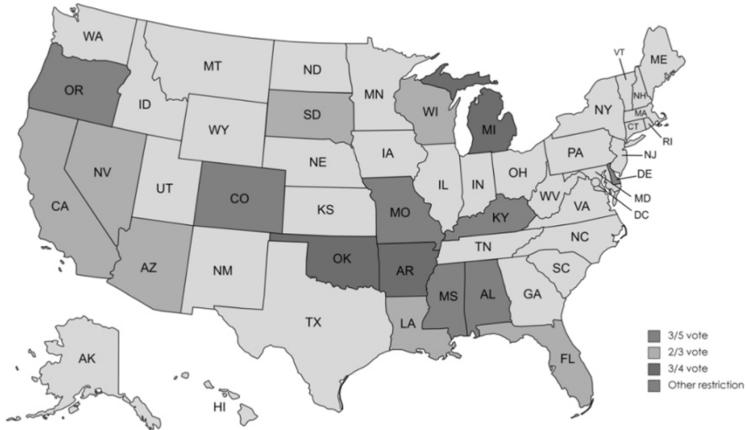
I. Require a supermajority vote for state and local tax increases

If there's one thing Americans can still agree on it's that tax policy is one of the most consequential decisions our government makes, impacting the economy and family budgets. There is also general agreement that tax increases should be a last resort when budgeting and imposing them should not be taken lightly by policymakers.

One way to ensure this occurs is by adding requirements to a state's constitution that require a supermajority vote or voter approval to raise taxes. This type of taxpayer protection already exists in several states.



MOUNTAIN STATES POLICY MANUAL

Examples

There are currently 17 states with some form of supermajority or voter approval requirements for tax increases.[1] Here are examples of the legislative vote thresholds required to raise taxes in those states:

- 3/5 vote: Delaware, Kentucky, Mississippi, and Oregon.

- 2/3 vote: Arizona, California (includes fee increases), Florida, Louisiana, Nevada (includes fee increases), South Dakota, and Wisconsin.

- 3/4 vote: Arkansas, Michigan (property taxes only), and Oklahoma.

- Other: Alabama (state income and property taxes cannot be increased without a constitutional amendment), Colorado (voter approval is required for all tax increases), and Missouri (voter approval is required to raise taxes above a set revenue cap).

Here are examples of how these tax restrictions are worded in state constitutions:

- **California Constitution Article 13a, Section 3:** "Any change in state statute which results in any taxpayer paying a higher tax must be imposed by an act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed."[2]

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[1] "Senate considers supermajority for taxes constitutional amendments," Washington Policy Center, February 2013, available at https://www.washingtonpolicy.org/publications/detail/senate-considers-supermajority-for-taxes-constitutional-amendments

[2] "California Constitution Article XIII A - Tax Limitation Section 3," Justia Law, accessed on October 23, 2023, available at https://law.justia.com/constitution/california/article-xiii-a/section-3/

- **South Dakota Constitution Article 11, Section 14:** "Vote required to impose or increase taxes. The rate of taxation imposed by the State of South Dakota in regard to any tax may not be increased and no new tax may be imposed by the State of South Dakota unless by consent of the people by exercise of their right of initiative or by two-thirds vote of all the members elect of each branch of the Legislature."[3]

Proactively acting to protect taxpayers by sending voters a supermajority for tax increases constitutional amendment is a prudent thing for policymakers to do. Whether requiring voter approval for all tax increases like in Colorado or needing a 2/3 legislative threshold as occurs in Florida, increasing the tax burden imposed on families and businesses should first secure a broad consensus and always be the last resort when budgeting.

VIDEO: We need supermajority tax protection

II. Use performance-based budgeting to focus taxpayer dollars on expected outcomes

When taxpayers provide their hard-earned dollars to government officials, they hope to receive a tangible outcome for this investment in public services. The true measure of success for these tax dollars is not how much is being spent but whether a measurable performance outcome is being achieved. This is why state and local budgets should be transformed from a list of spending to a performance agreement with taxpayers on what the

[3] "Constitution," South Dakota Legislature, accessed on October 23, 2023, available at https://sdlegislature.gov/Constitution/11-14

expected results will be for these investments. This type of budgeting is known as performance-based budgeting.

