



EXPANDING CHOICE

Tax Credits and Educational Access in Idaho

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A report by the Institute for Justice and
the Friedman Foundation for Educational Choice



Introduction

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The past 30 years have seen a steady expansion in the educational choices available to parents as school choice programs have spread around the country. There are now 16 programs in 11 states (including D.C.) that provide children with publicly funded scholarships to attend the school of their parents' choice, while another 16 programs in 12 states allow taxpayers to receive a tax credit for donations to private organizations that offer similar scholarships.¹ Both styles of programs bring more schooling options, including private and religious schools, within the financial reach of more families.

Enabling parents to choose schools that fit their children's unique needs is a win-win-win: Research shows that such school choice policies benefit the children who participate, give traditional public schools incentives to improve and save taxpayer dollars.²

Despite this, the wave of school choice-based reform has so far passed Idaho by. Legislation that would have created educational tax credits was considered in 2000, 2001 and 2005, but each time failed to pass. The bills—HB 686,³ HB 311⁴ and HB 76⁵ respectively—would have provided an income tax credit for any individual or corporation who donated money “directly to the parents or legal guardian ... of a child who is being educated at the elementary or secondary level outside the public school system.”⁶ In 1998, the legislature also considered a resolution (HCR 39⁷) to direct the legislative council to study scholarship tax credits, but the resolution was never approved.



Opponents of even modest school choice-style reforms—typically teachers’ unions and other interests with a stake in the educational status quo—charge that scholarship tax credit programs are risky and unprecedented public policy.⁸ Nothing could be further from the truth.

As this report shows, Idaho already offers tax credits for donations to private schools, including religious schools, through the Schools, Libraries and Museums Credit. Through this program, taxpayers may take a credit for charitable contributions to Idaho public and private (including religious) nonprofit schools, including elementary, secondary and higher education, as well as Idaho public libraries, the Idaho State Historical Society and a list of other nonprofit organizations.

This tax credit boosts private funds available to private schools and other organizations. Similarly, a scholarship tax credit would simply encourage private donations to private organizations so that scholarships could be made available for families to choose from a wider variety of schools—in some cases, the very same schools currently receiving donations through the Schools, Libraries and Museums Credit.

Moreover, tax credits are a frequently used policy tool in Idaho to promote a wide range of goals. Idaho policymakers already use tax credits to facilitate new job creation, serve the needs of at-risk youth, care for the elderly and developmentally

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disabled, purchase groceries for the poor and offset expenses associated with live organ donations. Indeed, Idaho offers or has offered almost 20 tax credits (see Table 2) to promote education, social welfare, economic investment and resource conservation.

As Table 1 indicates, these credits totaled more than \$1.25 billion between 1994 and 2010 but accounted for only 5.45 percent of total taxes due to Idaho. The low was in 2001—at 3.95 percent—and the high was in 1994—at 7.68 percent. Thus, the amount of tax revenue foregone by the state because of tax credits was quite small. And, even though those dollars did not flow into the state’s general fund this does not amount to a loss to the state. The funds were directed to and encouraged private

