

2025 Update: Idaho’s String of Income Tax Cuts Continues to Jeopardize Investments in Public Services

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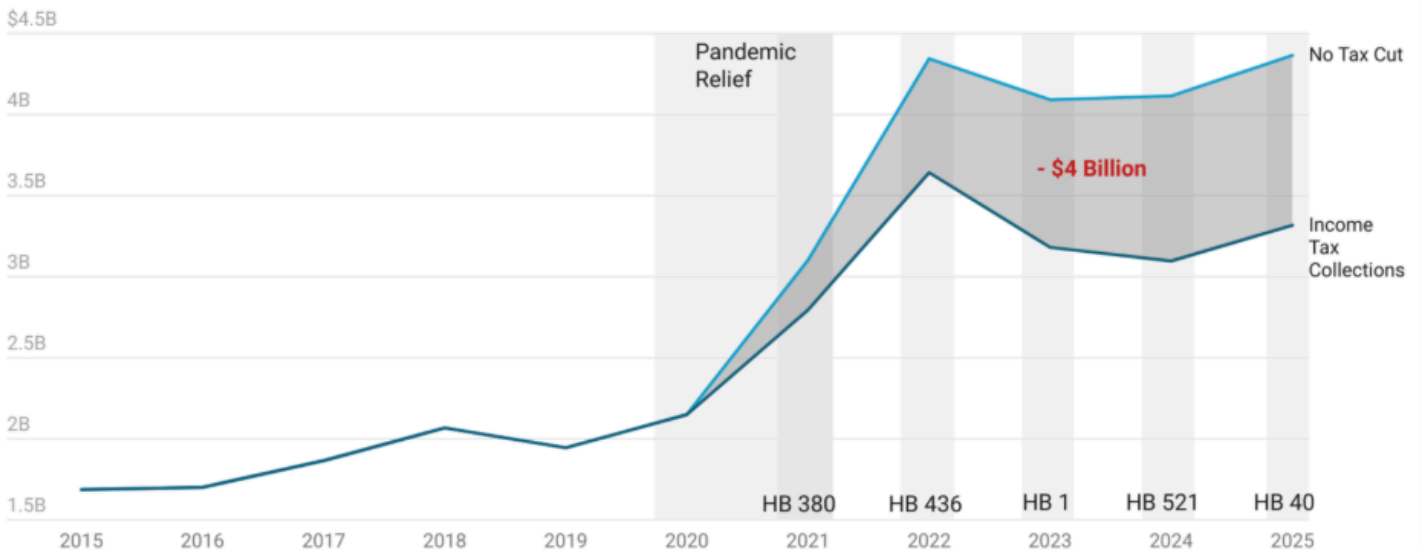
The Idaho state government collects income taxes to fund important public services – such as quality public education, safe infrastructure, and bolstering public safety to keep our families, homes, and businesses safe. However, a string of income tax cuts approved by the Idaho State Legislature since 2021 have weakened Idaho’s revenue systems and limited the state’s ability to maintain support for schools and other vital public services. These changes also made the state’s tax system more regressive – meaning that Idahoans earning the lowest incomes pay the highest percentage of their incomes toward taxes.

How do income tax cuts impact Idaho’s economic stability?

Idaho lawmakers cut the income tax rate five times over the last five years, greatly reducing the amount of revenue going into the state’s General Fund. The General Fund is the main source of

Idaho’s Income Tax Cuts Have Cost the State Nearly Four Billion Dollars

Five consecutive years of income tax cuts weaken the state’s long-term revenues by over a billion dollars annually.



Idaho Center for Fiscal Policy analysis on the fiscal impacts of income tax cuts in HB 380, HB 436, HB 1, HB 521, and HB 40. Bills are annotated on the chart on the year in which they went into effect. "Income tax collections" in 2025 are projections by the Idaho Division of Financial Management. "No income tax cut" estimates are inflation-adjusted.

Chart: Idaho Center for Fiscal Policy • Source: Institute on Taxation and Economic Policy and Idaho Division of Financial Management • Created with Datawrapper

money for core public services like transportation, education, and public safety. From TY 2021 to TY 2025, Idaho lost \$4 billion in revenue due to income tax cuts. The state is projected to lose an additional \$1.3 billion annually beginning in TY 2025, resulting in a cumulative total of \$4.5 billion in revenue loss over the next four years.¹ The annual loss of \$1.3 billion is equivalent to 24 percent of the General Fund.²

These deep tax cuts will keep chipping away at Idaho's revenue stream and result in long term consequences for the state. When the next recession hits the economy, a lack of revenue may force cuts to education and other important public services and resources. An example of how a recession could impact Idaho's public education system can be found in the Center's [recent report highlighting how budget holdbacks made during times of economic hardship continue to negatively impact current school funding](#). A recession could also prompt an increase in other taxes, such as sales and property taxes, which hit lower-income families and communities harder than wealthier ones.

Idaho Income Tax Cut Bill Guide 2025

Over the past four years, the state steadily reduced the number of income brackets from seven to one and reduced individual and corporate rates from 6.9 percent to 5.3 percent.

