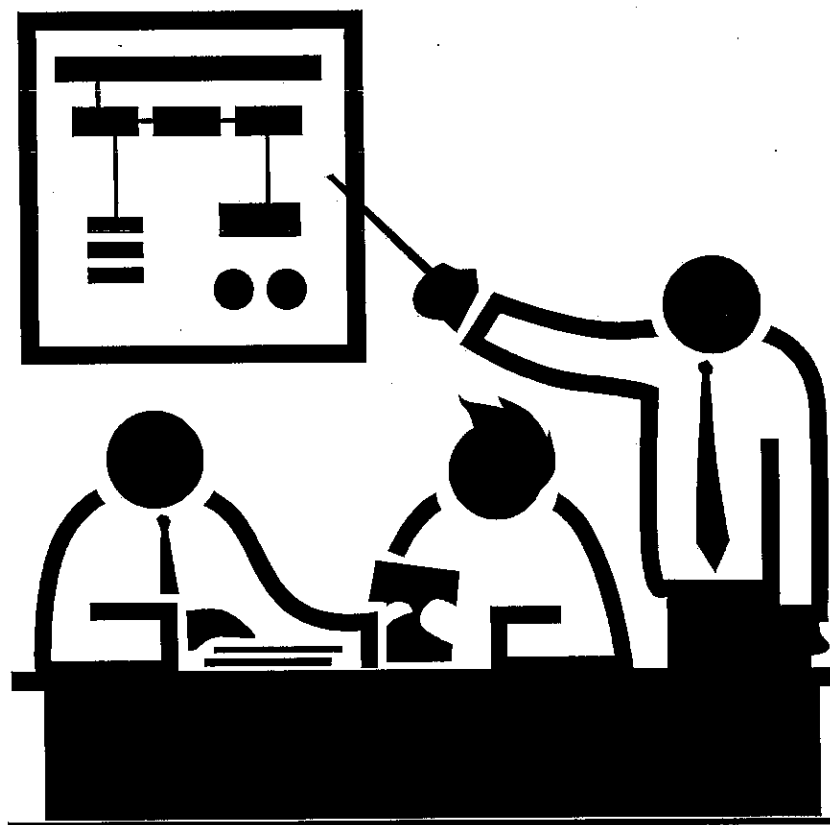


APPENDICES



APPENDIX A

BOUNDARY DESCRIPTION

THOSE PORTIONS OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 5, THE SOUTH HALF OF SECTION 6 AND THE NORTH HALF AND SOUTHEAST QUARTER OF SECTION 7, TOWNSHIP 50 NORTH, RANGE 5 WEST, BOISE MERIDIAN, KOOTENAI COUNTY, IDAHO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

POINT OF BEGINNING:

BEGINNING AT THE POINT OF INTERSECTION OF THE WEST LINE OF LOT NO. 72 OF THE EAST GREENACRES PLAT NO. 9, BEING A PORTION OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 5, TOWNSHIP 50 NORTH, RANGE 5 WEST, BOISE MERIDIAN, CITY OF POST FALLS, KOOTENAI COUNTY, STATE OF IDAHO, ACCORDING TO THE PLAT RECORDED IN BOOK B OF PLATS, PAGE 86, AND THE SOUTHERLY LINE OF THE RIGHT-OF-WAY OF INTERSTATE 90; AND

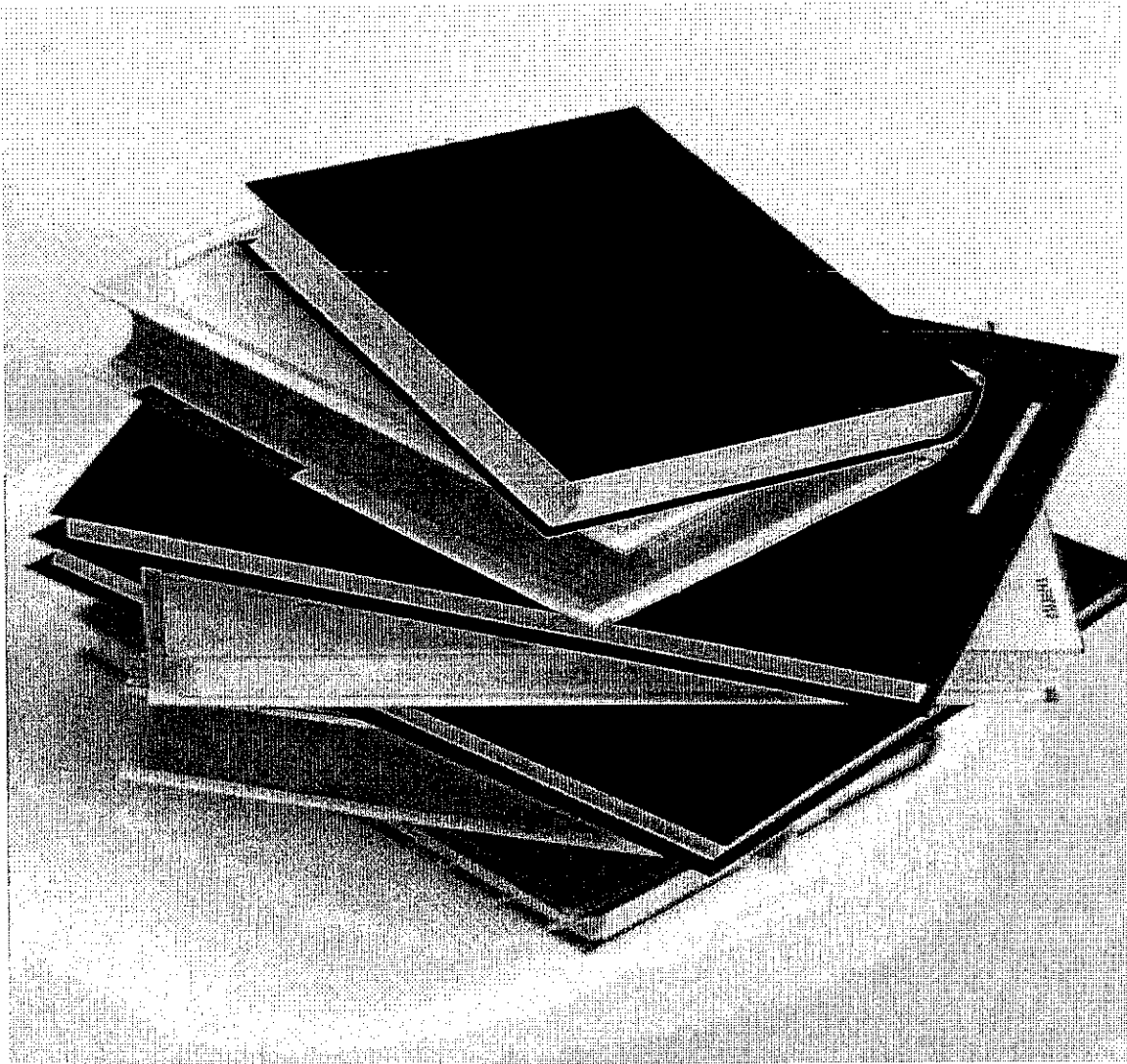
- 1) THENCE SOUTH 0°49'13" WEST, 849.46 FEET, ALONG THE WEST LINE OF LOT NO. 72 AND LOT NO. 88 OF SAID EAST GREENACRES PLAT NO. 9, TO THE SOUTHEAST CORNER OF SAID LOT NO. 88; AND
- 2) THENCE NORTH 88°23'30" WEST, 382.04 FEET, TO A POINT ALONG THE SOUTH PROPERTY LINE OF SAID LOT NO. 88, SAID POINT BEING THE NORTHEAST CORNER OF TAX PARCEL NO. 9945; AND
- 3) THENCE SOUTH 0°54'55" WEST, 140.00 FEET, ALONG THE EAST PROPERTY LINE TO THE SOUTHEAST CORNER OF SAID TAX PARCEL NO. 9945; AND
- 4) THENCE NORTH 88°22'54" WEST, 290.00 FEET, ALONG THE SOUTH LINE OF SAID TAX PARCEL NO. 9945, EXTENDED TO A POINT ON THE WEST BOUNDARY OF SAID SECTION 5; AND