Table 1: Value of Idaho Tax Credits, 1994 to 2010

Year	Individual Tax Credit Total	Individual and Corporate Tax Credit Total	Total Tax Credits	Total Tax Liability	Percentage of Total Tax Liability: Individual Credits	Percentage of Total Tax Liability: Individual and Corporate Tax Credits	Percentage of Total Tax Liability: All Credits
1994	\$17,437,000	\$46,966,000	\$64,403,000	\$838,595,000	2.08%	5.60%	7.68%
1995	\$17,778,000	\$51,927,000	\$69,705,000	\$947,323,600	1.88%	5.48%	7.36%
1996	\$17,404,000	\$48,288,000	\$65,692,000	\$909,889,400	1.91%	5.31%	7.22%
1997	\$17,753,000	\$39,394,000	\$57,147,000	\$1,026,279,500	1.73%	3.84%	5.57%
1998	\$18,244,000	\$28,942,000	\$47,186,000	\$1,099,143,200	1.66%	2.63%	4.29%
1999	\$18,497,000	\$36,511,000	\$55,008,000	\$1,161,483,400	1.59%	3.14%	4.74%
2000	\$18,886,000	\$46,569,000	\$65,455,000	\$1,328,258,500	1.42%	3.51%	4.93%
2001	\$24,182,000	\$32,348,000	\$56,530,000	\$1,430,363,500	1.69%	2.26%	3.95%
2002	\$24,123,000	\$43,391,000	\$67,514,000	\$1,212,165,500	1.99%	3.58%	5.57%
2003	\$24,364,000	\$35,756,000	\$60,120,000	\$1,213,401,800	2.01%	2.95%	4.95%
2004	\$25,960,000	\$51,841,000	\$77,801,000	\$1,301,809,100	1.99%	3.98%	5.98%
2005	\$26,754,000	\$44,459,000	\$71,213,000	\$1,475,202,000	1.81%	3.01%	4.83%
2006	\$28,351,000	\$48,853,000	\$77,204,000	\$1,714,478,300	1.65%	2.85%	4.50%
2007	\$30,586,000	\$61,486,000	\$92,072,000	\$1,934,116,400	1.58%	3.18%	4.76%
2008	\$50,780,000	\$46,465,000	\$97,245,000	\$2,015,161,000	2.52%	2.31%	4.83%
2009	\$65,000,000	\$40,286,000	\$105,286,000	\$1,758,061,700	3.70%	2.29%	5.99%
2010	\$79,473,000	\$44,162,000	\$123,635,000	\$1,631,151,600	4.87%	2.71%	7.58%
Total	\$505,572,000	\$747,647,000	\$1,253,219,000	\$22,996,883,500	2.20%	3.25%	5.45%

A Wealth of Diverse Options

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investment in various efforts to address the needs and interests of Idaho's citizens.⁹ As Table 2 indicates, Idaho makes tax credits available to individuals and corporations to promote education, social welfare, community building, economic investment and resource conservation.

Education tax credits enjoy a long history in Idaho. The first credit—the Schools, Libraries and Museums Credit—was adopted in 1976 and could be used only by taxpayers who made contributions directly to private, nonprofit secondary or higher education institutions. The following year, this was expanded to include elementary schools. In subsequent years, additional nonprofit institutions were added to the eligibility list. These nonprofits include libraries, commissions, the historical society, public broadcasting and public and private schools, both religious and non-religious.

Social welfare credits encourage in-home care for the elderly and developmentally disabled, offset costs associated with organ donation, provide for the needs of at-risk youth and pay for groceries for the poor. The latter of these has been the second most used credit overall during the time period covered in this report and in recent years has been the most frequently used credit, as measured in dollars (see Tables 3 and 4).

Economic investment credits induce individuals and corporations to invest in particular areas of the economy—such as property and equipment. Several are designed to stimulate new job creation, one of which is tied to jobs with a specific minimum pay scale or to businesses involved in manufacturing or processing any natural resource product.

Individuals and corporations may also make use of a credit designed to stimulate the provision of biofuels and create products from consumer waste, and until 2002 such credits were permitted for the improvement of riparian habitats or those of

