

Idaho Business Review, Tuesday, Feb. 8, 2011 – by Anne Wallace Allen (2 pages)

## Advocates hope penny sales tax increase finds backers this session

Medicaid service providers will try to convince Idaho's decision-makers that raising sales tax by a penny would cause less economic harm to the state than withholding money that provides services and jobs.

The [Consortium for Idahoans with Disabilities](#), a group of agencies providing psychosocial rehabilitation services and help for the developmentally disabled, wants the state to increase the 6 percent sales tax to 7 percent to help cover the expected \$137 million budget shortfall that is facing Idaho this year.

The group will wait until later in the session to introduce its sales tax proposal, said Katherine Hansen, who works with the coalition and is executive director of [Community Partnerships of Idaho](#), a Boise agency that provides services to children and adults with disabilities.

Increasing the sales tax by a penny "is really the only kind of short-term revenue enhancement that could keep the state from basically dismantling most community-based services for people with disabilities," Hansen said. She said it would raise \$150 million.

Lawmakers are hearing a variety of revenue-raising proposals to address the pressing needs that afflict Idaho as it moves into the fourth year of the recession. This year, lawmakers want to remove \$50 million from the Health and Welfare budget. Holding back the \$50 million would make Idaho ineligible to receive another \$130 million in federal funds, raising the cost to the state to \$180 million.

"Cutting Medicaid ultimately has almost zero impact on saving dollars in the General Fund," said David Lehman, legislative adviser for the [Idaho Association of Developmental Disability Agencies](#), or IADDA.

Tax supporters say cutting Medicaid would damage the state's economy more than a penny sales tax would. Former Medicaid patients will be seen at the expense of the hospitals and clinics that give them charitable care - and of the insurance-holders whose rates will rise because of cost-shifting, said Steve Millard, president of the [Idaho Hospital Association](#).

"Hospitals still have to take care of them, so they're going to have to raise their prices," Millard said. "Health insurance premiums are going to go up, and it's going to be a new tax on businesses to pay for the health insurance."

The agencies that care for the disabled also said they would eliminate jobs as they dropped patients who were no longer eligible for services. [Adams County Health Center](#) in Council would likely lose two full-time mental health staff and a dental position if the cuts were approved, said Executive Director Denise Groves. Groves said about 120 patients would be affected.

“It doesn’t sound like a lot when you look at the number itself,” Groves said. “However, in a county with a population of only 3,400 people, it is significant.”

[Terry Reilly Health Services](#) would likely eliminate three jobs and lose 750 dental patients, Executive Director Tim Brown said. “These patients will be forced into emergency rooms for dental pain,” Brown said. “Obviously, seeking dental care in an emergency room is not cost effective.”

The Idaho Legislature has traditionally been hostile to tax increases, although individual lawmakers have said they might be open to a tax on tobacco products that is proposed by a different coalition of groups. No new tax bill has been introduced this session yet.

Lawmakers have also heard talk of proposals for taxes on beer and wine and on soda. But “based on my conversations with other legislators, I just don’t think you’re going to see any tax increases this year,” said Senate President Pro Tempore Brent Hill, who sits on the Senate’s Local Government & Taxation Committee. Hill is a longtime supporter of taxing beer and wine.

“Certainly the economic situation is more severe than it was when we started four weeks ago,” Hill said Feb. 7. “So I think there is more talk about possible revenue raisers, but I don’t see a large shift in attitude” in the Legislature.

The [National Federation of Independent Business](#) strongly opposes any sales tax increase. Small businesses have had to do more with less and try new ideas to survive the economic downturn, and state agencies should do the same, said Suzanne Budge, Idaho state director of the NFIB.

It’s premature to take a position on the sales tax, [Boise Metro Chamber of Commerce president](#) Bill Connors said a group that traditionally - although not always - opposes tax increases. “I think we’ll wait and see what is actually proposed,” he said.

Meanwhile, sales tax proponents say they will wait until budgets are written to introduce their proposals. “They’re not going to pass a sales tax increase, or any type of fee increase or any sort of revenue enhancement this early in the session,” said Corey Makizuru, secretary/treasurer of IADDA.

Millard said a sales tax makes sense.

“Raising a sales tax spreads the burden over the entire population, instead of just 35 percent of the people who pay health insurance,” said Millard, noting that his support for a penny increase was personal, and not necessarily the position of his association, which hasn’t discussed the issue. “Another few pennies on a pound of hamburger really isn’t that much.”