- 5) THENCE NORTH 88°22'54" WEST, 30.00 FEET, TO A POINT ON THE WEST RIGHT-OF-WAY LINE OF PLEASANT VIEW ROAD, SAID POINT BEING 30.00 FEET WEST OF THE EAST BOUNDARY OF SECTION 6, TOWNSHIP 50 NORTH, RANGE 5 WEST, BOISE MERIDIAN; AND
- 6) THENCE SOUTH TO THE SOUTH BOUNDARY OF SAID SECTION 6 ALSO BEING THE NORTH BOUNDARY OF SECTION 7, TOWNSHIP 50 NORTH, RANGE 5 WEST, BOISE MERIDIAN, AND
- 7) THENCE SOUTHERLY ALONG THE WEST BOUNDARY OF THE PLEASANT VIEW ROAD RIGHT-OF-WAY LINE, 2,180 FEET, MORE OR LESS, TO THE NORTH BANK OF THE SPOKANE RIVER; AND
- 8) THENCE WESTERLY ALONG THE NORTH BANK OF THE SPOKANE RIVER 2,980 FEET MORE OR LESS, TO THE SOUTHEAST CORNER OF TAX PARCEL NO. 13863; AND
- 9) THENCE NORTHWESTERLY ALONG THE NORTH BANK OF THE SPOKANE RIVER 960.00 FEET MORE OR LESS TO THE SOUTHWEST CORNER OF SAID TAX PARCEL NO. 13863; AND
- 10) THENCE, NORTH 04°15'03" WEST, 343.01 FEET, ALONG THE WEST PROPERTY LINE OF SAID TAX PARCEL NO. 13863; AND
- 11) THENCE NORTH 15°09'02" WEST, 337.61 FEET; AND
- 12) THENCE NORTH 17°30'45" WEST, 632.68 FEET, TO A POINT THAT IS ON THE SOUTH RIGHT-OF-WAY LINE OF RIVERBEND AVENUE, SAID POINT BEING SOUTH 80°44'51" EAST, 1,350.57 FEET, FROM THE NORTHWEST CORNER OF SAID SECTION 7; AND
- 13) THENCE NORTH 16°54'13" WEST, 156.68 FEET, MORE OR LESS, TO THE SOUTH RIGHT-OF-WAY LINE OF INTERSTATE HIGHWAY NO. 90; AND
- 14) THENCE NORTH 58°26'59" EAST, 981.54 FEET, MORE OR LESS, ALONG THE SOUTH RIGHT-OF-WAY LINE OF INTERSTATE HIGHWAY NO. 90; AND
- 15) THENCE NORTH 50°20'42" EAST, 224.21 FEET, TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE OF INTERSTATE HIGHWAY NO. 90; AND

- 16) THENCE NORTH 53°19'59" EAST, 339.17 FEET, TO A POINT ALONG THE SOUTH RIGHT-OF-WAY LINE OF INTERSTATE HIGHWAY NO. 90; AND
- 17) THENCE NORTH 54°56'06" EAST, 1,268.19 FEET, TO A POINT ALONG THE SOUTH RIGHT-OF-WAY LINE OF INTERSTATE HIGHWAY NO. 90; AND
- 18) THENCE NORTH 59°59'38" EAST, 876.83 FEET, TO A POINT ALONG THE SOUTH RIGHT-OF-WAY LINE OF INTERSTATE HIGHWAY NO. 90; AND
- 19) THENCE NORTH ACROSS INTERSTATE HIGHWAY NO. 90 TO RIGHT OF WAY LINE, LOCATED ON NORTHSIDE OF INTERSTATE HIGHWAY NO. 90, AND
- 20) THENCE NORTHEAST ALONG RIGHT OF WAY LINE TO EAST SIDE OF PLEASANT VIEW ROAD, AND
- 21) THENCE DIRECTLY EAST ACROSS PLEASANT VIEW ROAD TO RIGHT OF WAY LINE, AND
- 22) THENCE SOUTHEAST ALONG RIGHT OF WAY LINE TO THE SOUTHWEST CORNER OF LOT 56 OF GREEN ACRES PLAT NUMBER 9, AND
- 23) THENCE EAST ALONG RIGHT OF WAY LINE TO THE EAST SIDE OF IDALINE ROAD, WHICH IS THE SOUTHWEST CORNER OF LOT 54 GREENACRES PLAT NUMBER 9, AND
- 24) THENCE DIRECTLY SOUTH ACROSS INTERSTATE HIGHWAY NO. 90 TO SOUTH RIGHT OF WAY LINE, LOCATED ON THE SOUTHSIDE OF INTERSTATE HIGHWAY NO. 90, ALSO BEING THE NORTHWEST CORNER OF PARCEL #059-AE, AND
- 25) THENCE SOUTHWEST ALONG RIGHT OF WAY LINE TO POINT OF BEGINING

APPENDIX B

TAX ALLOCATION FEASIBILITY STUDY



Tax Allocation Financing Feasibility Study for Riverbend

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- A. Tax Parcel List within the Urban Renewal District
- B. Levy Rate Assumption
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Tax Allocation Feasibility Study for Riverbend

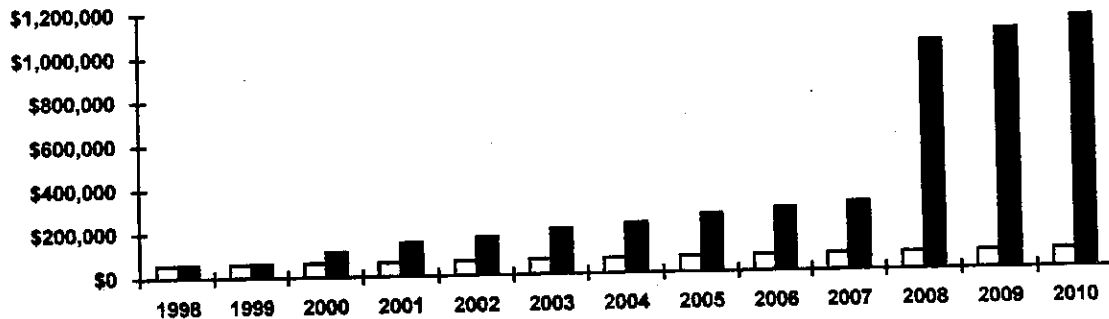
Executive Summary

The use of the Tax Allocation Financing Provision in the Riverbend Urban Renewal District is feasible under the existing taxing laws as of May, 1997. The improvements, which will be financed in several phases via the Urban Renewal Project, can be paid for with revenues resulting from the increased tax base.

Investment in infrastructure at Riverbend will increase the amount of building construction. This construction will increase the market value of the area and generate the tax revenue used to service the bonds.

Chart 1 demonstrates the projection of revenues which will result from the creation of the Tax Allocation Project compared to the revenue generated if no project was to be constructed.

Chart 1
All Taxing Districts Revenue Projections
1998 - 2010



Source: Business Planning Consultants, Inc.

Gray = Baseline projection without the Tax Allocation Financing Project

Black = Revenue projection with the Tax Allocation Financing Project

The determination of this study is that the new investment growth which will result from the improvements financed by the Tax Increment Funds will provide sufficient revenue to retire the bonds and new levels of investment within the taxing districts. Therefore, the tax allocation financing method is financially feasible and beneficial for the taxing districts and taxpayers. While Idaho State law limits the increase in budgets for taxing districts, the increased assessed valuation within the districts may provide for a reduction in the tax rate.

Methodology

Tax allocation financing is a method of providing revenue for economic development projects in urban renewal areas. As part of an urban renewal plan, a revenue tax allocation financing provision is approved. Within the urban renewal area, a tax allocation area is created. Within the tax allocation area, a base assessment roll is established which is equal to the assessment rolls for all classes of taxable property as of January 1st of the year the urban renewal plan is adopted. As new investment increases the assessed value within the tax allocation area, the increase in tax revenues is allocated to paying off bonds issued for public improvements. By using this form of financing, local taxing districts make a short term sacrifice in receipt of added tax revenues in exchange for a long term tax revenue increase due to added investment in the urban renewal area.

To determine the feasibility of a tax increment financing provision for improving Riverbend, the first task was to list all properties by parcel number. Then, for each parcel within the taxing area, the number of acres, market value by category and exemptions were listed.