Bill Number	Effective Year	Bill's Income Tax Cuts
HB 380	2021	Reduced the number of tax brackets from seven to five.
		Reduced the individual income tax rates for the five new tax brackets, with larger cuts for the higher rates.
		Reduced the corporate income tax rate from 6.9 percent to 6.5 percent.
HB 436	2022	Reduced the number of tax brackets from five to four.
		Reduced the individual income tax rates for three of the four new tax brackets, with larger cuts for the higher rates.
		Reduced the corporate income tax rate from 6.5 percent to 6 percent.
HB 1	2023	Reduced the number of tax brackets to one, creating a flat tax system greatly benefiting the wealthy.
		Reduced the individual income rate to 5.8 percent.
		Reduced the corporate income tax rate from 6 percent to 5.8 percent.
HB 521	2024	Reduced the individual and corporate income tax rate from 5.8 percent to 5.695 percent.
HB 40	2025	Reduced the individual and corporate income tax rate from 5.695 percent to 5.3 percent.

Idaho Center for Fiscal Policy Analysis of HB 380, HB 436, HB 1, HB 521, HB 40.

Table: Idaho Center for Fiscal Policy • Source: Idaho State Legislature • Created with Datawrapper

How do income tax cuts impact Idaho families?

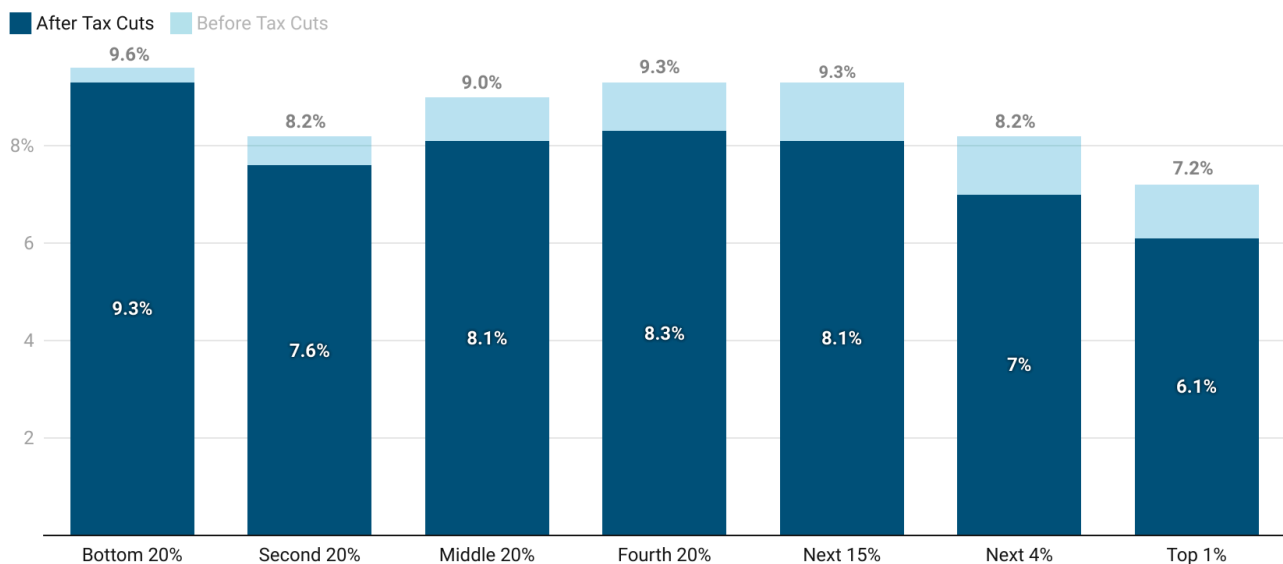
Everyone should benefit from the state's tax system, and tax relief should be aimed towards those who need it the most to support their families and participate in the local economy. But Idaho's recent string of broad-based income tax cuts does little to help families with low- to middle- incomes. The bulk of permanent income tax cut benefits flow instead to the wealthiest households and corporations, not individuals and families struggling to afford gas, groceries, and childcare.

Before 2021, Idaho had a progressive income tax rate that gradually increased as taxable income increased. With the tax cuts adopted over the past five years, however, the state has steadily flattened the income tax by reducing the number of income brackets from seven to one and lowering the top individual and corporate income tax rate from 6.9 to 5.3 percent. Idaho now has a "flat" income tax rate that charges the same tax rate to everyone.

This flattening of Idaho's income tax ultimately creates a regressive tax structure for Idaho individuals and families, because there is no longer a progressive income tax structure to balance the regressive nature of sales and property taxes. Regressive taxes charge everyone the same rate, regardless of their ability to pay, resulting in those with lower incomes paying more of their share of income on taxation than those with higher incomes. See the "Tax Systems Explained" section for more.