Although many states use a variation of performance-based budgeting, Texas is the clearest example of transforming a state's actual appropriation bills into a performance agreement with taxpayers on what outcomes are expected. As noted in a 2005 United States Government Accountability Office (GAO) audit:[4]

> "In Texas, funds are appropriated by agency goals and strategies, which are defined in the agency's strategic plan. Strategies set forth actions to be taken by an agency to achieve its goals. There may be multiple strategies under one goal. Funding is provided at the strategy level . . . in Texas agencies work with legislative and executive budget staff throughout the strategic planning and budgeting processes to determine the measures they will report in the next biennial budget."

GAO further notes about the Texas performance-based budgeting process:

> "In addition to funding amounts, the legislative budget estimates and general appropriations bill also include other budget-related information, such as performance measures and targets, financing procedures, and historical summaries of previous funding requests and approved agency budgets. The Governor's Office also provides its budget proposal at the beginning of the legislative session using a similar format as the LBB . . .
>
> Texas's General Appropriation Act is structured by goals and strategies. In general, an agency will

[4] "Performance Budgeting - States' Experiences Can Inform Federal Efforts," GAO, February 2005, available at https://www.gao.gov/assets/gao-05-215.pdf

have three to five substantive strategies, sometimes referred to as 'direct strategies,' as well as one or more strategies labeled 'indirect administration' for functions shared among strategies, such as accounting, human resources, information technology, reporting, and overall administration in the higher executive offices . . .

Texas also includes outcome, output, and efficiency targets to show what level of performance is expected for each goal and strategy based on the appropriation level each receives."

Here is an example of what the Texas budget looks like by using this type of process:[5]

DEPARTMENT OF TRANSPORTATION
(Continued)

Client Services	2,860,414	2,872,280
Grants	1,033,369,922	571,045,116
Capital Expenditures	6,431,481,695	6,565,557,784
Total, Object-of-Expense Informational Listing	$ 18,632,354,551	$ 18,683,509,447
Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act:		
Employee Benefits		
Retirement	$ 76,797,690	$ 81,744,654
Group Insurance	212,376,192	218,578,630
Social Security	61,672,267	65,654,564
Benefits Replacement	349,500	279,251
Subtotal, Employee Benefits	$ 351,195,649	$ 366,257,099
Debt Service		
TPFA GO Bond Debt Service	$ 9,136,396	$ 7,102,641
Total, Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act	$ 360,332,045	$ 373,359,740

[5] "General Appropriations Act for The 2024-25 Biennium," Texas Legislature, February 2005, accessed on May 21, 2024, available at https://www.lbb.texas.gov/Documents/GAA/General_Appropriations_Act_2024_2025.pdf

1. **Performance Measure Targets.** The following is a listing of the key performance target levels for the Department of Transportation. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Department of Transportation. In order to achieve the objectives and service standards established by this Act, the Department of Transportation shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.

	2024	2025
A. Goal: PROJECT DEVELOPMENT AND DELIVERY		
Outcome (Results/Impact):		
Percent of Design Projects Delivered on Time	90%	90%
Percent of Construction Projects Completed on Budget	85%	85%
Percent of Two-lane Highways 26 Feet or Wider in Paved Width	54.8%	54.9%
Percent of Construction Projects Completed on Time	65%	65%
A.1.1. Strategy: PLAN/DESIGN/MANAGE		
Output (Volume):		
Number of Construction Plans Processed for Statewide Construction Letting	765	765
Dollar Volume of Construction Contracts Awarded (Millions)	6,500	6,500
Number of Construction Contracts Awarded	765	765
B. Goal: ROUTINE SYSTEM MAINTENANCE		
Outcome (Results/Impact):		
Bridge Inventory Condition Score	88.68	88.59
Percent of Highway Pavements in Good or Better Condition	90%	90%
B.1.1. Strategy: CONTRACTED ROUTINE		

The Texas Legislative Budget Board further explains:[6]

> "As a part of the strategic planning process, agencies develop performance measures. Performance measures are quantifiable indicators of achievement. Texas uses four types of measures:

- Outcome—indicates the effect on a stated condition;
- Output—counts the services produced by an agency;
- Efficiency—gauges resource cost per unit of product; and
- Explanatory/input—provides information to help assess reported performance . . .

[6] "Budget 101," Texas Legislature, January 2023, available at https://senate.texas.gov/_assets/srcpub/88th_Budget_101.pdf

> Over the next two years, an agency collects data on its performance measures and reports this information quarterly to the LBB, GBPD, and other agencies. As part of the data collection process, an agency must establish controls to ensure the data is properly collected and reported. Among the duties of the SAO are auditing performance measures and certifying those measures. The audit report on performance measures includes a report on the adequacy of controls in reporting data and the accuracy of agency reporting on actual performance."