Table 2: Individual and Corporate Tax Credits Offered, 1994-2010¹⁰

Credit	Individual/ Corporate	Description
Investment Tax Credit	Both	Provided to businesses that purchase qualifying property for use in their business.
Elderly Dependent Credit	Individual	Provided to a resident taxpayer who maintains a household for a family member, where that family member is greater than 65 years of age or developmentally disabled and the taxpayer provides more than one-half of the family member's support.
Youth and Rehabilitation Credit	Both	Provided to taxpayers who make charitable contributions to nonprofit centers for independent living or to nonprofit rehabilitation facilities located in Idaho.
Schools, Libraries and Museums Credit	Both	Allowed for charitable contributions to Idaho public and private nonprofit schools, libraries, museums and other organizations.
Recycling Equipment Credit	Both	This credit is for 20 percent of the cost of equipment used in manufacturing products that consist of at least 90 percent post-consumer waste.
Grocery Credit	Individual	Idaho households with no more than \$1,000 of taxable income receive a grocery tax credit. This credit is prorated for food stamp participants, incarcerated persons and part-year residents.
New Employees Credit	Both	A credit is granted for each new employee who was paid an average of \$15.50 per hour during the calendar year and was eligible to receive employer-provided accident or health insurance. Another credit is available for each new employee in a business involved in manufacturing or processing any natural resource product.
Riparian Land Improvements Credit	Both	For expenditures related to improving the habitat for threatened/endangered species or riparian habitat.
Broadband Investment Credit	Both	For expenditures on qualified broadband equipment in Idaho.
County Incentive Investment Tax Credit	Both	A variable rate credit for expenditures that qualify for Idaho's investment tax credit.
Research Activity Credit	Both	For expenditures related to qualified research as defined in section 41 of the Internal Revenue Code. The research must be conducted in Idaho.
Promoter Sponsored Events Credit	Both	Provides a refundable income tax credit in the amount of \$1.00 for each temporary sales tax permit a sponsor or promoter of "promoter sponsored events" issues.
Corporate Headquarters Investment Credit	Both	Provided an income tax credit on the purchase price of new equipment installed anywhere in Idaho. Repealed 2008.
Corporate Headquarters Real Property Improvement Credit	Both	Provided an income tax credit on the purchase price of a new plant (buildings and structural components of buildings) within a project site. Repealed 2008.
Corporate Headquarters New Jobs Credit	Both	Provided an income tax credit for each eligible new job created through December 31, 2009. Repealed 2008.
Small Employer Capital Investment Credit	Both	Provides an income tax credit on the purchase price of new equipment installed anywhere in Idaho.
Small Employer Real Property Improvement Credit	Both	Provides an income tax credit on the purchase price of a new plant (buildings and structural components of buildings) within a project site.
Small Employer New Jobs Credit	Both	Provides an income tax credit for each eligible new job created from January 1, 2006, through December 31, 2020.
Live Organ Donation Expenses Credit	Individual	This credit is for a donor's unreimbursed direct expenses associated with a live organ donation.
Biofuel Investment Tax Credit	Both	An investment tax credit for any Idaho retail fuel dealer or distributor for infrastructure investments to provide biofuels to their customers.

Individual Tax Credits

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threatened/endangered species.

In Idaho, only three tax credits are available exclusively to individuals—the Elderly Dependent Credit, the Grocery Credit and the Live Organ Donation Expenses Credit. As shown in Table 3, between 1994 and 2010, individuals used those credits

Table 3: Individual Tax Credits Claimed 1994-2010¹¹

Year	Elderly Dependent Credit	Grocery Credit	Live Organ Donation Expenses Credit
1994	\$255,000	\$17,182,000	
1995	\$254,000	\$17,524,000	
1996	\$267,000	\$17,137,000	
1997	\$287,000	\$17,466,000	
1998	\$313,000	\$17,931,000	
1999	\$336,000	\$18,161,000	
2000	\$374,000	\$18,512,000	
2001	\$415,000	\$23,767,000	
2002	\$408,000	\$23,715,000	\$0
2003	\$455,000	\$23,909,000	\$0
2004	\$503,000	\$25,457,000	\$0
2005	\$523,000	\$26,231,000	\$0
2006	\$578,000	\$27,773,000	\$0
2007	\$613,000	\$29,933,000	\$40,000
2008	\$637,000	\$50,111,000	\$32,000
2009	\$653,000	\$64,311,000	\$36,000
2010	\$668,000	\$78,769,000	\$36,000
Total	\$7,539,000	\$497,889,000	\$144,000

Individual and Corporate Tax Credits

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to the tune of more than \$505 million.

The majority of Idaho's credits can be used by both individuals and corporations. Between 1994 and 2010, these credits totaled \$747.6 million. The credit that saw the greatest use was the Investment Tax Credit, followed at a distant second by the Youth and Rehabilitation Credit. Three credits—Corporate Headquarters Investment Credit, Corporate Headquarters Real Property Improvement Credit and Corporate Headquarters New Jobs Credit—apparently saw no use at all before



“Idaho makes tax credits available to individuals and corporations to promote education, social welfare, community building, economic investment and resource conservation.”

