



EDITORIAL: If there's a tax to raise, Idaho's poor will pay it

Sept. 24--Even a modest uptick in state tax revenues won't replace all the federal stimulus and state reserves that propped up Idaho's public schools, higher education and other programs this year. That money will be exhausted when it's time to figure out how to plug next year's hole of close to \$300 million.

Who will lawmakers squeeze first?

Would you believe the poor? Why not? When it's time to cut taxes, it's Idaho's wealthiest who get the breaks. When there's a tax to be paid, it's the people on the bottom rungs who get soaked.

Nobody's putting his name to it, but there's been a steady drumbeat for repealing the tax break that reimburses Idahoans for sales tax paid on groceries, the Idaho Statesman's Dan Popkey reported during the weekend.

That's the one break aimed at the poor. Sales taxes already fall disproportionately on lower-income people. Most of what they earn, they spend on the necessities of life. For instance, if you make less than \$16,000, a penny of new sales tax will draw 1.1 percent of your earnings.

Conversely, people who are paid a lot either invest their money or spend those dollars on items not subject to sales taxes. So for a person earning more than \$298,000, each penny of sales tax translates into a net rate of 0.1 percent.

The grocery tax credit is designed to address part of the inequity. The benefit started out at a measly \$20 per person. Lawmakers since voted to expand the credit incrementally toward \$100. Until it reaches that goal, the benefit increases annually by \$10. Each year, the program costs Idaho another \$20 million.

The poor and elderly got the most help earlier. They'll reach the maximum credit soonest. If your net taxable income is less than \$1,000 (which translates to about \$18,000 in gross income for a married couple) you're due to get \$70 next year. If you're 65 or older, you'll get another \$20.

Everyone else will get \$50.

Canceling the program now would save the state about \$98.7 million.

Why are lawmakers even talking about repealing this one break for the low-wage earner? Why aren't they talking about reversing the two most recent deals they cut for the rich?

Four years ago, lawmakers followed then-Gov. Jim Risch's plan to drop the property tax support of schools and replace it with a penny increase in the sales tax. If you owned commercial property or a high-priced home, you saved more in property taxes than you ever paid in higher sales taxes. Most people earning less than \$135,000 a year actually lost money on the arrangement, according to the Institute on Taxation and Economic Policy. But those who made little money and rented their homes suffered the most.

The state shifted the tax burden from the rich to the poor. And it wasn't the first time. Earlier in the decade, lawmakers cut individual and corporate income tax rates on the eve of a recession, which then triggered the need to boost sales taxes.

If the state needs money, why not go after the people who can afford to pay? Explore a temporary income tax surcharge, as state Rep. Shirley Ringo, D-Moscow, and Democratic House candidate Judy Brown of Moscow have suggested.

Or suspend the investment tax credit.

There's more than \$1 billion worth of transactions exempted from the sales tax. Key among them are the professional services that have occupied a greater share of the state's economy in the time since the sales tax was adopted in 1965. Why not repeal some of those tax loopholes?

Why not at least pursue sales taxes on e-commerce and catalog sales? Or aggressively pursue people who owe Idaho taxes but haven't paid?

Do something. But leave Idaho's neediest families alone. They've done their share. -- M.T.