

How Federal and State Tax Cuts Shift Costs onto Idaho Families and Communities

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The Idaho state government relies on income taxes to fund essential public services, including quality public education, safe infrastructure, and public safety. Since 2018, however, Idaho households have received \$4.5 billion in state and federal income tax cuts—an amount that exceeds current state investments in health and education combined. While these tax changes reduced taxes for many Idahoans, the largest benefits overwhelmingly flowed to wealthy households, while some low-income Idahoans experienced tax increases and increased financial strain.

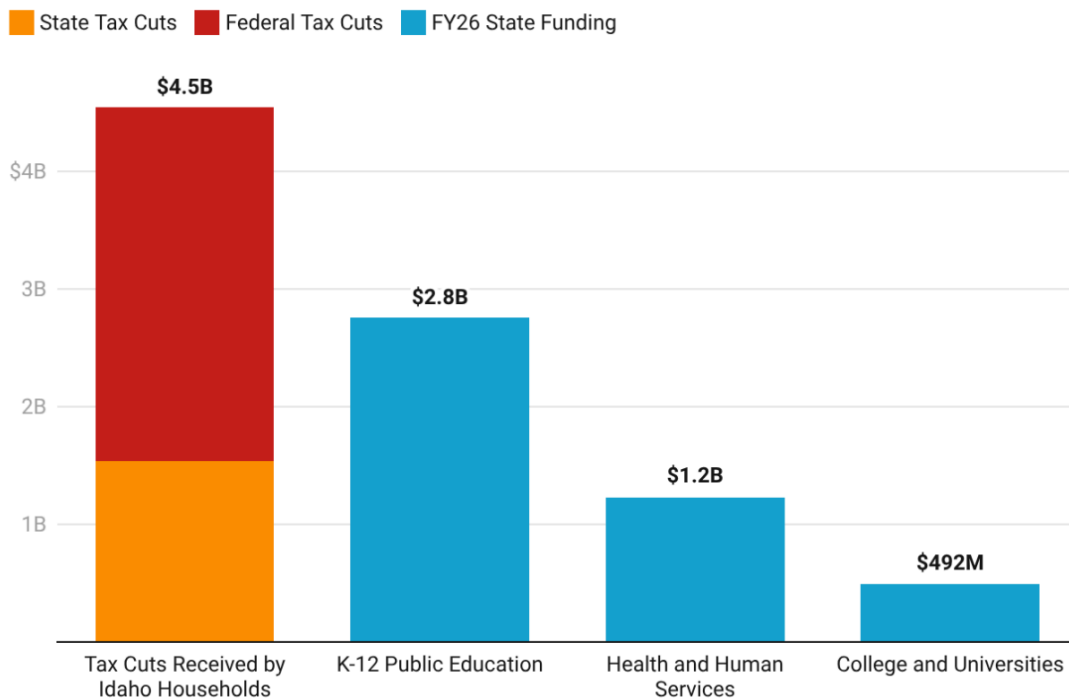
At the same time, federal policymakers reduced support for healthcare and food assistance programs, shifting more costs and responsibilities onto states and local communities. Idaho lawmakers compounded these pressures by continuing to reduce state revenue through additional state tax cuts and tax conformity decisions, leaving fewer resources available to respond to growing needs. As public revenue declined, costs did not disappear—they were increasingly shifted onto Idaho families and communities through higher local property taxes, tuition, fees, and reduced access to services.

Previous research from the Center found that state income tax cuts enacted since 2021 weakened Idaho's revenue, limited the state's ability to invest in public services, and made the tax system more regressive—requiring lower-income Idahoans to pay a higher share of their income in taxes than higher-income households. This report builds on those findings by examining the combined impact of Idaho state income tax cuts and federal tax changes enacted through the Tax Cuts and Jobs Act of 2017 (TCJA) and the One Big Beautiful Bill Act of 2025 (OBBBA).

We find that these policies concentrated tax benefits among high-income households while shifting more costs and financial burdens onto low- and middle-income Idahoans and local governments. Fair tax policy balances support for working families with sustained investments in quality public services that strengthen communities. When working families thrive, Idaho communities thrive with them.

Tax Cuts for Idaho Households Exceed State Investments in Health and Education

Tax Year 2026 cost of federal and state tax cuts for Idaho households since 2018, compared to Fiscal Year 2026 state funding for public education and health services.



The cost of tax cuts shows how much Idaho households would pay in additional taxes annually if the tax cuts enacted since 2017 were not in place.

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

Low-Income Idahoans Saw Tax Increases While Wealthy Households Received Large Tax Benefits

Idaho has cut state income taxes by \$1.5 billion annually, while federal tax changes have reduced taxes for Idaho households by more than \$3 billion annually. Combined, these state and federal tax cuts have reduced taxes by \$4.5 billion annually, with high-income households receiving the largest share of the benefits and many low-income families receiving tax increases.

Low-Income Idahoans Pay More, Top Earners Receive the Most Benefits

73 percent of the tax cut benefits since 2018 went to the top 20 percent of income earners.

Income Group	Income Range	Share of Total Tax Cut Benefits
Lowest 20%	Less than \$29,200	-1%
Second 20%	\$29,200 - \$56,500	2%
Middle 20%	\$56,500 - \$95,500	6%
Fourth 20%	\$95,500 - \$143,000	19%
Next 15%	\$143,000 - \$290,000	25%
Next 4%	\$290,000 - \$765,500	22%
Top 1%	\$765,500 and above	26%

The combined impact of the Idaho state income tax cuts, the Tax Cuts and Jobs Act of 2017, and the One Big Beautiful Bill Act of 2025. The share of total benefits may not add to 100 due to rounding.