Although caseloads, inflation, and population changes are important drivers of budget pressures, the fiscal conversation should always be focused on what the expected performance outcomes are for the taxpayer investments being made. By using a budgeting process that places desired performance outcomes directly into the actual appropriation bills, budget writers can help refocus the spending debate while signaling a clear expectation to agencies on what they are expected to accomplish on behalf of taxpayers.

III. Adopt automatic tax rebates tied to revenue triggers

Along with providing constitutional tax increase protections, several states like Oregon and Colorado also require automatic tax rebates when revenues grow above a certain level. Here are details on how that automatic refund process works in those states.

The Oregon Department of Revenue explains:[7]

> "The Oregon surplus credit, known as the 'kicker,' is a way for state government to return some of your

[7] "Oregon surplus 'Kicker' credit," Oregon Department of Revenue, accessed on October 23, 2023, available at https://www.oregon.gov/dor/programs/individuals/pages/kicker.aspx

> taxes to you when revenues are more than predicted. Every two years, the Oregon Department of Administrative Services (DAS) Office of Economic Analysis (OEA) determines whether there is a surplus and the amount to be returned to taxpayers as a kicker. If there's a surplus, the kicker may be claimed on the return as a refundable tax credit or donated to the State School Fund . . . The 1979 Oregon Legislature passed the 'Two percent kicker' law, which requires the state to refund excess revenue to taxpayers when actual General Fund revenues exceed the forecast amount by more than two percent."

This has resulted in billions of dollars of tax refunds for Oregonians in 2023:[8]

> "Oregon taxpayers are set to receive their biggest kicker tax rebate on record when they file their taxes next spring — a $5.6 billion refund, according to near-final forecasts issued Wednesday. That works out to $980 for the median taxpayer."

According to the Colorado Department of Revenue:[9]

> "The Taxpayer's Bill of Rights (TABOR) Amendment was approved by voters in 1992. This amendment to the Constitution of the State of Colorado generally limits the amount of revenue governments in the state can retain and spend. Absent voter approval, it requires excess revenue to be refunded to taxpayers. TABOR also requires voter approval for certain tax increases.

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[8] "Oregon taxpayers set to receive record $5.6 billion kicker; here's what you can expect,' The Oregonian, August 2023, available at https://www.oregonlive.com/business/2023/08/oregon-taxpayers-set-to-receive-record-56-billion-kicker-heres-what-you-can-expect.html

[9] "Taxpayer's Bill of Rights (TABOR) Information," Colorado Department of Revenue, accessed on October 23, 2023, available at https://tax.colorado.gov/TABOR

> The state TABOR revenue limit is generally equal to the prior fiscal year's limit plus the rate of inflation and population growth in Colorado, subject to a voter-approved floor."

Here is an example of what the Colorado tax refund looked like in 2023:[10]

> "Colorado is set to pay out more than $3.5 billion in TABOR refunds next spring — one of the largest paybacks that the state has ever had to return to taxpayers. In fact, the state is in the middle of what could be a record-busting string of revenue years. For the first time ever, the state government could be forced to pay refunds for six straight years, stretching from 2022 through 2027 or longer. Those refunds are expected to average more than $2 billion per year."

Authorizing automatic tax rebate triggers based on revenue growth, like what occurs in Oregon and Colorado, will help policymakers avoid the temptation of overheating a state budget and increasing the pressure for future tax increases.

IV. Use revenue triggers to reduce income tax rates

Over the past few years, lawmakers in Idaho and Montana have been working on income tax reform by reducing rates. The tax reduction action in both states follow a national trend. One of the only states not following the trend happens to be neighboring Washington, providing a golden opportunity for policymakers in Idaho and Montana to take advantage of an extraordinary policy shift and solidify state competitiveness for years to come.

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[10] "Why are TABOR refunds so huge lately? And will they stay that way?," CPR News, September 2023, available at https://www.cpr.org/2023/09/21/colorado-why-are-tabor-refunds-so-huge-lately/

Comparing income tax rates

Income tax rates vary significantly. Wyoming and Nevada do not levy income taxes, while Washington state added a new capital gains income tax in 2023. California has the highest income tax rates in the country. Colorado and Utah both have income taxes, but they have been gradually reduced.