Within a complete inventory of properties and their existing market values, a baseline projection of tax revenues was created. This projection assumed that growth trends would continue as they have in the past with no sudden increase in investment activity in the area. A 3% growth rate was used. This forecast provides an understanding of what tax revenue can be expected by the taxing districts from the tax allocation area if no project is completed.

Next, a projection of tax revenue was prepared assuming that a tax allocation provision is approved. This projection assumes a "freeze" on the amount of revenue each taxing district (except for School District 273) will receive while the bonds are being paid. It also shows the tax increases which will result when the bonds are paid and the entire tax revenue amount is allocated to reduce tax levy rate.

Determination of feasibility will be made by the City of Post Falls in their action to either approve or disapprove the urban renewal plan and the tax allocation provision. However, a statement of feasibility has been prepared which indicated whether a tax allocation provision is financially feasible.

Baseline Projection

The baseline projection evaluates the growth of the area independent of the tax allocation project. This provides a realistic view of the growth trends, investment levels and other growth factors in the area. Population growth, major employer growth and specific activity within the Tax Allocation Area have been considered. These factors have been thoroughly evaluated and discussed in the Riverbend Urban Renewal Plan, 1997, Introductory Section.

Tax Allocation Area

The tax allocation area covers about 200 acres of property. This area does not include rights of way but does include about 8 acres of public ownership.

Rates of growth were measured for the Tax Allocation Area. This area's land and improvement values were projected for the term of the bonding period plus 8 years (1997 to 2010). This projection period provides a good understanding of the financial feasibility and impact during and after the bonding period.

The City of Post Falls and the Riverbend Urban Renewal District, has been experiencing unprecedented residential growth since 1992. Residential growth in the City of Post Falls prior to 1992 was usually less than 2%*. From 1992 to 1996 the City of Post Falls growth rate has averaged approximately 12% per year. Then, from 1995 to 1996, the residential growth rate was approximately 9.2 %, indicating that the growth rate has slowed.

Market Value Projections

For purposes of estimating future baseline tax revenue, a growth rate of 3% per year has been applied to the Riverbend Tax Allocation Area. This is a conservative estimate but is realistic if additional public investment is not made in infrastructure. This projection assumes there is no tax allocation area and no additional public investment (using other financing sources) in the area.

**TABLE 1
BASELINE MARKET VALUE PROJECTION
1996 - 2010**

Baseline Market Values	
1996	3,621,444
1997	3,730,087
1998	3,841,990
1999	3,957,250
2000	4,075,967
2001	4,198,246
2002	4,324,194
2003	4,453,919
2004	4,587,537
2005	4,725,163
2006	4,866,918
2007	5,012,925
2008	5,163,313
2009	5,318,213
2010	5,477,759

Source: Business Planning Consultants, Inc.

Urban Renewal Area

The Riverbend Urban Renewal Area consists of approximately 330 acres. The following table shows the statistics for this area. Please refer to the Riverbend Urban Renewal Plan for the exact acreage.

**TABLE 2
URBAN RENEWAL AREA STATISTICS
1996**

	Value	Acres
Residential Land	\$19,565.00	0.82
Commercial Land	\$27,304,483.00	176.48
Industrial Land	\$2,539,203.00	146.42
Total	\$29,863,251.00	323.72

Source: City of Post Falls

Tax Revenue Projections

Without the improvements which result from the tax allocation project, tax revenues generated from the tax allocation area are as follows in the following table.

TABLE 3
BASELINE TAX REVENUE PROJECTION
1996 - 2010

Year	Tax Revenue
1998	\$ 59,411
1999	\$ 61,193
2000	\$ 63,029
2001	\$ 64,920
2002	\$ 66,868
2003	\$ 68,874
2004	\$ 70,940
2005	\$ 73,068
2006	\$ 75,260
2007	\$ 77,518
2008	\$ 79,844
2009	\$ 82,239
2010	\$ 84,706

Source: Business Planning Consultants, Inc.

Tax Allocation Project Projection

This projection assumes the improvements described in Section 5 of the Riverbend Urban Renewal Plan, 1997, Description of Proposed Improvements, is constructed. This allows the growth at Riverbend to continue and expand to meet market demands.

Riverbend Urban Renewal District Improvements

Improvements at Riverbend have been thoroughly described in the Urban Renewal Plan¹. These improvements include curbs and gutters, sidewalks, streets, water and sewer systems, drainage and street trees. The following table shows the construction cost ranges for each of the major portions of the improvement project depending upon the year constructed. A detail description of these improvements can be found in Section 5 of the Riverbend Urban Renewal Plan, 1997. For purpose of this feasibility study, the construction date is shown in parentheses.

¹ Riverbend Urban Renewal Plan, 1997, Post Falls, Idaho

TABLE 4
RIVERBEND CONSTRUCTION COST ESTIMATE RANGES

Year Constructed	1997	1998	1999	2000
Improvement				
East Clearwater Loop (1997)	\$ 96,150	99,996	103,996	108,156
Moyie Street (1997)	91,200	94,848	98,642	102,588
St. Joe Avenue (1997)	136,300	141,752	147,422	153,319
Lochsa Street (1998)	748,800	778,752	809,902	842,298
Pleasant View Road South (1999)	709,700	738,088	767,612	798,316
Freeway Underpass at Pleasant View (1999)	1,413,518	1,470,059	1,528,861	1,590,016
Total Construction	\$ 3,195,668	3,323,495	3,456,435	3,594,692
Annual Construction Cost Inflation Rate	4%			

Sources: City of Post Falls, Frame and Smentna and Business Planning Consultants

Projection Assumptions

Several assumptions have been made regarding the future. These assumptions are described in the following paragraphs.

Levy Rates

It is assumed that levy rates for all taxing districts affected by the Tax Allocation District will decline by 2% each year for two years (1998 and 1999). This assumption has the effect of reducing the amount of tax revenue collected from the Tax Allocation District during the bond repayment period. This reduction has been made for all taxing districts.

Coverage Ratio

Several coverage ratios have been applied to the Riverbend Urban Renewal Project's Tax Increment Revenues. These ratios vary from 100% to 140% for debt issues. Application of a coverage ratio greater than 100% has the effect of reducing the projected amount of revenue which can be applied to serving the bonds. Coverage ratios are applied to create a margin of safety should tax revenues fall short of expectations.

New Growth

We believed that the recent 12% and 9% growth rates will not be sustainable. This is because the utility services which are required to sustain residential growth will not be available. A more accurate estimates would indicate growth to 1998 at six percent (6%) per year. Therefore, we have taken a very conservative approach to projecting future population growth. The rate of six percent (6%) is less than the growth rate experienced in the past five years. Assumptions regarding new growth include the number of square feet which would be constructed each year, the cost per square foot (building construction cost inflation) and the loss of exempted status for properties upon which new building are constructed. Square foot growth projections for this area as a result of this tax allocation project are:

TABLE 5
BUILDING GROWTH IN SQUARE FEET
1998 - 2009*

Year	Square Feet of Construction
1998	140,000
1999	100,000
2000	50,000
2001	80,000
2002	50,000
2003	25,000
2004	25,000
2005	25,000
2006	25,000
2007	25,000
2008	25,000
2009	25,000

Source: Riverbend Commerce Park

* Building construction was projected to 2009 because tax revenues on construction occurring after this date will be collected in 2011 and after our projection period.

Building costs are anticipated to increase at 2% each year. A schedule of those building costs is shown on the following table.

TABLE 6
CONSTRUCTION COST ASSUMPTIONS

Year	Cost per Square Foot
1997	\$ 85
1998	\$ 87
1999	\$ 88
2000	\$ 90
2001	\$ 92
2002	\$ 94
2003	\$ 96
2004	\$ 98
2005	\$ 100
2006	\$ 102
2007	\$ 104
2008	\$ 106
2009	\$ 108
2010	\$ 110
Inflation Rate	2%

Source: Business Planning Consultants, Inc.

One lot is assumed to lose its exemption for each 30,000 square feet of building constructed. The market value of the land exemption is added to the market value used for calculating tax revenues. The market value of each exemption was determined by averaging the value of each exemption (57 exemptions for a value of \$4,883,758). The result is \$ 85,680 for each lot exemption. This exemption amount remains the same during the entire projection period.

