Idaho

Key points:

- Idaho is trailing other states because it has not adopted a plan for regular evaluation of tax incentives.
- When lawmakers created a new incentive in 2014, they required annual evaluations of the program.
- These evaluations could serve as a first step to a consistent process for studying incentives.

Most incentives in Idaho are not reviewed regularly. However, when state lawmakers created a tax credit called the Tax Reimbursement Incentive in 2014, they also required annual evaluations of the program’s effectiveness.²

The idea behind the incentive was to broaden Idaho’s economic development portfolio. The state had previously focused heavily on providing public infrastructure to attract businesses. In contrast, the Tax Reimbursement Incentive rewards job creation—an approach that economic development officials hope will help Idaho land businesses without large infrastructure needs, such as high-tech firms.³

To determine whether this approach is working, the law tasks the Department of Commerce with measuring the economic impact of the incentive and making policy recommendations. As part of the evaluations, Commerce must also hire an auditor to assess whether the department is administering the program effectively.⁴ In adopting these requirements, the state will scrutinize what is likely to quickly become one of Idaho’s largest incentives. The state authorized $32 million in tax credits in the program’s first year of operation.⁵

Despite the quick pace of authorizations, no businesses had been issued any tax credits when the first edition of the evaluation was published in 2015.⁶ (Businesses must meet their job creation commitments before the credits are issued.) As a result, the evaluations are a work in progress. As more data become available, the studies will need to rigorously measure economic impact, taking into account key factors such as the extent to which the incentives influenced business choices and the net effects for the state economy. If they do that, the evaluations will provide valuable information to policymakers and could also serve as a first step toward a regular evaluation process for all the state’s major tax incentives.
References


e  Susie Davidson and Cindy Lee (business attraction manager and grants and contracts manager, respectively, Idaho Commerce), interview with The Pew Charitable Trusts, May 24, 2016.

For further information, please visit:
pewtrusts.org/taxincentives

Contact: Catherine An, communications officer
Email: can@pewtrusts.org
Project website: pewtrusts.org/taxincentives

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