Income tax rates, by state

As of April 2024

State	Rate		State	Rate
California	13.3%		Alabama	5.0%
Hawaii	11.0%		Illinois	4.95%
New York	10.9%		Missouri	4.80%
New Jersey	10.75%		Oklahoma	4.75%
District of Columbia	10.75%		Mississippi	4.70%
Minnesota	9.85%		Utah	4.65%
Oregon	9.9%		Arkansas	4.40%
Massachusetts	9.0%		Colorado	4.40%
Vermont	8.75%		Louisiana	4.25%
Washington	7.00%		Michigan	4.25%
Wisconsin	7.65%		Kentucky	4.0%
Connecticut	6.99%		Ohio	3.5%
Delaware	6.60%		Pennsylvania	3.07%
South Carolina	6.4%		Indiana	3.05%
Rhode Island	5.99%		New Hampshire	3.0%
Montana	5.90%		North Dakota	2.5%
New Mexico	5.90%		Arizona	2.5%
Nebraska	5.84%		Tennessee	0%
Virginia	5.75%		Nevada	0%
Maryland	5.75%		Wyoming	0%
Kansas	5.70%		Alaska	0%
Iowa	5.70%		South Dakota	0%
Idaho	5.69%		Florida	0%
Georgia	5.49%		Texas	0%

While the reductions and focus on rates in Idaho and Montana are welcome, both states risk falling behind their neighbors if they don't take further action. Furthermore, states across the country with personal income taxes have sought to lower the burden.

Tying sustained revenue growth to rate reductions

So how can lawmakers ensure the tax burden remains low, and a state is not over-collecting? One option is to tie the state's income tax rate to excess revenue via a trigger. As the Tax Foundation reports:[11]

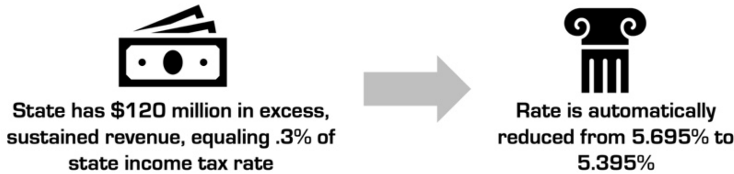
> "When North Carolina legislators committed to comprehensive tax reform in 2013, they broadened tax bases and eliminated exemptions to fund rate reductions—but then turned to 'tax triggers' to implement a schedule of further rate cuts, as revenue permitted, in subsequent years. Seeking a lower individual income tax rate, Massachusetts policymakers opted for a gradual phase-in of rate cuts, proceeding only when revenue growth was more than sufficient to absorb the rate change."

By using automatic triggers, there would be no need for special sessions of the legislature or one-time tax rebate checks that show the government has over-collected. The reduction would happen automatically.

[11] 8 Tax Foundation, Designing tax triggers: lessons from the states, available at https://taxfoundation.org/designing-tax-triggerslessons-states/?fbclid=IwAR2h9kD4V6mkBQQ2cbxl3RU0ZJl574Tf-fSYLuePYGUZMAvzlRuDOMpaWRI

Use revenue triggers to buy down income tax rates

Idaho example, wherein .1% of income tax equals $40 million in revenue



The exact revenue percentage over expectations, the period of time required to make sure it is consistent, and the corresponding income tax rate reduction would all need to be set by lawmakers. Adopting this type of policy would send a clear message that Idaho and Montana will continue to lower the income tax burden it is placing on families and businesses. And the more the economy booms, the lower the rate.

As the Tax Foundation notes, "tax triggers can help ensure revenue stability and limit the uncertainty associated with changes to the tax code while providing an efficient way for states to dedicate some portion of revenue growth to tax relief."

How rate reductions could help the economy and state credit ratings

Economic analyses have found that tax cuts – specifically income tax cuts – are likely to immediately boost gross domestic product (GDP). Karel Mertens and Morten Ravn with the American Economic Review found that the progressivity of an income tax hurts economic growth. Idaho and Montana lawmakers have already addressed

this issue by flattening the state's income tax rate.[12] But Mertens and Ravn further found "a 1 percentage point cut in the average personal income tax rate raises real GDP per capita by 1.4 percent in the first quarter and by up to 1.8 percent after three quarters."

Meantime, it is worth noting that states that rely heavily on income taxes to support government revenue can find themselves on a roller coaster ride during inevitable economic downturns. This is because layoffs can crash a state's income tax revenue, while sales taxes are more likely to be reliable.