Table 4.1: Individual Tax Credits Claimed, 1994-2010¹²

Year	Investment Tax Credit	Youth & Rehabilitation Credit	Schools, Libraries, and Museums Credit	Recycling Equipment Credit	New Employees Credit	Riparian Land Improvements Credit	Broadband Investment Credit	County Incentive Investment Tax Credit	Research Activity Credit
1994	\$42,694,000	\$2,341,000	\$1,872,000	\$59,000		\$0			
1995	\$47,097,000	\$2,769,000	\$2,019,000	\$42,000		\$0			
1996	\$42,951,000	\$3,228,000	\$2,095,000	\$14,000		\$0			
1997	\$33,422,000	\$3,768,000	\$2,186,000	\$18,000	\$0	\$0			
1998	\$22,438,000	\$4,267,000	\$2,233,000	\$4,000	\$0	\$0	\$0	\$0	\$0
1999	\$29,051,000	\$4,991,000	\$2,408,000	\$15,000	\$8,000	\$38,000	\$0	\$0	\$0
2000	\$38,299,000	\$5,602,000	\$2,540,000	\$27,000	\$22,000	\$53,000	\$0	\$0	\$0
2001	\$22,304,000	\$6,090,000	\$2,527,000	\$11,000	\$89,000	\$45,000	\$55,000	\$737,000	\$490,000
2002	\$30,217,000	\$6,467,000	\$3,832,000	\$35,000	\$1,210,000	\$45,000	\$677,000	\$570,000	\$301,000
2003	\$22,661,000	\$7,164,000	\$3,685,000	\$11,000	\$88,000		\$1,059,000	\$666,000	\$417,000
2004	\$35,205,000	\$7,996,000	\$3,954,000	\$28,000	\$196,000		\$2,642,000	\$677,000	\$1,139,000
2005	\$29,721,000	\$8,469,000	\$4,096,000	\$6,000	\$220,000		\$484,000	\$251,000	\$1,199,000
2006	\$32,254,000	\$9,768,000	\$4,307,000	\$1,000	\$0		\$1,266,000	\$113,000	\$1,141,000
2007	\$44,614,000	\$9,071,000	\$4,497,000	\$116,000	\$0		\$744,000	\$200,000	\$1,612,000
2008	\$31,481,000	\$8,846,000	\$4,207,000	\$31,000	\$0		\$495,000	\$526,000	\$746,000
2009	\$26,536,000	\$8,331,000	\$4,087,000	\$28,000	\$0		\$418,000	\$0	\$629,000
2010	\$29,985,000	\$8,404,000	\$4,219,000	\$28,000	\$0		\$472,000	\$0	\$710,000
Total	\$560,930,000	\$107,572,000	\$54,764,000	\$474,000	\$1,833,000	\$181,000	\$8,312,000	\$3,740,000	\$8,384,000

Table 4.2: Corporate Tax Credits Claimed, 1994-2010¹²

Year	Promoter Sponsored Events Credit	Corporate Headquarters Investment Credit	Corporate Headquarters Real Property Improvement Credit	Corporate Headquarters New Jobs Credit	Small Employer Capital Investment Credit	Small Employer Real Property Improvement Credit	Small Employer New Jobs Credit	Biofuel Investment Tax Credit
1994								
1995								
1996								
1997								
1998								
1999								
2000	\$26,000							
2001	\$3,000							
2002	\$37,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2003	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2004	\$4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2005	\$9,000	\$0	\$0	\$0	\$3,000	\$1,000	\$0	\$0
2006	\$1,000	\$0	\$0	\$0	\$0	\$1,000	\$1,000	\$0
2007	\$0	\$0	\$0	\$0	\$453,000	\$0	\$179,000	\$0
2008	\$1,000				\$90,000	\$1,000	\$40,000	\$1,000
2009	\$4,000				\$118,000	\$29,000	\$68,000	\$38,000
2010	\$4,000				\$147,000	\$58,000	\$97,000	\$38,000
Total	\$94,000	\$0	\$0	\$0	\$811,000	\$90,000	\$385,000	\$77,000

The Value Added By Idaho Tax Credits

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being repealed in 2008.

Idaho's many and varied tax credits encourage private contributions and investment in desirable projects and goals—that is why Idaho policymakers are willing to forgo more than \$1 billion over 17 years. This is a small percentage of total tax revenue, but lawmakers recognize that by offering these credits, Idahoans can reap benefits from private donations and investment.

