

Quality Education Act:¹
Initiative
— **fiscal impact** —

Summary: The revised ballot initiative adheres to the new tax rates and brackets enacted through HB0380 of the ID FY 2021 legislative session, though it introduces a new top tax bracket of 10.925% at \$250,000. It begins inflation adjustment of that bracket in 2025 and beyond. It also raises the corporate tax rate to 8%. The new rates and bracket apply January 1, 2023.

The ballot initiative would raise income taxes by \$323,526,400 starting in ID FY 2024.

Method: This analysis uses an existing algorithm for determining the fiscal impacts to tax bracket changes in Idaho’s tax landscape. It uses the brackets and rates listed in the initiative, and it applies the tax-table computation to average taxable incomes across a distribution of tax filing data. The distribution has just shy of 500 categories, cutting across filing status and the full income range. It is up to date for individual and joint filers through the tax year 2019 data, the most recent complete data available.

Assumptions: As the effect is within the future, the estimates rest upon growth rates from the latest General Fund revenue forecast. The tax rate changes would place Idaho’s new corporate tax rate at the same level as Massachusetts,² and higher than Idaho’s neighboring states.³ For personal income taxes the initiative places Idaho’s rates between Minnesota,⁴ New Jersey,⁵ and Hawaii.⁶ Potentially, these tax increases could alter the long-term economic forecast (through a different set of employment prospects) or the general fund forecast (through a different distribution of incomes) for Idaho. The time-constraint for ballot initiative fiscal impacts precludes producing models as broad as these that may account for such changes.

Effect:⁷ From filers of single returns, the initiative raises taxes by \$48.5 million. From filers of joint returns, the initiative raises taxes by \$209.2 million. From corporations and temporary residents, the initiative raises at least \$65.8 million.

The initiative reduces the General Fund by \$661,200 in ID FY 2024 as it directs \$324,187,700 towards the quality education fund. The quality education fund would receive \$48.6 million from single filers, \$209.7 million from joint filers, and \$65.8 million from corporate filers.

The additional tax raised through the corporate income tax would partly be paid by Idaho citizens through usual business transactions with corporations paying taxes in Idaho.

¹The revised initiative was received June 15. The initial initiative was received May 14.

²<https://www.mass.gov/service-details/massachusetts-tax-rates>

³https://www.taxadmin.org/assets/docs/Research/Rates/corp_inc.pdf

⁴<https://www.revenue.state.mn.us/income-tax-rates-and-brackets>

⁵<https://www.state.nj.us/treasury/taxation/pdf/withholdingtables.pdf>

⁶https://tax.hawaii.gov/forms/d_18table-on/d_18table-on_p13/

⁷The distribution of the additional tax revenue, not just all tax revenue as it had been previously, was altered in this version of the ballot initiative, as well as the base amount for taxes when taxable income exceeds \$250,000.