This is confirmed by credit agencies across the country, including Standard and Poor's (S&P), which says, "sales tax-based revenue structure... has demonstrated less sensitivity to economic cycles than income tax-reliant states."[13]

While no revenue source is immune to economic waves, graduated and capital gains income taxes are the most volatile taxes.[14]

Rarely do policymakers get such an enormous opportunity to take advantage of surging tax revenues and the economic environment to lower the tax burden in their states and bring more stability to government revenues. With a revenue trigger, the more the state has in surplus, the lower the tax rate will go.

As the Tax Foundation points out, "well-designed triggers limit the volatility and unpredictability associated with any change to revenue codes and can be a valuable tool for

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[12] 4 Tax Foundation, Evidence of Taxes and Growth, 2012, available at https://taxfoundation.org/what-evidence-taxes-andgrowth/
[13] 5 S&P Global Ratings, State of Washington Appropriations, General Obligation, July 11, 2022, available at https://www.tre.wa.gov/wp-content/uploads/2023AT-SP-2022.07.11-Report.pdf
[14] Tax Foundation, Income taxes are more volatile than sales taxes during an economic contraction, by Jared Walczak, March 17, 2020, available at https://taxfoundation.org/income-taxes-are-more-volatile-than-sales-taxes-during-recession/

states seeking to balance the economic impetus for tax reform with a governmental need for revenue predictability."

V. Move local tax levies and bonds to the November general election

Unfortunately, many elections suffer from low voter turnout, leaving government requests to voters for increased tax collections in the hands of a relatively small number of citizens. This is especially true for 'special elections' that are held throughout the year separately from the November general election when few voters are paying attention.

To counter the few from imposing a long-term tax obligation on the community without broad consensus, several states require supermajority votes for certain types of tax increases.

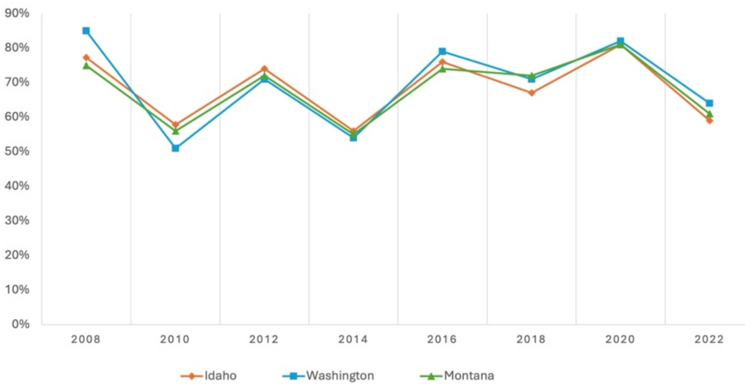
There are many good reasons to require a supermajority, even with voter approval, for bonds such as those for schools. Unlike normal levies, these bond obligations can extend for many years and the taxes can't be repealed or reduced until that obligation is met. Most other tax levies can be changed or repealed at any time. This prevents tying the hands of future policymakers so they can respond to changing economic conditions.

The main exception to this flexibility, however, is for taxes pledged to bonds (long-term contractual obligations). Realizing the different nature of taxes for bonds versus normal operating expenses and wanting to prevent a small number of voters from imposing this type of long-term tax burden on a community, many constitutions across the country require these bond votes to secure a broad consensus.

Although several states require a 3/5 vote for school bonds (including neighboring Washington), Idaho is one of the few in the country with an exceptionally high requirement to secure a 2/3 vote of the people.

Moving to a 3/5 vote requirement for school bonds, if the election is required to be held at the November general for maximum voter turnout and involvement, is a discussion worth having. What shouldn't happen is allowing 'special elections' with low voter turnout to increase the long-term tax obligation of a community.

Voter turnout by state
2008-2022



One possible idea would be to give school districts a choice. They could use a special election and need to meet a 2/3 vote, or they could place the bond tax levy on the November general election and need to secure a 3/5 vote. It is false to say this will only make tax increases easier. In fact, in a higher turnout election, you'll have to convince more voters that the tax increase is warranted. The goal is to allow the

full voice of the community to be heard by making these tax decisions at the elections with the highest voter turnout.

Long-term tax obligations should never be easy to impose, but Idaho's current 2/3 vote requirement for school bonds, even with voter approval, is an exceedingly high threshold that should be reconsidered. By moving all tax levies to the November general election while still requiring a 3/5 vote for bonds, policymakers can encourage a robust tax discussion in the community to occur and secure a broad consensus before a long-term tax obligation is imposed.