No value is added for personal property (equipment, fixtures, etc.). This property is also taxed and is subject to the tax increment but has been omitted from the projections to provide an added measure of margin.

School Payments

Tax law assigns a percentage of new tax increment revenues to the school districts. For our projection the amount will be .4% of the total market value of the tax allocation area.

Tax Revenue Projection

Using the assumptions described above, tax revenues for the Tax Allocation District are as shown in the following table. Tax revenues available to service bond debt (assuming various debt service ratios) are shown in their respective column. The different coverage ratios provide varying margins of safety to insure that there are sufficient tax revenues to retire the bonds. The 100% column shows 100% of the revenue collected after the tax allocation district is approved.

TABLE 7
TAX ALLOCATION DISTRICT REVENUES AT VARIOUS COVERAGE RATIOS
1998 - 2010

	Coverage Ratio:				
	100%	110%	120%	130%	140%
1998	-	-	-	-	-
1999	-	-	-	-	-
2000	192,997	173,698	154,398	135,098	115,798
2001	339,248	305,323	271,398	237,474	203,549
2002	411,641	370,477	329,313	288,149	246,984
2003	529,436	476,493	423,549	370,605	317,662
2004	604,647	544,182	483,717	423,253	362,788
2005	642,978	578,680	514,382	450,084	385,787
2006	682,049	613,844	545,639	477,434	409,229
2007	721,875	649,687	577,500	505,312	433,125
2008	762,470	686,223	609,976	533,729	457,482
2009	803,852	723,467	643,081	562,696	482,311
2010	846,034	761,431	676,827	592,224	507,621

Source: Business Planning Consultants, Inc.

Improvement Financing

Project Costs

Total project costs include construction, bonding, administration and interest. The construction costs have been previously described in Section 5, Description of Proposed Improvements, Riverbend Urban Renewal Plan, 1997, and administrative expenses are estimated at 2% of bond amounts.

Developer Assistance

In some cases, the developer may be required to assist project financing with a refundable loan or loan guarantee to the project. These loans or guarantees will be repayable with tax increment revenues after the bonds have been retired with an interest rate of 8% per year, compounded.

Assumed Bond Schedule

The interest rates established for the repayment of the bonds will be according to the municipal bond market standards at the time the bonds are issued. This project anticipates four bond schedules; one issued in November, 1997, November 1998, November 1999 and November 2000. Each projected bond schedule is provided in Appendix D.

Fiscal Impact on Taxing Districts and Taxpayers

The fiscal impact on taxing districts will be to increase available revenue to the districts by collection of forgone taxes. Taxpayers may have a reduction in the levy rate applied to the valuation of their property.

Limits on Budget Increases

Limits are placed on the increase in budget a taxing district can spend, even with a substantial increase in the tax base. This limitation on receipt of additional revenue is partially mitigated by the collection of "Foregone Taxes"; taxes which the district has a right to collect but has not. These taxes, which would normally be collected during the tax increment financing period, may be collected after the bonds and developer assistance have been paid, assuming the law remains the same. The following table demonstrates the amount of foregone taxes each of the respective districts could have collected in 1996 if they had been other sources of tax revenues. Foregone taxes exceed the amount which will be collected after the retirement of the improvement bond. For instance, it is projected that \$ 783,167 will be paid to the taxing districts the first year the bond and developer loan is retired.

TABLE 8
FOREGONE TAXES, 1996

Taxing District	Foregone Taxes
Kootenai County	\$ 1,085,640
North Idaho College	419,009
City of Post Falls	317,961
Post Falls Highway District	66,512
Post Falls School District # 273	65,559
Kootenai Ambulance	50,008
Post Falls Fire Protection	27,352
Total	\$ 2,032,041

Source: 1996 Dollar Certification of Budget Request to Board of County Commissions L-2

Taxing districts can recover foregone taxes if they have a sufficient source of tax revenues. The Riverbend Urban Renewal Project can create these sources of additional tax revenue.

Levy Rate Reduction

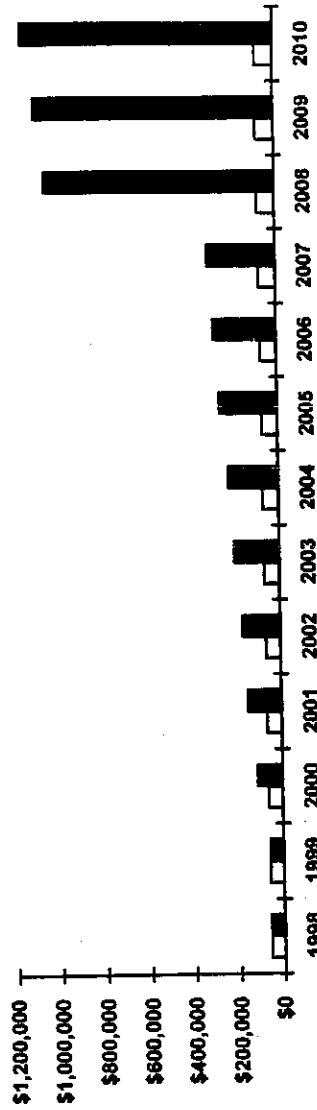
Since the increase in budgets of each taxing district are limited by Idaho State law and there is a limit on the amount of foregone taxes a district can collect, the result of an increased tax base is a decrease in the levy rate for each taxing district. This has a positive fiscal impact on taxpayers within the taxing district.

The tax allocation financing provision will have an impact on the tax revenues available to the taxing districts within the tax allocation area. The table on the following page demonstrates the amount of tax revenue at projected levy rates which would be collected from within the tax allocation area during and after payment of the bonds.

Table 9
All Taxing Districts Revenue Projections
1998 - 2010

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Baseline Revenue	\$ 59,411	\$ 61,193	\$ 63,029	\$ 64,920	\$ 66,868	\$ 68,874	\$ 70,940	\$ 73,068	\$ 75,260	\$ 77,518	\$ 79,844	\$ 82,239	\$ 84,706
With the TAF Project	\$ 59,411	\$ 61,193	\$ 112,952	\$ 152,674	\$ 173,347	\$ 205,824	\$ 227,345	\$ 265,111	\$ 287,223	\$ 310,653	\$ 1,046,326	\$ 1,094,024	\$ 1,149,585
Difference	\$ -	\$ -	\$ 49,923	\$ 87,754	\$ 106,480	\$ 136,950	\$ 156,405	\$ 192,043	\$ 211,962	\$ 233,135	\$ 966,482	\$ 1,011,785	\$ 1,064,879

Chart 2
All Taxing Districts Revenue Projections
1998 - 2010



Source: Business Planning Consultants, Inc.

Gray = Baseline projection without the Tax Allocation Financing Project
 Black = Revenue projection with the Tax Allocation Financing Project

Feasibility of Tax Increment Financing of Riverbend Improvements

As a result of this analysis, the feasibility of using the Tax Allocation Financing Provision for improvements at Riverbend are positive given the assumptions included in this report. The revenue created by the provision will be sufficient to cover debt service on the bonds with participation of the developers (via loans or loan guarantees) in financing of the improvements.

The impact on taxing districts is also positive. While there is a limit on the increase in budgets of the taxing districts, forgone taxes can be used to increase district activity to accommodate the new growth.

Taxpayers will experience a reduction in levy rates as investment in the taxing districts increases without a proportionate increase in taxing district budgets.

