

## EXECUTIVE SUMMARY

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### *Overview*

Today, there is wide public awareness of a state budget surplus in Idaho, but specific knowledge of surplus details is limited. While 62% of voters can recall recent news coverage of the surplus, only one in four correctly identifies that there is a large surplus and that proposals are in place to decide how it should be spent.

In terms of the actual proposals to disburse the surplus, the most popular of the five tested in this survey involves permanently reducing personal income tax rates. However, a proposal entailing a permanent reduction of personal *and* corporate income tax rates is also widely popular. Less popular are proposals involving a one-time refund of personal and corporate taxes or permanent reductions in corporate income taxes alone.

In terms of reactions to statements about the state budget, spending, and tax reductions, voters are more likely to favor a reduction in personal income taxes after hearing that such a reduction would mean annual savings for their families, and are more likely to favor a corporate income tax reduction after hearing it would help create new jobs in their area. In addition, statements that the Idaho state budget has been running a surplus for the past 13 years and that proposed tax cuts would still leave Idaho with a substantial surplus bolster support for a reduction in (personal and/or corporate) income taxes.

Further support for returning some of the surplus to taxpayers is evidenced by the fact that roughly one-half of Idaho voters believe taxes paid to their state and local

governments are too high for services received. At the same time, voters are hesitant to support reductions if they perceive them as reducing funding for government programs.

### ***The State Budget Surplus***

Six in ten voters (62%) recall recent news coverage of Idaho's state surplus, but among these voters, knowledge of the specific details of the surplus is limited. Four in ten correctly identify coverage details such as:

- *“Proposals of what to do with the surplus”* (recalled by 9%);
- *“That there will be a surplus”* (8%);
- *“They don't know how to spend it”* (8%); and
- *“It was larger than they expected”* (7%).

However, no other specific details of the coverage could be listed by more than 2% of voters, and a full 22% of voters could not recall anything specific about news coverage of the surplus.

Geographically, Boise television (TV) market and Ada County voters (78%) are the most likely to recall recent news coverage of the Idaho state budget surplus, while a majority of Pocatello TV market voters (61%) and Twin Falls TV market voters (52%) share that recollection. At the same time, only 44% of Spokane TV market residents recall having recently being exposed to news of the surplus.

In choosing how the surplus should be spent, a majority of voters (51%) would divide surplus funds between refunds to taxpayers and increased funding for education and other important government programs. Less than half this number would use the entire surplus to fund education or other important government programs (24%), and fewer still would return the entire surplus amount to taxpayers as a refund or reduction (19%). The sentiment that the surplus should be divided between taxpayers and programs is shared throughout the state among all voter subgroups.

### ***Budget Surplus Proposals***

Two proposals for use of the budget surplus tested in this survey are received enthusiastically by a wide majority of voters. The most popular proposal, favored by 79% and opposed by 12% of voters is:

- *“A permanent reduction in personal income tax rates by 1%, reducing the top rate from 8.2% to 7.2%.”*

Also widely popular is:

- *“A permanent reduction in personal income tax rates and a permanent reduction in corporate tax rates to a maximum rate of 7%” (63% favor/22% oppose).*

By contrast, only a plurality of voters are enthusiastic about:

- *“A one-time income tax refund of personal and corporate income tax” (50% favor/39% oppose),*

which is an indication of the preference for a permanent tax cut over a “one-time” tax refund. Additional evidence about satisfaction with a one-time tax refund is found in voters' reactions to the following statement:

- “A permanent income tax reduction is too risky given the uncertainty of the economy in the future. It is safer to do a one-time income tax refund” (45% agree/48% disagree).

Lastly, there is opposition to permanent reductions in corporate income tax *alone*, as evidenced in voters’ reaction to proposals entailing:

- “A permanent reduction in corporate income tax rates by 1%, reducing the top rate from 8% to 7%” (40% favor/46% oppose); or
- “A permanent reduction in corporate income tax rates by 2%, reducing the top rate from 8% to 6%” (37% favor/49% oppose).

Clearly, in terms of possible state budget surplus proposals, voters are more receptive to *permanent* reductions than to *one-time* reductions, and are more receptive to personal or a combination of personal and corporate income tax reductions than they are to corporate income tax reductions alone.

### ***Message Testing***

Three messages tested in this survey generate additional support for a personal and/or corporate income tax reduction. Indeed more than six in ten voters say they would be more likely to favor a reduction in personal and/or corporate income taxes after hearing:

- “The average family of four would save \$400 per year if personal income taxes were cut by 1%” (79% more likely to favor a reduction/11% less likely);
- “The reduction in corporate income taxes will mean companies can use that money to invest in new jobs” (68% more likely/24% less likely); and
- “Reducing the income tax will help control the growth of state government” (61% more likely/26% less likely).

