almost certainly results in decreased sales tax rates. Mineral severance taxation provides lawmakers a unique opportunity to shift the taxpayer burden away from the citizens of Idaho and onto the corporations that diminish our state's non-renewable resources. Whether legislators take advantage of Idaho's hidden gem is yet to be seen.

Consider Implementing Revenue Triggers

Another method Idaho lawmakers should consider is the use of revenue triggers to achieve their income tax repeal goals. Simply put, revenue triggers are a series of tax cuts employed once a predetermined target is met, with the tax rates decreasing until they reach a specified end amount. According to the Tax Foundation, these targets, also known as benchmarks, are "typically defined in terms of exceeding given revenue thresholds,"[31] however, this is not always the case.

The beauty of the revenue trigger option is its propensity for customization to the varying economic conditions of the state it is instituted in. Other states employ metrics such as population growth, year-to-year general fund revenue percentage increases, and inflation-adjusted year-to-year total revenue growth when determining benchmarks. In many cases, a combination of these targets must be met in order to trigger the implementation of a single tax cut in the tiered system.

Similarly, rate changes triggered by these benchmarks can be pre-established or rely on the determinations of complex mathematical formulas that utilize information regarding "revenue availability."[32] To add another layer of intricacy, lawmakers must consider whether to require triggers to be met by a specific date or allow benchmarks to be met naturally, regardless of an established timeline.

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[31] "Designing Tax Triggers: Lessons From the States," Tax Foundation, September 7, 2016, available at https://taxfoundation.org/research/all/state/designing-tax-triggers-lessons-states/

[32] IBID.

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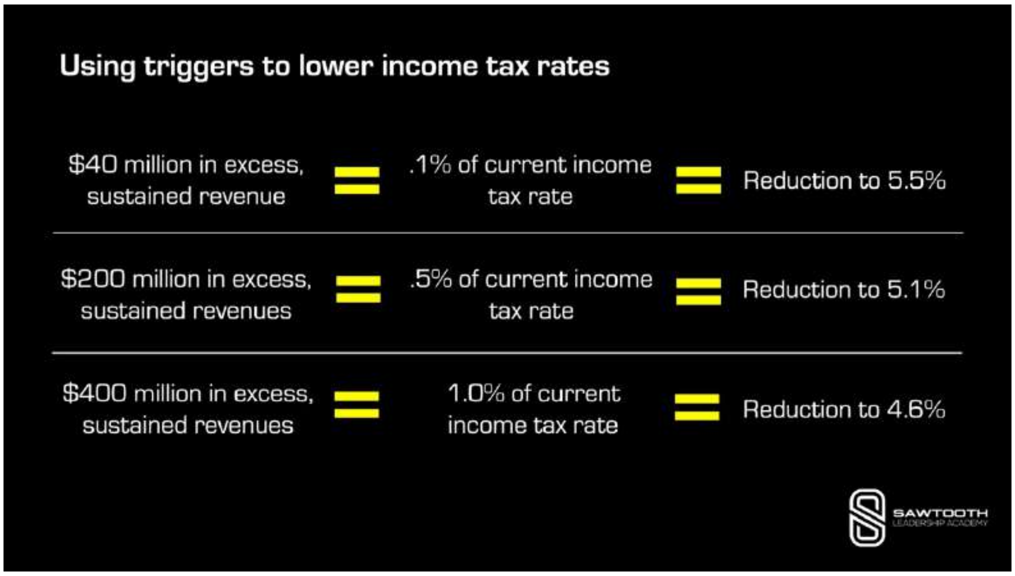
It may be beneficial for lawmakers instituting income tax revenue triggers to incrementally raise the rates of designated replacement revenue sources as each benchmark is met.



Most importantly, revenue triggers allow lawmakers to set the pace for their states. Oftentimes, instantaneous income tax repeal poses too significant a threat to the economic condition of a state, and the institution of revenue triggers can assist in the phasing out of the income tax, while taking potential economic instability out of the question. Meanwhile, as income tax rates gradually work their way down to zero, lawmakers are provided a unique opportunity to test the viability of the new revenue sources chosen to replace the income tax. For this reason, it may be beneficial for lawmakers instituting income tax revenue triggers to incrementally raise the rates of designated replacement revenue sources as each benchmark is met. This practice takes the guesswork of replacement revenue source performance out of the equation.

Although revenue triggers have many upsides, there are also some downsides that must be discussed. First, is the concern that by incrementally phasing out income taxation over a period of years, revenue triggers ignore the inherent unfairness and economic damage of income taxes, and instead rely on the success of the income taxation system in order to dismantle it. However, the pragmatic legislator, while realizing the philosophical truth of this statement, must also realize that a change like full income tax repeal is so substantial that an incremental method like revenue triggering may be the most realistic method with which to achieve this goal. Legislators in states that are not primarily controlled by one political party may find it difficult to garner bipartisan support for income tax repeal unless it is achieved incrementally.

Other concerns arise over the potential ineffectiveness of revenue triggers, based on provisions included in tax trigger legislation. This concern is certainly valid, seeing as how particular benchmarks, triggers, and implementation systems can have a stifling effect on income tax repeal efforts. Whether due to

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The overall success of the revenue trigger is ultimately reliant on the foresight of the implementers and the relevance of benchmarks and implementation systems to the goals of the state.

unreliable benchmarks, like the annual revenue forecasts employed in Oklahoma[33], or distantly scheduled triggers that never result in meaningful income tax relief, the solution to ineffective tax triggers is effective goals. The overall success of the revenue trigger is ultimately reliant on the foresight of the implementers and the relevance of benchmarks and implementation systems to the goals of the state. An effective revenue trigger is one that is well-researched and subject to intensive economic modeling and forecasting.

Like almost every government policy, there are pros and cons, and revenue triggers are no different. However, if implemented properly, the pros seemingly outweigh the cons by a significant margin, allowing lawmakers the opportunity to quickly and efficiently achieve income tax repeal while maintaining economic stability. Legislators in the Gem State should certainly bring revenue triggers to the discussion table when considering a comprehensive plan for income tax repeal.

Conclusion

Idaho has taken valuable measures in reducing the economic toll of the income tax so far, but there are still many innovative solutions to capitalize on in the state's near future. Income tax is one of the largest sources of revenue for the state of Idaho, but it's not without its fair share of problems. It is unfair, ineffective, and detrimental to the economic growth and well-being of Idaho citizens and businesses.

By recognizing the inherent faults of the income tax, Idaho lawmakers have the opportunity to seek out inventive methods to utilize the Gem State's abundance of resources to the advantage of the taxpayer. As we approach the 2026 legislative session, continued tax reform is among the most vital objectives of the state's lawmakers. By focusing on the reasons why the income tax should be abolished and recognizing the state's unique opportunities to supplement the revenue, lawmakers can turn Idaho into one of the most taxpayer-friendly states in the nation.

[33] IBID.

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ABOUT THE AUTHOR

Avery Nichols, a driven 15-year-old from Meridian, Idaho, embodies a spirit of service and dedication to his community. Through his involvement in student government, legislative campaigns, and volunteer work, Avery has demonstrated a strong commitment to making a positive impact in the lives of others.

With a diverse range of interests, including reading, woodworking, and playing guitar, Avery is not only passionate about personal growth but also actively engages in local politics and anti-vaping advocacy. As a certified community trainer for CATCH My Breath, Avery is poised to educate and empower younger generations to make healthy choices.

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