APPENDIX A

TAX PARCEL LIST WITHIN THE URBAN RENEWAL DISTRICT

BASE VALUATION - PROPOSED RIVERBEND TAX INCREMENT AREA

	1996		
	<u>GROSS</u>	<u>LESS</u>	<u>NET</u>
	<u>VALUATION</u>	<u>EXEMPTIONS</u>	<u>VALUATION</u>
Section 5; Township 50 North, Range 5 West; Boise Meridian			
LAND	\$ 271,258	\$ -	\$ 271,258
IMPROVEMENTS	\$ 27,034	\$ -	\$ 27,034
P-3900-05-089-AA		\$ -	\$ -
LAND	\$ 24,000	\$ -	\$ 24,000
IMPROVEMENTS	\$ 25,546	\$ -	\$ 25,546
Total - Section 5	\$ 347,838	\$ -	\$ 347,838

Section 6; Township 50 North, Range 5 West, Boise Meridian

	<u>GROSS</u>	<u>LESS</u>	<u>NET</u>
	<u>VALUATION</u>	<u>EXEMPTIONS</u>	<u>VALUATION</u>
Block 2	P-7525-002-001-0	\$ 184,979	\$ - \$ 184,979
	P-7525-002-002-0	\$ 137,704	\$ - \$ 137,704
	P-7525-002-003-0	\$ 147,263	\$ - \$ 147,263
	P-7525-002-004-A	\$ 144,753	\$ - \$ 144,753
	P-7525-002-004-B	\$ 1,000	\$ - \$ 1,000
Block 3	P-7525-003-003-0	\$ 86,067	\$ - \$ 86,067
	P-7525-003-004-0	\$ 82,875	\$ - \$ 82,875
	P-7525-003-005-0	\$ 82,875	\$ - \$ 82,875
	P-7525-003-006-0	\$ 86,611	\$ - \$ 86,611
	P-7525-006-001-0	\$ 199,033	\$ 198,584 \$ 449
	P-7525-006-002-0	\$ 96,188	\$ 95,971 \$ 217
	P-7525-006-003-0	\$ 96,188	\$ 95,971 \$ 217
Block 6	P-7525-006-004-0	\$ 96,188	\$ 95,971 \$ 217
	P-7525-006-005-0	\$ 96,188	\$ - \$ 96,188
	P-7525-006-006-0	\$ 176,600	\$ - \$ 176,600
	P-7526-001-001-0	\$ 138,957	\$ - \$ 138,957
	P-7526-002-004-A	\$ 78,321	\$ - \$ 78,321
	P-7526-002-005-0	\$ 57,090	\$ - \$ 57,090
	P-7528-004-001-0	\$ 82,413	\$ 82,227 \$ 186
	P-7528-004-002-0	\$ 106,334	\$ 106,094 \$ 240
	P-7528-004-003-0	\$ 82,838	\$ 82,172 \$ 666
	P-7528-004-004-0	\$ 80,856	\$ 80,206 \$ 650
	P-7528-004-005-0	\$ 30,927	\$ 30,680 \$ 247
	P-7528-005-001-0	\$ 27,456	\$ - \$ 27,456
	P-7528-005-002-0	\$ 44,375	\$ - \$ 44,375
	P-7528-005-003-0	\$ 29,640	\$ 29,402 \$ 238
	P-0000-006-9500	\$ 79,065	\$ - \$ 79,065
	P-7528-005-004-0	\$ 54,426	\$ 53,989 \$ 437
	P-7528-005-005-0	\$ 71,044	\$ 70,473 \$ 571
	P-7528-006-001-0	\$ 42,438	\$ 42,097 \$ 341
	P-7528-006-002-0	\$ 26,960	\$ - \$ 26,960
	P-7528-006-003-0	\$ 26,960	\$ - \$ 26,960
	P-7528-006-004-0	\$ 24,042	\$ - \$ 24,042

	P-7528-006-005-0	\$	28,750	\$	-	\$	28,750
	P-7528-007-001-0	\$	72,513	\$	71,930	\$	583
	P-7528-007-002-0	\$	72,182	\$	71,602	\$	580
Block 7	P-7528-007-004-0	\$	77,186	\$	-	\$	77,186
	P-7528-007-005-0	\$	45,694	\$	-	\$	45,694
	P-7528-007-006-0	\$	45,406	\$	-	\$	45,406
	Total - Section 6	\$	3,140,385	\$	1,207,369	\$	1,933,016

Section 7, Township 50 North, Range 5 West, Boise Meridian

		GROSS	LESS	NET			
		VALUATION	EXEMPTIONS	VALUATION			
	P-7526-001-007-0	\$	258,930	\$	-	\$	258,930
	P-7528-001-002-0	\$	180,478	\$	-	\$	180,478
	P-7528-001-003-A	\$	48,221	\$	-	\$	48,221
	P-7528-001-003-B	\$	87,423	\$	-	\$	87,423
	P-7528-001-004-0	\$	126,000	\$	-	\$	126,000
Block 1	P-7528-001-005-0	\$	126,000	\$	-	\$	126,000
	P-7528-001-006-0	\$	126,000	\$	-	\$	126,000
	P-7528-001-007-0	\$	177,905	\$	-	\$	177,905
	P-7528-001-010-0	\$	179,222	\$	178,379	\$	843
	P-7528-001-011-0	\$	236,263	\$	235,178	\$	1,085
	P-7528-001-012-0	\$	301,210	\$	299,827	\$	1,383
	P-7528-002-001-0	\$	107,082	\$	106,689	\$	393
	P-7528-002-002-0	\$	107,625	\$	107,230	\$	395
	P-7528-002-003-0	\$	107,625	\$	107,230	\$	395
	P-7528-002-004-0	\$	107,625	\$	107,230	\$	395
	P-7528-002-005-0	\$	103,663	\$	103,282	\$	381
	P-7528-002-006-0	\$	95,736	\$	95,384	\$	352
Block 2	P-7528-002-007-0	\$	134,510	\$	134,016	\$	494
	P-7528-002-008-0	\$	81,890	\$	81,589	\$	301
	P-7528-002-009-0	\$	37,685	\$	37,382	\$	303
	P-7528-002-010-0	\$	40,543	\$	40,217	\$	326
	P-7528-002-011-0	\$	47,486	\$	47,104	\$	382
	P-7528-002-012-0	\$	47,376	\$	46,995	\$	381
	P-7528-002-013-0	\$	51,038	\$	50,628	\$	410
	P-7528-002-014-0	\$	49,201	\$	48,806	\$	395
	P-7528-002-015-0	\$	49,201	\$	48,806	\$	395
	P-7528-002-016-0	\$	48,953	\$	48,560	\$	393
	P-7528-003-001-0	\$	81,220	\$	80,567	\$	653
	P-7528-003-002-0	\$	79,932	\$	79,290	\$	642
Block 3	P-7528-003-003-0	\$	80,562	\$	79,915	\$	647
	P-7528-003-004-0	\$	44,773	\$	44,413	\$	360
	P-7528-003-005-0	\$	38,420	\$	38,111	\$	309
	P-7528-003-006-0	\$	35,133	\$	34,851	\$	282
	P-7528-003-007-0	\$	29,256	\$	29,021	\$	235
	P-7528-003-008-0	\$	24,000	\$	23,807	\$	193
	P-7528-003-009-0	\$	24,000	\$	23,807	\$	193
	P-7528-003-010-0	\$	24,000	\$	23,807	\$	193
	P-7528-003-011-0	\$	23,750	\$	23,559	\$	191
	P-7528-004-006-0	\$	29,958	\$	29,717	\$	241

Block 4	P-7528-004-007-0	\$ 31,608	\$ 31,354	\$ 254
	P-7528-004-008-0	\$ 30,437	\$ 30,193	\$ 244
	P-7528-004-009-0	\$ 23,306	\$ 23,119	\$ 187
	P-7528-004-010-0	\$ 21,906	\$ 21,730	\$ 176
	P-7528-004-011-0	\$ 24,654	\$ 24,456	\$ 198
	P-7528-004-012-0	\$ 24,654	\$ 24,456	\$ 198
	P-7528-005-006-0	\$ 87,198	\$ 86,497	\$ 701
Block 5	P-7528-005-007-0	\$ 81,027	\$ 80,376	\$ 651
	P-7528-005-008-0	\$ 79,379	\$ 78,741	\$ 638
	P-0000-007-0100	\$ 93,075	\$ -	\$ 93,075
Block 7	P-0000-007-0300	\$ 939,840	\$ 840,070	\$ 99,770
	Total - Section 7	\$ 5,016,979	\$ 3,676,389	\$ 1,340,590
	GRAND TOTAL	\$ 8,505,202	\$ 4,883,758	\$ 3,621,444
	# of Exemptions		\$ 57	
	Exemption Value		\$ 4,883,758	
	Average Exemption		\$ 85,680	

Projection of the
Baseline Market Values

1996	3,621,444
1997	3,730,087
1998	3,841,990
1999	3,957,250
2000	4,075,967
2001	4,198,246
2002	4,324,194
2003	4,453,919
2004	4,587,537
2005	4,725,163
2006	4,866,918
2007	5,012,925
2008	5,163,313
2009	5,318,213
2010	5,477,759

