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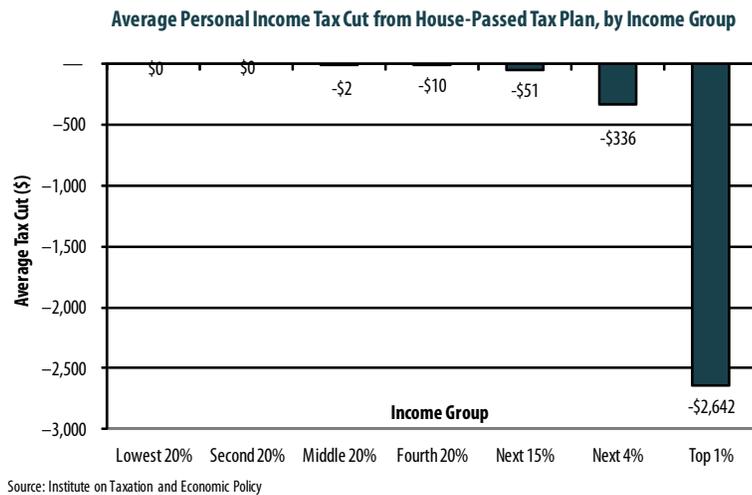
March 2012

Idaho House Tax Plan Stacked In Favor of the Wealthy: Most Tax Cuts Flow to the Top 1%, Vast Majority of Idahoans Receive No Benefit

An income tax cut recently passed by the Idaho House of Representatives, and backed by Governor Butch Otter, would reduce state revenues by over \$35 million a year while benefitting only a small fraction of the wealthiest Idahoans. Four out of five Idaho families would not see their taxes fall by a single cent. Over half of the plan's benefits would flow to the richest 1 percent of taxpayers, and four-fifths of the benefits would go to the best-off 5 percent of Idaho residents.

HB563 would add to the unfairness already present in Idaho's tax code. ITEP's previous research has shown that the state's wealthiest taxpayers currently pay Idaho taxes at an effective rate lower than any other group.² While low- and middle-income Idahoans generally pay between 8.2 and 8.7 percent of their income in state and local taxes, the state's best-off residents pay just 6.3 percent.

By far the largest component of House Bill 563 is a provision eliminating the state's top personal income tax bracket.¹ Since less than one-fifth of Idahoans currently pay tax at the top rate, the vast majority of Idaho families would see no benefit from this change. Members of the state's richest 1 percent, by contrast, would see their taxes fall by an average of over \$2,600 per year.



Arguments in favor of the Idaho House's proposed tax cut have generally focused on its alleged ability to improve the state's economy. This has been a common and often influential talking point in a number of states seeking to cut the income tax this year, but recent research from ITEP casts serious doubt on this claim.

For more on the relationship between state income taxes and economic performance, see two of ITEP's February 2012 reports at: www.itepnet.org/DebunkingLaffer.

¹ HB563 also includes a much smaller provision that lowers the tax rate paid by corporations. This analysis looks only at the tax changes for individual payers, but the corporate rate cut is likely to primarily benefit wealthy shareholders, many of whom live out of state.

² Institute on Taxation and Economic Policy. "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States." November 2009. http://www.itepnet.org/state_reports/whopays.php

Impact of Personal Income Tax Cut Passed by the Idaho House (HB563)

All Idaho Residents, 2012 income levels

2012 Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income Range	Less Than \$18,000	\$18,000 – \$34,000	\$34,000 – \$52,000	\$52,000 – \$80,000	\$80,000 – \$150,000	\$150,000 – \$383,000	\$383,000 – Or More
Average Income in Group	\$ 11,000	\$ 25,000	\$ 42,000	\$ 64,000	\$ 104,000	\$ 225,000	\$ 1,139,000
Tax Cut as % of Total Income	—	—	-0.0%	-0.0%	-0.0%	-0.1%	-0.2%
Average Tax Cut	—	—	-2	-10	-51	-336	-2,642
Share of Total Tax Cut	—	—	1%	4%	15%	27%	53%
Percentage of Idahoans Receiving Tax Cut	—	—	11%	17%	65%	93%	96%

<i>Total % of Idahoans Receiving Tax Cut</i>	<i>19.8%</i>
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SOURCE: Institute on Taxation and Economic Policy, March 2012