As for normal operating levies that only need to meet a majority threshold, those too should be moved to the November general election. There is never a good argument to use a low-turnout election to ask the community to increase taxes on families and businesses.

VI. Idaho's controversial grocery tax

Idaho is one of only 13 states that still taxes groceries, and the Gem State has one of the highest rates at a full 6% (the state's current sales tax). Montana doesn't have a sales tax, while Wyoming exempts food and Washington does not attach its sales tax to most grocery items.

In Utah, residents are currently charged 3% on groceries statewide, but lawmakers have proposed eliminating the state portion of the tax (currently 1.75%) via a ballot measure in November of 2024.

Grocery tax rates, by state

The Tax Foundation

State	Ordinary Rate	Grocery Rate	Offset or Rebate?
Alabama	4%	4%	
Arkansas	6.5%	0.125%	
Hawaii	4%	4%	x
Idaho	6%	6%	x

Illinois	6.25%	1%	
Kansas	6.50%	6.5%	x
Mississippi	7%	7%	
Missouri	4.225%	1.225%	
Oklahoma	4.5%	4.5%	x
South Dakota	4.5%	4.5%	
Tennessee	7.0%	4.0%	
Utah	4.85%	1.75%	x
Virginia	5.3%	2.50%	

Taxing food is controversial. Idaho offers a yearly rebate of $100-$120 to residents – a number that appears smaller as inflation roars.

In 2017, then Idaho Lt. Governor Brad Little urged Governor Butch Otter to sign a proposed repeal of the state's grocery tax.[15] Other candidates and political leaders have called for a similar reduction or repeal, wrongly assuming that it would have a progressive effect. Instead of repealing or exempting the tax for all, grocery tax credits or rebates offer the poorest households better savings.

Research from the Tax Foundation concludes[16]:

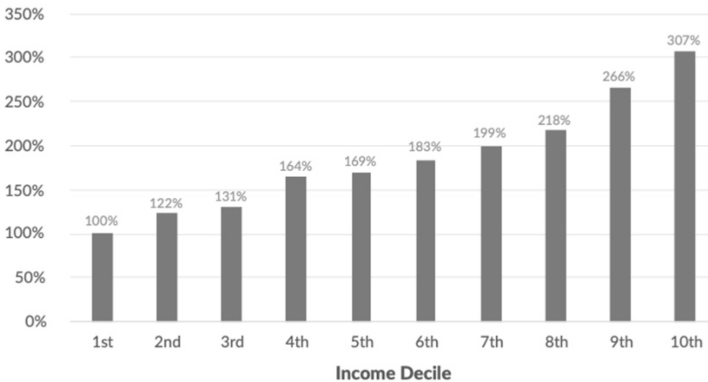
> "Grocery exemptions are a middle -income, not a low -income, benefit—and middle earners can be more efficiently made whole through grocery tax credits. Higher earning households purchase not only more, but higher qualities of, groceries. Low-income households, in fact, are more likely to purchase taxable substitutes to what states classify as groceries, a category that traditionally only covers unprepared foods. The result is that a household in the fifth decile spends almost 70

[15] Little: Repeal the Idaho sales tax on groceries, Associated Press, April 3, 2017, available at https://apnews.com/general-news-ac30e2b295cd4b738a4baa7d24a706ff

[16] The surprising regressivity of grocery tax exemptions, by Jared Walczak, Tax Foundation, April 2022, available at https://files.taxfoundation.org/20220412163431/The-Surprising-Regressivity-of-Grocery-Tax-Exemptions.pdf

percent more than a household in the first decile, and a household in the top decile spends over three times as much as a household in the lowest.

The distributional effects of grocery taxation diverge sharply from most policymakers' expectations, which has dramatic ramifications for this ongoing debate and suggests better ways to achieve policymakers' desired aims."



Sales taxes are more stable and pro-growth than other forms of taxation – especially income taxes. Policymakers can better serve citizens by adopting higher yearly grocery tax rebates and focus remaining excess revenue on cutting income taxes.

VII. Sugary drink taxes are poor public policy

Policymakers have various tax levers available, but one they should avoid pulling is a tax specifically on sugary beverages.

These taxes often come with promises to decrease sugar consumption and raise revenue for popular programs. These goals are counterintuitive. If soda taxes were successful in deterring consumption, the revenue stream for popular programs would decrease.