APPENDIX B

LEVY RATE ASSUMPTIONS

CITY OF POST FALLS
PROPERTY TAX RATES
PROJECTED FOR NEXT 7 YEARS
ASSUMES 2% DECLINE PER YEAR IN LEVY RATES FOR 2 YEARS, THEN NO CHANGE

Governmental Unit	1996	1997	1998	1999	2000	2001	2002	2003
City of Post Falls	0.004802275	0.004706230	0.004612105	0.004612105	0.004612105	0.004612105	0.004612105	0.004612105
North Idaho College	0.001213831	0.001189554	0.001165763	0.001165763	0.001165763	0.001165763	0.001165763	0.001165763
Kootenai County	0.003260597	0.003195385	0.003131477	0.003131477	0.003131477	0.003131477	0.003131477	0.003131477
Kootenai Hospital District	0.000000000	0.000000000	0.000000000	0.000000000	0.000000000	0.000000000	0.000000000	0.000000000
Kootenai Ambulance District	0.000142149	0.000139306	0.000136520	0.000136520	0.000136520	0.000136520	0.000136520	0.000136520
School District #273	0.004793453	0.004697584	0.004603632	0.004603632	0.004603632	0.004603632	0.004603632	0.004603632
Post Falls Highway District	0.000680381	0.000666773	0.000653438	0.000653438	0.000653438	0.000653438	0.000653438	0.000653438
Post Falls Fire District	0.001208556	0.001184385	0.001160697	0.001160697	0.001160697	0.001160697	0.001160697	0.001160697
Total	0.016101242	0.015779217	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633

Governmental Unit	2004	2005	2006	2007	2008	2009	2010
City of Post Falls	0.004612105	0.004612105	0.004612105	0.004612105	0.004612105	0.004612105	0.004612105
North Idaho College	0.001165763	0.001165763	0.001165763	0.001165763	0.001165763	0.001165763	0.001165763
Kootenai County	0.003131477	0.003131477	0.003131477	0.003131477	0.003131477	0.003131477	0.003131477
Kootenai Hospital District	0.000000000	0.000000000	0.000000000	0.000000000	0.000000000	0.000000000	0.000000000
Kootenai Ambulance District	0.000136520	0.000136520	0.000136520	0.000136520	0.000136520	0.000136520	0.000136520
School District #273	0.004603632	0.004603632	0.004603632	0.004603632	0.004603632	0.004603632	0.004603632
Post Falls Highway District	0.000653438	0.000653438	0.000653438	0.000653438	0.000653438	0.000653438	0.000653438
Post Falls Fire District	0.001160697	0.001160697	0.001160697	0.001160697	0.001160697	0.001160697	0.001160697
Total	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633

APPENDIX C

TAX ALLOCATION FUND PROJECTION

Tax Allocation Fund Projection 1998 - 2010

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633	0.015463633
LEVY RATE	3.621,444												
Coverage Ratio	100%												
MARKET VALUE	\$ 12,480,720	\$ 21,938,433	\$ 28,619,927	\$ 34,237,506	\$ 39,101,209	\$ 41,579,984	\$ 44,106,821	\$ 46,682,077	\$ 49,307,329	\$ 51,983,372	\$ 54,711,222	\$ 57,498,852	\$ 60,343,852
TAX ALLOCATION AREA BASE ROLL:													
TAX INCREMENT VALUATION	\$ -	\$ 339,248	\$ 411,841	\$ 529,436	\$ 604,847	\$ 642,978	\$ 682,049	\$ 721,875	\$ 762,470	\$ 803,852	\$ 848,034	\$ 893,852	\$ 940,034
TIF REVENUE BEFORE COVERAGE	\$ -	\$ 339,248	\$ 411,841	\$ 529,436	\$ 604,847	\$ 642,978	\$ 682,049	\$ 721,875	\$ 762,470	\$ 803,852	\$ 848,034	\$ 893,852	\$ 940,034
TIF REVENUE AFTER COVERAGE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BASILINE TAX REVENUE	\$ 59,411	\$ 61,193	\$ 63,028	\$ 64,920	\$ 66,868	\$ 68,874	\$ 70,940	\$ 73,069	\$ 75,260	\$ 77,518	\$ 79,844	\$ 82,239	\$ 84,708
SCHOOL PAYMENTS	\$ -	\$ -	\$ 49,923	\$ 87,754	\$ 108,480	\$ 136,950	\$ 158,405	\$ 166,320	\$ 176,426	\$ 186,728	\$ 197,229	\$ 207,933	\$ 218,845
TAF FUND BEGINNING BALANCE	\$ -	\$ 970	\$ 1,324	\$ 43,546	\$ 48,766	\$ 105,089	\$ 205,045	\$ 312,875	\$ 443,876	\$ 615,536	\$ 769,253	\$ 903,852	\$ 1,048,034
Developer Guarantee Deposit	\$ 15,000	\$ 48,000	\$ -	\$ -	\$ 130,000	\$ 172,000	\$ 205,045	\$ 205,045	\$ 205,045	\$ 208,817	\$ 208,817	\$ 208,817	\$ 208,817
TAF Revenue Collected	\$ -	\$ -	\$ 192,997	\$ 339,248	\$ 411,841	\$ 529,436	\$ 604,847	\$ 642,978	\$ 682,049	\$ 721,875	\$ 762,470	\$ 803,852	\$ 848,034
1997 Bond Payment Schedule	\$ 14,030	\$ 15,196	\$ 82,306	\$ 80,022	\$ 77,216	\$ 77,909	\$ 78,602	\$ 79,300	\$ 80,000	\$ 80,700	\$ 81,400	\$ 82,100	\$ 82,800
1998 Bond Payment Schedule	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1999 Bond Payment Schedule	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2000 Bond Payment Schedule	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Developer Guarantee Payment	\$ -	\$ 32,460	\$ 35,134	\$ 38,016	\$ 41,184	\$ 44,544	\$ 48,100	\$ 51,855	\$ 55,700	\$ 59,735	\$ 63,960	\$ 68,375	\$ 72,980
TAF Funds Available	\$ 970	\$ 1,324	\$ 43,546	\$ 48,766	\$ 105,089	\$ 205,045	\$ 312,875	\$ 443,876	\$ 615,536	\$ 769,253	\$ 903,852	\$ 1,048,034	\$ 1,203,852
Distributed Funds to Districts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TAF FUND ENDING BALANCE	\$ 970	\$ 1,324	\$ 43,546	\$ 48,766	\$ 105,089	\$ 205,045	\$ 312,875	\$ 443,876	\$ 615,536	\$ 769,253	\$ 903,852	\$ 1,048,034	\$ 1,203,852
TOTAL REVENUE	\$ 59,411	\$ 61,193	\$ 305,949	\$ 491,922	\$ 584,988	\$ 735,260	\$ 831,892	\$ 882,366	\$ 933,735	\$ 986,121	\$ 1,039,543	\$ 1,094,024	\$ 1,149,585
DISTRICT REVENUE	\$ 59,411	\$ 61,193	\$ 112,952	\$ 152,874	\$ 173,947	\$ 205,624	\$ 227,345	\$ 263,264	\$ 287,223	\$ 316,064	\$ 342,326	\$ 367,024	\$ 391,224
Beginning Balance	\$ 15,000	\$ 64,200	\$ 69,336	\$ 74,963	\$ 81,187	\$ 87,913	\$ 95,140	\$ 102,867	\$ 111,094	\$ 119,821	\$ 129,048	\$ 138,775	\$ 149,002
Interest Rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Available Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amount Owed Calculation	\$ 15,000	\$ 64,200	\$ 69,336	\$ 74,963	\$ 81,187	\$ 87,913	\$ 95,140	\$ 102,867	\$ 111,094	\$ 119,821	\$ 129,048	\$ 138,775	\$ 149,002
Beginning Balance	\$ 1,200	\$ 5,196	\$ 5,547	\$ 5,961	\$ 6,444	\$ 6,997	\$ 7,620	\$ 8,313	\$ 9,087	\$ 9,933	\$ 10,851	\$ 11,843	\$ 12,910
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 16,200	\$ 69,336	\$ 74,883	\$ 80,874	\$ 87,631	\$ 94,930	\$ 102,765	\$ 111,157	\$ 120,110	\$ 129,632	\$ 139,733	\$ 150,428	\$ 161,738
District Funds Available	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