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

The top 20 percent of households – those with incomes of \$143,000 and above – received 73 percent of the overall benefits. Additionally, the top one percent of income earners received an average income tax cut of \$111,610 compared to an average tax cut of \$1,318 for families earning the median income and a \$96 tax increase for those with the lowest incomes.¹

State and Federal Tax Cuts Did Not Affect All Idahoans Equally

Annual tax change in Tax Year 2026 for Idahoans of different income levels due to state and federal tax changes since 2018.

Income Group	Income Range	Average Tax Change Per Household (\$)
Lowest 20%	Less than \$29,200	+\$96 increase
Middle 20%	\$56,500 - \$95,500	-\$1,318 cut
Top 1%	\$765,500 and above	-\$111,610 cut

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

While federal tax cuts primarily reduced federal tax liability for Idaho households, they did not impact Idaho's revenue for state public services. Idaho's own state tax cuts and tax conformity decisions, however, did reduce the revenue available for state public services.²

Several federal and state policy changes contributed to higher costs and tax increases for some low-income Idahoans.

For example:

- **The TCJA eliminated the Affordable Care Act's individual mandate penalty.** The Congressional Budget Office estimated that 13 million Americans would choose to go without health insurance as a result, making them ineligible for the Affordable Care Act's premium tax credits.³
- **The OBBBA did not extend enhanced premium tax credits** that help Idaho families, small business owners, and others afford health insurance.⁴
- **The Idaho Legislature allowed the state Child Tax Credit to expire.** It was \$205 per child and non-refundable. Lawmakers tried to make it permanent during the 2026 session through Senate Bill 1450, but the measure did not pass.⁵

Federal Tax Changes Shifted Healthcare and Food Assistance Costs onto States

- Federal tax cuts enacted through the TCJA and expanded through the OBBBA were paired with reductions in healthcare and food assistance support, shifting more costs onto states and low-income families. The 2018 implementation of the Tax Cuts and Jobs Act, delivered major additional tax cuts to the wealthy. The OBBBA extended and expanded those federal tax cuts and paid for them through cuts to health care and food assistance programs.

For example, the OBBBA resulted in the largest reduction in funding for the Supplemental Food Nutrition Assistance Program (SNAP) in the program's history and shifted a significant share of costs onto Idaho's future state budgets, including states needing to cover an increased share of the program's administrative costs which could lead to tougher budget decisions for lawmakers down the road.⁶

Through these cuts, the federal government is stepping away from longstanding commitments to programs that keep food on the table and help people get the care they need, leaving states scrambling to fill the gaps. These federal cost shifts come at the same time Idaho policymakers continue to reduce state revenue through additional tax cuts, leaving fewer resources available to respond to growing needs. The result is growing downward pressure on state budgets, local governments, and Idaho families. These federal cost shifts became even more difficult for Idaho to absorb as state lawmakers continued to reduce revenue through additional state tax cuts.

Idaho State Tax Cuts Reduced Available Revenue and Shifted Costs Locally

The Idaho Legislature passed a series of tax cut bills during the 2025 legislative session reducing state revenue by more than \$450 million.⁷ Over half of the reduced revenue was due to further reductions to the state's income tax.⁸ These significant state tax cuts, combined with Idaho's decision to conform to new federal income tax deductions in the OBBBA, contributed to a revenue shortfall in the FY 2026 state budget.

To address this shortfall, the Legislature implemented across-the-board budget cuts, reducing funding for most state agencies and departments by 4 percent in the current fiscal year and 5 percent beginning in fiscal year 2027.⁹ Lawmakers could have instead drawn on the state's \$1.3 billion in budget stabilization funds or reconsidered recent tax cuts.¹⁰

Budget cuts have long-term consequences for the Idahoans who rely on public services. For example, Idaho's K-12 education budget has yet to fully recover from budget cuts made in 2001, 2005, and 2020. As a result, Idaho spends nearly \$1,300 less per student today than it did over twenty years ago.¹¹

Additionally, when state budgets are cut, the underlying costs of providing services do not disappear — agencies and schools must still cover these expenses, often shifting them onto Idahoans through higher local property taxes, tuition, and fees.

Although K-12 education funding was exempt from cuts this year, discretionary funding has not increased for the past two years, making it difficult for school districts to keep up with rising costs for utilities, maintenance, supplies, software, and insurance. As a result, many districts turn to local property taxes, through supplemental levies, to fill funding gaps.¹²

Similarly, following significant reductions to higher education funding (reductions of \$14.5 million in FY 2026 and \$26 million in FY 2027) the State Board of Education approved tuition and fee increases at four-year institutions.¹³ These examples illustrate how state-level budget cuts can shift costs to local governments and directly onto Idahoans.

Conclusion: Impacts on Idaho's Budget and Public Services

Tax policy decisions made at both the federal and state level are reshaping who benefits, who pays, and how communities across Idaho are supported. As healthcare and food assistance costs shift from the federal government onto states, and Idaho continues to reduce its own revenue through additional tax cuts, families and communities are increasingly expected to absorb the difference. These choices place growing strain on schools, health care, and local governments that Idahoans rely on every day.

When public budgets are cut, the underlying costs of providing services do not disappear. Instead, those costs are often shifted onto Idaho families through higher local property taxes, rising tuition and fees, reduced services, and growing financial pressure on working households. While wealthy households received the largest tax benefits, many low- and middle-income Idahoans have faced increasing costs and reduced access to support systems that help families stay healthy and economically secure.

As policymakers consider future tax changes, they will need to weigh the tradeoffs between cutting taxes and maintaining the public investments that support Idaho families and communities. At a time when many Idahoans are already struggling with rising costs, continued reductions in public revenue risk placing even greater burdens on those least able to afford them. Fair tax policy balances support for working families with sustained investments in quality public services that strengthen communities. When working families have the opportunity to thrive, Idaho communities thrive with them.

References

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