They also recognize that faith-based organizations provide valuable services: Religious groups can participate in at least two tax credit programs—the Schools, Libraries and Museums Credit and the Youth and Rehabilitation Credit. As Table 5 illustrates, there are numerous private, religious schools and post-secondary institutions in Idaho to which state taxpayers can donate and receive a tax credit.

“Idaho’s many and varied tax credits encourage private contributions and investment in desirable projects and goals.”

Likewise, in the specific list of organizations eligible for the Youth and Rehabilitation Credit, two self-identify as faith-based. This credit is designed to encourage taxpayer support of nonprofit organizations that provide for the needs of and offer rehabilitation services for at-risk youth. Among the specific service providers listed are Hope House¹³ and the Shepherd's Home,¹⁴ both of which are nondenominational Christian organizations.

*Table 5: Religious Schools and Post-Secondary Institutions
Currently Eligible for Tax Credit Donations in Idaho¹⁵*

K-12 Schools	Post-Secondary Schools
Boise Valley Adventist School	Boise Bible College
Caldwell Adventist Elementary School	BYU-Idaho
Calvary Chapel Christian School of Pocatello	Concordia University Law School
Christian Center School	George Fox University
Classical Christian Academy - Post Falls	New Saint Andrews College
Cole Valley Christian Schools	Northwest Nazarene University
Desert View Christian School	
Eagle Adventist Christian School	
Hilltop Adventist School	
Hope Lutheran School	
Maranatha Christian School	
North Idaho Christian School	
Sacred Heart Catholic School - Boise	
St. Joseph's School - Boise	
St. Mary's School - Boise	
Silver Valley Christian Academy	

“As other successful programs in Arizona, Florida, Iowa, Pennsylvania, Georgia, Indiana, Oklahoma and Rhode Island have done, such a program would bring more educational options within the reach of more families.”

Conclusion

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This report demonstrates that a tax credit program designed to expand educational options for Idaho K-12 students is neither unprecedented nor risky. Such a credit would coexist with more than a dozen tax credits in the Gem State that together represent only a small fraction of total tax revenue. Taxpayers and policymakers alike already recognize that private, including faith-based, organizations contribute to social and economic good. A new tax credit scholarship program for K-12 students would simply build on Idaho policy.

In fact, Idaho already offers a tax credit for donations to private schools. This credit encourages private investment in private schools, but a tax credit supporting student scholarships would take that policy one step further by enabling more families to choose those schools.

As other successful programs in Arizona, Florida, Iowa, Pennsylvania, Georgia, Indiana, Oklahoma and Rhode Island have done, such a program would bring more educational options within the reach of more families.¹⁶

Idaho already allows tax credits for donations to private, religious schools and has done so for more than 30 years. An additional program would extend such benefits to students who wish to choose those schools. A well-designed tax credit scholarship program would build on successful Idaho policy and can provide a broader range of educational options to Idaho families in K-12 education.