APPENDIX D

BOND SCHEDULES

1997 Post Falls Riverbend Tax Allocation District Bond Schedule

\$ 330,123 Total improvements and Administration
 \$ - less Developer Fee
 \$ 330,123 Initial Bond Debt

Tax Allocation Bonds, Series 1997
 7 Year Bond Dated as of November 1, 1997

Date	Principal *	Coupon	Interest	Semi-Annual	Annual
03/01/98			7,015	7,015	
09/01/98		4.25%	7,015	7,015	14,030
03/01/99			7,593	7,593	
09/01/99		4.60%	7,593	7,593	15,186
03/01/00			8,171	8,171	
09/01/00	66,025	4.95%	8,171	74,195	82,366
03/01/01			6,999	6,999	
09/01/01	66,025	5.30%	6,999	73,023	80,022
03/01/02			5,596	5,596	
09/01/02	66,025	5.65%	5,596	71,620	77,216
03/01/03			5,942	5,942	
09/01/03	66,025	6.00%	5,942	71,967	77,909
03/01/04			6,289	6,289	
09/01/04	66,025	6.35%	6,289	72,313	78,602
Total	330,123		95,207	425,330	425,330

* Bonds are sold in \$5,000 units. The figures are not rounded.

1998 Post Falls Riverbend Tax Allocation District Bond Schedule

\$ 763,776 Total improvements and Administration
 \$ - less Developer Fee
 \$ 763,776 Initial Bond Debt

Tax Allocation Bonds, Series 1998
 7 Year Bond Dated as of November 1, 1998

Date	Principal *	Coupon	Interest	Semi-Annual	Annual
03/01/99			16,230	16,230	
09/01/99		4.25%	16,230	16,230	32,460
03/01/00			17,567	17,567	
09/01/00		4.60%	17,567	17,567	35,134
03/01/01			18,903	18,903	
09/01/01	152,755	4.95%	18,903	171,659	190,562
03/01/02			16,192	16,192	
09/01/02	152,755	5.30%	16,192	168,947	185,139
03/01/03			12,946	12,946	
09/01/03	152,755	5.65%	12,946	165,701	178,647
03/01/04			13,748	13,748	
09/01/04	152,755	6.00%	13,748	166,503	180,251
03/01/05			14,550	14,550	
09/01/05	<u>152,755</u>	6.35%	<u>14,550</u>	<u>167,305</u>	<u>181,855</u>
Total	763,776		220,273	984,049	984,049

* Bonds are sold in \$5,000 units. The figures are not rounded.

1999 Post Falls Riverbend Tax Allocation District Bond Schedule

\$ 723,894 Total improvements and Administration
 \$ - less Developer Fee
 \$ 723,894 Initial Bond Debt

Tax Allocation Bonds, Series 1999
 7 Year Bond Dated as of November 1, 1999

Date	Principal *	Coupon	Interest	Semi-Annual	Annual
03/01/00			15,383	15,383	
09/01/00		4.25%	15,383	15,383	30,765
03/01/01			16,650	16,650	
09/01/01		4.60%	16,650	16,650	33,299
03/01/02			17,916	17,916	
09/01/02	144,779	4.95%	17,916	162,695	180,612
03/01/03			15,347	15,347	
09/01/03	144,779	5.30%	15,347	160,125	175,472
03/01/04			12,270	12,270	
09/01/04	144,779	5.65%	12,270	157,049	169,319
03/01/05			13,030	13,030	
09/01/05	144,779	6.00%	13,030	157,809	170,839
03/01/06			13,790	13,790	
09/01/06	144,779	6.35%	13,790	158,569	172,359
Total	723,894		208,771	932,665	932,665

* Bonds are sold in \$5,000 units. The figures are not rounded.

2000 Post Falls Riverbend Tax Allocation District Bond Schedule

\$ 1,621,816 Total improvements and Administration
 \$ - less Developer Fee
 \$ 1,000,000 less: Other Sources of Revenue
 \$ 621,816 Initial Bond Debt

Tax Allocation Bonds, Series 2000
 7 Year Bond Dated as of November 1, 2000

Date	Principal *	Coupon	Interest	Semi-Annua	Annual
03/01/01			13,214	13,214	
09/01/01		4.25%	13,214	13,214	26,427
03/01/02			14,302	14,302	
09/01/02		4.60%	14,302	14,302	28,604
03/01/03			15,390	15,390	
09/01/03	124,363	4.95%	15,390	139,753	155,143
03/01/04			13,182	13,182	
09/01/04	124,363	5.30%	13,182	137,546	150,728
03/01/05			10,540	10,540	
09/01/05	124,363	5.65%	10,540	134,903	145,443
03/01/06			11,193	11,193	
09/01/06	124,363	6.00%	11,193	135,556	146,749
03/01/07			11,846	11,846	
09/01/07	<u>124,363</u>	6.35%	11,846	136,209	<u>148,054</u>
Total	621,816		179,332	801,148	801,148

* Bonds are sold in \$5,000 units. The figures are not rounded.

APPENDIX C

DISADVANTAGED BORDER COMMUNITY STUDY



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APPENDIX A: Spokane Washington and Post Falls, Idaho Tax Comparisons	

Competitive Disadvantages of Post Falls, Idaho as a Border Community

Executive Summary

The Idaho State Legislature has adopted House Bill No. 966 which recognizes that communities which are close to state borders can be adversely impacted by differences in tax structure, population characteristics and even geographic features. This report looks at the City of Post Falls as a border community. Disadvantages of being located a mere 3 miles from the Washington State border and only 27 miles from a population center of approximately 400,000 people, are discussed and evaluated.

The law is very specific in the criteria which can be used to determine if a community is disadvantaged. The following paragraph is taken from the law which describes a competitively disadvantaged border community.

"(6) "Competitively disadvantaged border community area" means a parcel of land consisting of at least forty (40) acres which is situated with the boundaries of an incorporated city and within twenty-five (25) miles of a state or international border, which the governing body of such incorporated city has determined by ordinance is disadvantaged in its ability to attract business, private investment, or commercial development, as a result of a competitive advantage in the adjacent state or nation resulting from inequities or disparities in comparative sales taxes, income taxes, property taxes, population or unique geographic features."

The most significant disadvantages, as allowed in the law, of Post Falls are:

- Relatively high property taxes (which adversely impact both businesses and residents);
- The disparity in food costs (due to sales tax variations) which results in Idaho shoppers traveling across the border to Washington for major food purchases;
- Higher business expenses due to the corporate and personal income tax methods used in Idaho. This is applicable to most businesses including drug stores, hotels, real estate developments, manufacturing companies and general merchandise stores, but is particularly impactful on wholesale distribution businesses with out of state sales; and
- Higher personal taxes due to the state income tax and higher local property taxes.

Introduction

Location, Location, Location. These three important factors for real estate development decisions are applicable to towns, too. Post Falls, Idaho is located along the Spokane River but high enough to prevent flooding. It is located on flat ground which is only marginally productive from an agricultural perspective although local farmers have made the most out of it by growing grass seed and sod. It has a scenic view of mountains to the south and is located close to Lake Coeur d'Alene. This lake is easily accessible by boat from Post Falls. And, the city is within a large metropolitan area which stretches from Coeur d'Alene on the east to Spokane, Washington on the west. All of these factors point to Post Falls as being an idyllic community. However, some factors of location are beyond the control of the city.

Washington State, with its border only minutes to the west, has a completely different tax structure. Washington doesn't have a state corporate or personal income tax. Property taxes are lower because urban infrastructure was built when prices were less and more federal money was available to help finance new growth. Sales tax is higher but it is not applicable to food and prescriptions. Washington State has a B&O tax (charged against gross sales) which effects some businesses more than others.

These differences, beyond the control of Post Falls, effect the ability of Post Falls to grow, to attract jobs and income for its people, and to keep money earned in Post Falls in the city.

The purpose of this report is to investigate the differences between Spokane, Washington and Post Falls, Idaho as those differences relate to growth and development. We will seek to answer the question "What disadvantages does Post Falls experience because of its proximity to the Washington State border?". In addition, we will attempt to measure those differences and determine if there are urban renewal strategies which can off-set some of these disadvantages.