Idaho's Five Years of Income Tax Cuts Have Made the State's Tax System More Regressive

Total sales, property, and income taxes as a share of family income



"Before Tax Cuts" share of family income amounts are calculated based on taxes as a share of family income prior to the income tax cuts in HB 380 of 2021, HB 436 of 2022, HB 1 of 2022, HB 521 of 2024, and HB 40 and HB 231 of 2025.

Chart: Idaho Center for Fiscal Policy • Source: Institute on Taxation and Economic Policy • Created with Datawrapper

During the 2025 Legislative Session, the Idaho Legislature cut the income tax for the fifth time. The five rounds of income tax cuts cumulatively reduced Idaho's annual individual income tax collections by \$983 million and annual corporate income tax collections by \$289 million since 2020. While this change significantly reduced Idaho's annual revenue by an estimated \$1.3 billion, most Idaho households do not see a meaningful change in their tax bill. The top 20 percent of households- those with incomes of \$146,000 and above – will receive 66 percent of the overall benefits. The remaining benefits will be spread out among the 80 percent of Idaho's households whose incomes are below \$146,000. The top one percent of income earners have received a \$20,407 income tax cut on average. Families earning the median income receive only a \$453 income tax cut on average.³

Idaho's Income Tax Cuts Have Given the Most to the Wealthiest Over the Past Five Years

Estimates of the distributional impact of a personal income tax rate reduction from 6.9% to 5.3% in Idaho from 2021-2025, by income group.

Income Group	Income Range	Average Tax Change Per Household (\$)
Lowest 20%	Less than \$31,100	-\$33
Second 20%	\$31,100 - \$55,600	-\$183
Middle 20%	\$55,600 - \$91,800	-\$453
Fourth 20%	\$91,800 - \$146,000	-\$970
Next 15%	\$146,000 - \$286,000	-\$1,813
Next 4%	\$286,000 - \$738,300	-\$4,067
Top 1%	\$738,300 and above	-\$20,407

Analysis includes income tax cuts in HB 380 of 2021, HB 436 of 2022, HB 1 of 2022, HB 521 of 2024, and HB 40 of 2025.

Table: Idaho Center for Fiscal Policy • Source: Institute on Taxation and Economic Policy, 2025 • Created with Datawrapper

Tax Systems Explained

Tax systems are usually composed of progressive, regressive, and proportional taxes. Progressive tax systems take a larger percentage of income from high-income groups than low-income groups (ex. federal income tax). Regressive tax systems take a larger percentage of income from low-income groups than high-income groups (ex. sales and property tax). Usually, the combination of these taxes taken together, along with certain tax credits, results in taxpayers paying roughly the same percentage of their incomes in taxes, creating a proportional tax system. Idaho's current tax system does not reflect that. When all the state's taxes and tax credits are taken together, Idaho's overall tax system is regressive.⁴

Tax System Types

Percent of income paid in taxes by income group

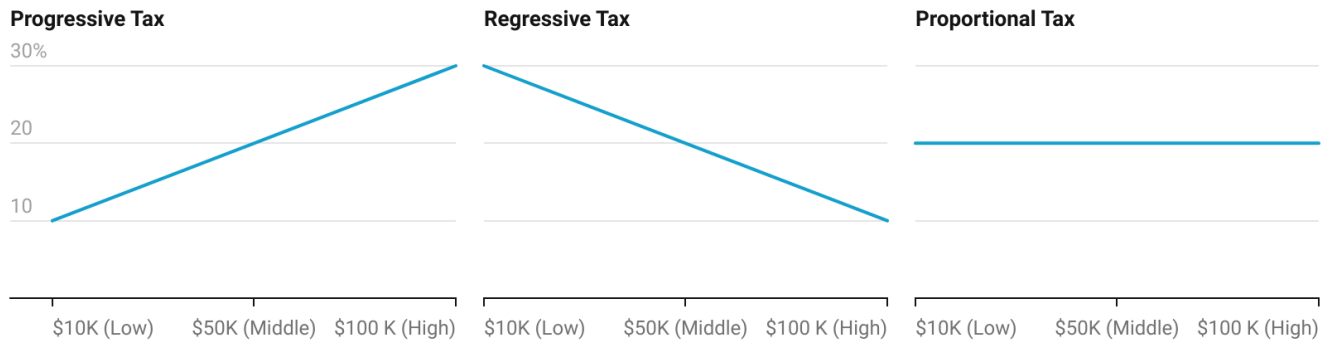


Chart: Idaho Center for Fiscal Policy • Source: IRS • Created with Datawrapper

This report is an update to the 2024 report [Idaho's Recent String of Income Tax Cuts Jeopardizes Investments in Public Services.](#)

Sources

1. Institute on Taxation and Economic Policy analysis.
2. \$1.3 billion is 24 percent of actual 2024 General Fund revenues. See [2026 General Fund Revenue Book.](#)
3. Institute on Taxation and Economic Policy analysis.
4. Carl Davis et. al. "Who Pays? 7th Edition." Institute on Taxation and Economic Policy. January 9, 2024. <https://itep.org/whopays/idaho-who-pays-7th-edition/>