Research has been mixed. In Seattle, where in 2018 city leaders adopted a 1.75 cents per fluid ounce sugary beverage tax, there was little evidence of impact. In fact, research conducted by the city showed that, while consumption of beverages did decline, it declined more in neighboring cities which did not have a sugary beverage tax.[17]

Peer-reviewed research on the Seattle beverage tax also showed a significant increase in beer purchases following implementation, suggesting alternative purchases were not necessarily healthy.[18] Policymakers are essentially using taxes to play sugar whack-a-mole.

Additional data on Philadelphia's sugary drink tax shows a reduction in sugar drink consumption, but an increase in the purchases of sugary foods. Researchers simply concluded "the policy can be undermined by consumers changing their sources of sugar."[19]

Sugary drink taxes are very regressive. Lower income adults consume 40% more sugary drinks each day than higher income adults. Lower income children consumer 2.5 times as many sugary drinks than higher income

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[17] Twelve month report: Store Audits and Child Cohort, The Evaluation of Seattle's sweetened beverage tax, March 2020, conducted by the City of Seattle, available at https://www.documentcloud.org/documents/6838848-12-Month-SBT-Report-Final.html

[18] Impact of the Seattle Sweetened Beverage Tax on substitution to alcoholic beverages, January 18, 2022, University of Illinois, available at https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0262578#references

[19] National Library of Medicine, The effect of soda taxes beyond beverages in Philadelphia, August 2022, available at https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9804786/

children.[20] This means low income households are hit much harder by any sugary beverage tax.

VIII. Adopt a 30-day work requirement for income tax liability

As a result of the COVID-19 lockdowns, remote work has been surging. According to the United States Census Bureau, the number and percent of home-based workers more than tripled between 2019 and 2021, from 5.7% (roughly 9 million workers) to 17.9% (about 28 million workers).[21] Consequently, this trend towards remote work needs the proper policy actions by policymakers to allow these employees to both thrive in their positions and incentivize them to work in the state. As remote-based companies grow, they need to have the assurance that the states their employees reside in are well suited for their sector of work.

There is a great administrative advantage for employers to have the option to choose from job candidates all around the country without experiencing hesitations around state's tax policies. One of the areas of policy involved is an income tax obligation or withholding threshold.

This is the limit that employees must exceed in a state before they are either liable to pay the state income tax, or employers are required to withhold income taxes on the employees' behalf. Around the country, states have been looking at ways to increase this threshold to make their state attractive for remote and nonresident employees to work out of. Idaho should follow suit.

As it stands in Idaho, a nonresident employee must make $1,000 while in Idaho, to have their employer withhold

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[20] Urban Institute, The pros and cons of taxing sweetened beverages based on sugar, The Urban Institute, December 2016, available at https://www.urban.org/sites/default/files/publication/86541/2001024-the-pros-and-cons-of-taxing-sweetened-beverages-based-on-sugar-content.pdf

[21] "The Number of People Primarily Working From Home Tripled Between 2019 and 2021," U.S. Census Bureau, September 15, 2022, available at https://www.census.gov/newsroom/press-releases/2022/people-working-from-home.html

their income tax for the state. While this policy is mainly associated with remote workers, it also affects those who engage in frequent business travel, and those who desire to work in a hybrid model in a different state.

Example from Montana

Several states are acting to reform their nonresident income tax thresholds. In May of 2023, Montana passed a 30-day threshold for income tax liability. HB 447 states that:[22]

> "Compensation that is received by a nonresident for employment duties performed in this state, is excluded from Montana source income if: The nonresident is present in this state to perform employment duties for not more than 30 days during the tax year in which the compensation is received, where presence in this state for any part of a day constitutes presence."

While the issue of income tax relating to nonresident workers is treated differently throughout the country, Idaho should consider moving to a 30-day income tax obligation threshold. The state needs to both encourage remote and nonresident workers to operate in Idaho and ensure that employees aren't taking advantage of a tax loophole.

A 30-day threshold would accomplish both. A wage threshold proves to be very complicated in the case of an employer with employees in multiple states. The employer must take all the specific wage thresholds into consideration while making hires and sending employees to other states for meetings, conferences, and other forms of

[22] "HB 447- 2023," Montana Legislature, accessed on May 21, 2024, available at https://leg.mt.gov/bills/2023/billhtml/HB0447.htm

business engagement.