In addition, agreement with the following statement strengthens support for a corporate tax cut:

- *“Reducing corporate income tax rates will make Idaho more competitive for business development and create more jobs in the region”* (68% agree/25% disagree).

On the other hand, some Idaho voters are concerned about a potential loss of government services, and are hesitant to support a reduction in state income taxes after hearing the following two messages:

- *“An income tax reduction will reduce the state’s fund for financial emergencies”* (42% more likely/44% less likely); and
- *“If income taxes are cut it will mean less money for government programs such as local schools”* (30% more likely/59% less likely).

Additionally, a narrow majority agrees:

- *“It is more important to use the surplus for government programs, such as improving our local schools than it is to give out an income tax break”* (53% agree/40% disagree).

In essence, voters warmly receive the idea of a reduction in personal and/or corporate income taxes, but will need to be assured that such a reduction would not negatively impact local schools and/or the state’s emergency fund.

### ***Idaho Voters & Taxes***

A further sign of potential support for a personal and/or corporate income tax reduction, the general consensus among Idaho voters today is that the amount of taxes paid to state and local government is too high in comparison to the services received. Indeed, 51% of voters today claim taxes are too high, while 44% say they are “about right,” only 1% says they are too low, and another 4% are unsure.

Analysis by subgroup reveals that majorities of Pocatello and Spokane TV market voters, along with those who live in the Boise TV market outside Ada County, perceive taxes to be too high for services received. At the same time, a majority of Twin Falls TV market voters think the amount of taxes they pay for services received is “about right,” and Ada County voters are divided on the issue of taxation versus services received. Additionally, while a majority of Republicans and Independents believe taxes paid to state and local government in Idaho are too high, a majority of Democrats think they are “about right.”

While property taxes appear to be the “grim reaper” when it comes to voters shelling out tax dollars (nearly four in ten say they most dislike paying this tax), the sales tax and state income tax are also widely unpopular (most disliked by 23% and 22% of voters, respectively). Another 7% would name a tax not listed in the survey as most disliked, 6% equally dislike all three taxes, and 3% are undecided. The sentiment that property taxes are most disliked is shared by all subgroups except women age 18-44 and Democrats age 18-44, both groups who see the state income tax as “the wolf at the door.”

Finally, voters’ agreement with the following statements exemplifies how information about the surplus has the potential to increase perceptions that income taxes are too high:

- *“The fact that there have been surpluses over the past 13 years means that Idaho income tax payers are overtaxed”* (77% agree/18% disagree);
- *“Even if personal and corporate income taxes are cut by 1%, the state will still have at least \$77 million surplus remaining”* (71% more likely/18% less likely);  
and

- “Personal and corporate income taxes generate 80% of the existing state surplus. The legislature should give half of the surplus back to income tax payers” (64% agree/29% disagree).

### ***Mood of the Electorate***

Idaho voters today are widely pleased with the direction their state is headed. Overall, 69% say that things are headed in the “right direction,” while just one in five (20%) think things are headed “off on the wrong track.” While this sentiment of optimism is higher among Republicans than Independents and Democrats, it is nevertheless shared by a majority among all voter subgroups.

### ***Most Important Problem***

As a result of the widely optimistic electorate, there is no consensus as to the major issue facing the state. While jobs and the economy (15%), education issues and funding (12%), low crop prices for farmers (8%) and high taxes (4%) come to mind, no other issue is cited by more than 3% of voters.

### ***Highlights & Conclusions***

- A reduction in personal income taxes is supported 79-12%, and a reduction in personal *and* corporate income taxes is supported 63-22%.
- Idaho voters widely prefer the idea of a *permanent* state income tax reduction to a one-time reduction, and are more enthusiastic about proposals entailing personal or a combination of personal and corporate income tax reductions than they are about corporate income tax reductions alone.
- A majority of voters agree that the taxes they pay to state and local government are too high in comparison to the services they receive, and that at least part of a state budget surplus should be returned to them. Further, the results of this survey indicate

that additional information about the existence of a surplus will only expand the perception that taxes are too high, thereby increasing support for an income tax reduction.

- The strongest pro-corporate income tax reduction statements are related to the development of new business and creation of new jobs in the region. Increasing perceptions that a corporate income tax reduction would allow for investment in these endeavors could help perpetuate the already existing sentiment of prosperity, consequently broadening support for a *corporate* income tax reduction.