- 1 Enlow, R. C. (2011). The ABCs of school choice. Indianapolis, IN: The Foundation for Educational Choice; Friedman Foundation for Educational Choice. (2011). School choice 2011 update. Indianapolis, IN. In addition to scholarship and tax credit programs, Arizona offers an educational savings account program, and Louisiana and Minnesota offer tax deductions for educational expenses.
- 2 Forster, G. (2010). A win-win solution: The empirical evidence on school vouchers. Indianapolis, IN: The Foundation for Educational Choice.
- 3 <http://www.legislature.idaho.gov/legislation/2000/H0686.html>.
- 4 <http://www.legislature.idaho.gov/legislation/2001/H0311.html>.
- 5 <http://www.legislature.idaho.gov/legislation/2005/H0076.html>.
- 6 Quoting HB 686. Language from HB 311 was similar: "The purpose of this section is to relieve the financial and enrollment pressures within the Idaho public school system by allowing any donor to receive a credit against taxes due to the state of Idaho when the donor donates money directly to a parent or legal guardian of a student, or makes expenditures as a parent or legal guardian of a student, for the education of such student." HB 76 likewise stated, "The purpose of this section is to provide parents or legal guardians of students, regardless of economic status, additional educational choices in the education of their children at the elementary and secondary levels, by allowing any donor to receive a credit against income taxes due to the state of Idaho when the donor donates money directly to a parent or legal guardian of a student, or makes expenditures as a parent or legal guardian of a student, for the education of a qualifying student." Qualifying expenditures included, but were not limited to, "tuition, textbooks, curricula support materials and activities, uniforms, and mileage to transport the student to and from school and related academic school activities."
- 7 <http://www.legislature.idaho.gov/legislation/1998/HCR039.html>.
- 8 Alexander, K. (1983). Adam Smith, religion, and tuition tax credits. *Journal of Education Finance*, 8, 528-536; Mallen, B., & Kranz, J. (1989). The effect of tuition-tax-credit deduction proposals on social values: An analysis of probable costs and consequences. *Journal of Education Finance*, 15, 244-268; Robinson, A. (2000). Risky credit: Tuition tax credits and issues of accountability and equity. *Stanford Law and Policy Review*, 11(2), 253-265.
- 9 Idaho also makes tax credits available to individuals and corporations to offset taxes paid to other states and localities in other states. From 1994 to 2010, these credits amounted to \$669.7 million.
- 10 Descriptions of the tax credits came from the annual General Fund Revenue Books (GFRB) available at <http://dfm.idaho.gov/Publications/EAB/GFRB/GFRBIndex.html>. Detailed information can also be found in the Idaho Statutes at <http://www.legislature.idaho.gov/idstat/Title63/T63CH30.htm>.
- 11 Tax credit data came from the annual GFRB. For data reported herein, the latest issues of GFRB were used.
- 12 Ibid.
- 13 <http://www.ahome2come2.com>.
- 14 <http://www.shepherds-home.org>.
- 15 The list of K-12 private schools came from <http://www.idaho.gov/education/k12.html>; the list of post-secondary institutions came from http://www.boardofed.idaho.gov/priv_col_univ/documents/registered_pei.pdf.
- 16 Enlow, 2011.

About the Author



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Dick M. Carpenter II serves as a director of strategic research for the Institute for Justice. He works with IJ staff and attorneys to define, implement and manage social science research related to the Institute's mission.

As an experienced researcher, Carpenter has presented and published on a variety of topics ranging from educational policy to the dynamics of presidential elections. His work has appeared in academic journals, such as *Regulation and Governance*, *Economic Development Quarterly*, *Independent Review*, *Urban Studies*, *Journal of Special Education*, *The Forum*, *Education and Urban Society*, *Journal of School Choice and Leadership*, and magazines, such as *Regulation*, *Phi Delta Kappan* and the *American School Board Journal*. The results of his research have been quoted in newspapers, such as the *Wall Street Journal*, *Chronicle of Higher Education*, *Denver Post*, *Education Week* and the *Rocky Mountain News*.

Carpenter's research for IJ has resulted in reports such as *Disclosure Costs: Unintended Consequences of Campaign Finance Reform*, *Designing Cartels: How Industry Insiders Cut Out Competition*, *Victimizing the Vulnerable: The Demographics of Eminent Domain Abuse* and *Doomsday No Way: Economic Trends and Post-Kelo Eminent Domain Reform*.

Before working with IJ, Carpenter worked as a high school teacher, elementary school principal, public policy analyst and professor at the University of Colorado, Colorado Springs. He holds a Ph.D. from the University of Colorado.

About the Institute for Justice

The Institute for Justice is a nonprofit, public interest law firm that litigates to secure economic liberty, school choice, private property rights, freedom of speech and other vital individual liberties and to restore constitutional limits on the power of government. Founded in 1991, IJ is the nation's only libertarian public interest law firm, pursuing cutting-edge litigation in the courts of law and in the court of public opinion on behalf of individuals whose most basic rights are denied by the government. The Institute's strategic research program produces research to inform public policy debates on issues central to IJ's mission.

About the Friedman Foundation for Educational Choice

The Friedman Foundation for Educational Choice is a 501(c)(3) nonprofit and nonpartisan organization, solely dedicated to advancing Milton and Rose Friedman's vision of school choice for all children. First established as the Milton and Rose D. Friedman Foundation in 1996, the Foundation continues to promote school choice as the most effective and equitable way to improve the quality of K-12 education in America. The Foundation is dedicated to research, education and outreach on the vital issues and implications related to choice and competition in K-12 education.