A wage threshold also disincentives entrepreneurs from organizing events like business conferences. If the organizers know they will be obligated to pay the income tax within a given state if they exceed a certain compensation level, they will simply relocate to a state where they wouldn't be penalized in.

The 30-day mark provides adequate time for nonresidents to collaborate with residents while participating in the local economy. The current threshold standard in Idaho is lacking compared to the 30-day-specific direction that states like Montana are following.

IX. End taxpayer subsidies to government unions

For many people, labor unions conjure up images of hard hats and factory floors. But such notions are increasingly out-of-date. The largest and most influential labor unions in America today represent government employees. Government unions have immense incentives to use electoral politics to capture control of government. Unlike their counterparts in private industry, government unions "have the ability, in a sense, to elect our own boss," as New York union leader Victor Gotbaum infamously proclaimed in 1975.[23]

This type of political activity should not be subsidized by taxpayers. There's nothing wrong with a private membership organization supporting whatever cause, candidate or party it likes, so long as it does so with its own funds. But representative government is often about balancing competing interests and, when a private interest co-opts the government itself, it can use the power of the state to quash competing voices.

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[23] "Captive Politicians," New York Times, July 9, 1975, available at https://www.nytimes.com/1975/07/09/archives/captive-politicians.html

This type of political phenomenon is most accurately seen in the activities of government teachers' unions. While teachers and public school employees are certainly *one* interest group with a valid stake in the operation of government schools, the interests of students, families and taxpayers matter, too.

Unfortunately, when school boards allow teachers' unions to benefit from public funds, facilities, and resources, they artificially amplify union influence and warp democratic processes. Taxpayers already fund the management side of the bargaining table; they shouldn't also have to pick up the tab for union bargaining against their interests and advocacy for controversial political views.

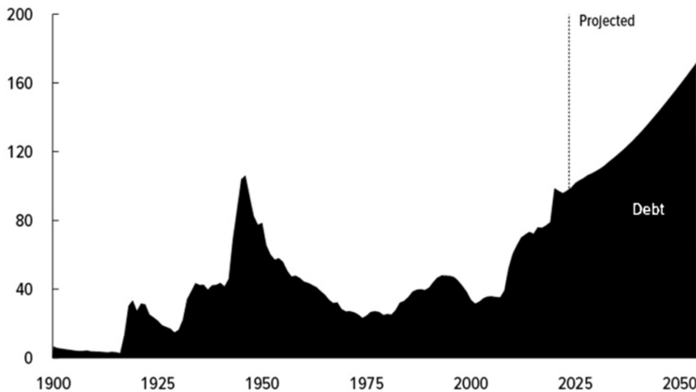
State lawmakers can and should protect taxpayers and level the playing field by prohibiting direct government funding for teachers' unions, requiring unions to reimburse school districts for the cost of teachers' paid union leave, providing that teachers unions get no more access to or use of school facilities than any other civic group, and ending government collection of union dues via payroll deduction.

X. Support efforts to require a federal balanced budget amendment

Every U.S. state except for Vermont has a requirement to pass a balanced budget. This important fiscal requirement is essential to maintaining fiscal health and a strong economic outlook. Unfortunately, there is no requirement for Congress to adopt a balanced budget. As a result, it is no surprise that the nation's fiscal outlook is teetering on the brink.

According to the Congressional Budget Office:[24]

> "Federal debt held by the public increases each year in CBO's projections, swelling to an all-time record of 116 percent of GDP in 2034. In the two decades that follow, growing deficits cause debt to soar to 172 percent of GDP by 2054."



XI. Support efforts to call a fiscally focused Convention of the states

With Congress unwilling to take the necessary steps to budget responsibly, several states are now exercising their rights under the U.S. Constitution to initiate an Article V convention to put forward constitutional amendments to require federal fiscal discipline.

[24] "The Budget and Economic Outlook: 2024 to 2034," CBO, February 2024, available at https://www.cbo.gov/publication/59946

Some have expressed concern that a convention of the states could lead to a runaway process that drastically alters the current U.S. Constitution. One important thing to keep in mind about this fear is that any amendments advanced by this process would still have to be ratified by 3/4 of the states. It is doubtful that anything without broad public support would be enacted by 38 states with this safeguard.

It is clear that Congress is not capable of enacting the reforms needed to change the course of runaway federal spending. That duty now falls on the states to secure the nation's economic outlook for continued prosperity.