

MY VOICE IN IDAHO



NFIB Sounds Alarm as Panel Looks to Overhaul Idaho Tax Structure

The Idaho Legislature may have adjourned on March 30, but interim work has kept it—and us—busy through the summer and fall. However, unlike past legislative interim work, this year's has a potentially ominous consequence for Idaho small businesses: the complete overhaul of the state's sales-tax structure.

The Tax Exemptions Interim Committee held meetings to look at exemptions, deductions and credits to, according to the Legislature's Web site, "statutorily limit them more specifically to the uses for which they were originally intended."

But NFIB/Idaho State Director Suzanne Schaefer sounded the alarm early and loudly not to expect this committee to stay within its publicly stated scope. Nothing less than the complete overhaul of the state's sales-tax code is at stake, she warns.

"It is a dangerous committee because so many of the necessary people are on it," Schaefer says. "What makes it different from a similar committee that convened four years ago, which also sought to revamp the sales-tax structure, is that many of the key players from the Senate and House tax-writing committees are on it. What emerges from this committee has a substantially better chance of becoming law, and some of their ideas could be very bad for small and independent business, such as extending the sales tax to labor and services. There will be no clean wins, and small business could be forced into difficult trade-offs."

At the committee's August meeting, NFIB/Idaho Leadership Council member Billy Knorpp, a Boise small-business

owner, reminded the 14 senators and state representatives on the committee that small businesses are particularly susceptible to any changes in tax policy. Knorpp's presentation showed that an owner cannot be separated from his business, since more than 85 percent of people owning and operating small businesses on a full-time basis are taxed as individuals, not as corporations, and therefore changes in tax policy affecting individuals have a direct impact on the finances of businesses.

"The most important source of capital to launch a business is the owner's personal resources," Knorpp pointed out in his presentation. "The most important source of capital for reinvestment and expansion of an established business is the earnings retained from business profits—the amount of money kept after taxes."

Small business is no small matter in Idaho, Knorpp pointed out to the committee. More than 77 percent of Idaho businesses have fewer than 10 employees. Add in those with fewer than 100 employees, and you have 98 percent of all Idaho businesses. Knorpp warned lawmakers against making the Idaho tax code more complex than it already is.

"Small business is an unpaid agent for the government in collecting and remitting almost half of all taxes collected annually," he noted. "The paperwork involved in the administration and collection of state taxes is stunning and disproportionately high compared to a large business. As complexity increases, compliance decreases."

Schaefer called Knorpp one of the most articulate and persuasive spokespeople for small business. Earlier this year, he was in-

A Seat at the Governor's Health Care Summit

Taxes weren't the only big thing happening after the legislative session. Gov. Butch Otter hosted a Governor's Health Care Summit for two days in August at Boise State University.

"The governor always had a sterling pro-small-business voting record during his entire time in Congress, and it delights me to report that he hasn't forgotten us for a second since becoming Idaho's chief," Schaefer says. "The governor made it a point to reserve small-business seats at the table for his Health Care Summit because he knows how vitally important this issue is to us. We had the opportunity to stress our call for more competition among health insurers and fewer mandates from the Legislature to our fellow panelists."

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strumental in helping defeat House Bill 246, which would have allowed local governments to institute their own sales tax for local transportation projects. Taking on such Goliaths as Hewlett-Packard and the Boise Metro Chamber of Commerce, Knorpp's testimony, and that of other NFIB members, demonstrated to legislators the enormous burden such a new law would have on small business. In the end, the committee hearing the bill voted to effectively kill it for the year.

"We owed a debt of gratitude to Billy Knorpp then as we do now," Schaefer says. "But I'm calling on every NFIB member reading this now to help join this new fight. We need reinforcements. It is deathly serious."

Members who want to testify at future hearings of the Idaho Legislature can e-mail Schaefer at suzanne.schaefer@nfib.org.