Methodology

Measurement of the differences in tax structure cannot be made by merely describing the various methods of taxation. Each state's method causes different results. So, besides describing the two tax structures, comparisons were made using hypothetical businesses and resident home owner scenarios. These scenarios were prepared by taking information about certain types of businesses from the book "Almanac of Business and Industrial Financial Ratios", 1994 Edition, Published by Leo Troy and Prentice Hall Publishers, New Jersey. Gross sales, owner compensation, operating costs and net profit were obtained. These figures have been derived by surveying thousands of companies and publishing the aggregate results. Then, using hypothetical estimates of employee numbers and wages, real estate investment, hours worked per employee and percentages of in-state and out of state sales, an example company was created. This provided an even playing field upon which to evaluate the different taxing structures.

With a common company description, other specific information was required. Owners income tax rates were determined by taking the assumption regarding owners compensation and applying it to the 1993 Form 40 tax tables. This provided a fairly accurate measure of income tax payments although each individual taxpayer would have different deductions (subtractions).

Industrial insurance rates for specific classes of employees who work in these types of businesses were obtained from the Coeur d'Alene office of the State Insurance Fund. For Washington State, the publication "Rates '94" from the Department of Labor and Industries was used. Allocation of insurance rates were determined by the author based on his best judgment regarding the description of the rate and the appropriate business category.

Business and Occupation tax rates were obtained from the Washington State Business and Occupation Tax Worksheet, 1994. Again, tax classification determinations were made by the author based on the business type and the classification description.

Property tax rates were obtained from the Kootenai County Assessor and the Spokane County Assessor. A publication entitled "Rates for the Year 1993" was provided by the Idaho assessor. It included all tax code areas within Kootenai County, including those located within the City of Post Falls. For Spokane County, a copy of the levy rate sheet for all Tax Code Areas in the county was provided. From this list, those taxing areas in the Liberty Lake, East Valley, Central Valley and West Valley areas were used for comparison purposes.

Sales tax rates were obtained from the Idaho State Tax Commission in its publication "Annual Report, 1993" and from the Washington State Department of Revenue report "Location Codes- Local Sales Tax Rates, Effective July 1, 1994".

Every effort has been made to present an unbiased and accurate representation of the disadvantages of Post Falls as a border community.

Findings

Property Taxes

The gap between property tax rates for the City of Post Falls and Spokane County create a disadvantage for Post Falls. Also, because this tax disparity is felt equally across all types of development, residents as well as businesses are adversely effected.

To determine the extent of the impact of this disadvantage, property tax rates for Post Falls were compared to rates in the Spokane Valley. First, an average of the City of Post Falls Levy rates and Spokane Valley Levy rates were compared. The following table shows the average property tax rates for several areas.

Table 1

AVERAGE PROPERTY TAX LEVY RATES (PER \$1,000 OF MARKET VALUE)		
		% of Post Falls Tax
Post Falls	18.63437	
Spokane County	16.49630	89%
Liberty Lake	17.63377	95%
East Valley	16.79955	90%
Central Valley	18.14289	97%

Source: Kootenai County and Spokane County Assessors

Post Falls had the highest average property tax rates compared to the average in the Spokane Valley. However, this evaluation only considered three out of twenty-four taxing districts in the Spokane Valley. Since rates will change depending upon the districts a property is located in, it was felt that a variety of tax code areas should be considered. This would eliminate any disparities in the size of districts, assessed valuations, etc. Therefore, the evaluation was expanded to include all of the taxing districts in the valley.

To accomplish this, we have taken the highest, lowest and average taxing district in both Post Falls and the Spokane Valley and have compared them to get a fair representation of property taxation levels. The following table, Table 2, shows the results.

Table 2

RANGE OF PROPERTY TAX LEVY RATES (PER \$1,000 OF MARKET VALUE)		
	Post Falls	Spokane Valley
Highest (Note 1)	0.023226166	0.019419200
Average (Note 2)	0.018634374	0.017664438
Lowest (Note 3)	0.016147774	0.014930400

Source: Kootenai County and Spokane County Assessors

Note 1: Post Falls Tax Code Area 011-006. Central Valley Tax Code Area 1530.

Note 2: Average of all Post Falls Tax Code Areas, 1993. Average of 24 Tax Code Areas in the Spokane Valley.

Note 3: Post Falls Tax Code Areas 012,43,73,119,138,142. East Valley Tax Code Area 2080.

Again, Post Falls had the highest tax rates whether considered from the perspective of the lowest rates or the highest. The average rate (derived by obtaining the average of the six taxing code areas in Post Falls and the 24 tax code areas in the Spokane Valley) was also higher by 5.5%.

Since this kind of taxation effects business and residents alike, a further analysis of the impact of property taxes was conducted as part of a larger study of overall taxes. Several types of businesses were evaluated to determine how specific taxes effected the cost of doing business in a particular location. A complete evaluation is provided in Appendix A. We will merely summarize the findings relative to property tax, here. The reader is invited to review the impact of property taxes in the context of overall tax rates by a review of the information contained in that appendix.

Several types of businesses were considered in this evaluation. Each business type is effected by different taxes in different ways. Businesses which are investment intensive will pay more property tax in Post Falls than in bordering areas of Washington State. The following table shows how property tax differences cause a disadvantage for Post Falls as a border community.

Table 3

SUMMARY OF PROPERTY TAX COSTS FOR SELECTED BUSINESSES AND RESIDENTS			
		Post Falls, Idaho	Spokane, Washington
Company Type	Market Value		
General Merchandise	1,000,000	22,536	17,712
Wholesale Trade	750,000	16,902	13,284
Manufacturing	1,250,000	28,170	22,140
Grocery Store	2,000,000	45,072	35,424
Drug Store	1,500,000	33,804	26,568
Hotel and Lodging	3,000,000	67,608	53,136
Real Estate Lessors	2,500,000	56,340	44,280
Home Owner	120,000	2,704	2,125

Source: Business Planning Consultants, Inc.

Note: The property tax rate is for Post Falls Tax Code Area 011-001. In Washington, the Liberty Lake Tax Code 2580 was used. Both tax codes are slightly above the average rate and are used as examples only.

This table shows that taxes are higher in Post Falls, Idaho for all classes of business and for residents, too. Any property developed in Idaho must weigh the added property tax against the other amenities which draw residents and businesses to this area. Property tax rates therefore cause the City of Post Falls to have a disadvantage for the development of all structures; those with the most investment have the most disadvantage. Capital intensive businesses such as manufacturing, hotels, office and industrial park developments and large retail stores would be most effected by the property tax disadvantage.

Sales Tax

The sales tax rate for Idaho State is 5.0%. This is a statewide tax and there are no local option tax capabilities for cities or counties. Some communities have been classified as resort communities and have some taxing capability. However, neither Post Falls, nor any other city in North Idaho, has been classified as a resort community. Therefore, its sales tax is a straight 5.0%. No exemptions are made for food. The only exemptions are for gasoline which has an excise tax of 22% and prescription drugs.

Washington State has a base sales tax of 6.5%. Then, local option taxes are added onto that base. Spokane County (within the Public Transit Benefit Area) has a total sales tax rate of 8.0% and the City of Spokane has a similar rate of 8.0%.

While it would appear that Idaho does not have a disadvantage regarding rates, it does when consideration is made concerning which items are taxed. Food is not subject to sales tax in Washington State. Therefore, sale of food items in Idaho State have a 5.0% disadvantage. This advantage for shoppers in Washington State may be enough to warrant Idaho residents to take the trip to Washington for major food purchases. It would not likely effect convenience stores.

Sales tax costs are not borne by the grocery store. These taxes are passed on directly to the customers. Therefore, from a perspective of the grocery retailer, the sales tax is transparent and other tax factors make Post Falls a good location. However, when a grocery store considers the cost impact on customers, location in Idaho is a disadvantage because it raises the overall cost of a food bill.

Income Taxes

Idaho State has an individual income tax which varies from 0 to 8.2%. The amount of tax varies according to the size of income and the deductions which are taken. The Idaho Income Tax Return (Form 40), follows the Federal income tax rules and provides for deductions for all the categories recognized by the Internal Revenue Service. After deductions, a taxable income is determined and taxes are paid based on a variable schedule.

Individual income tax is a consideration when locating a company or a home. If an area's taxes are high compared to other areas, a disadvantage occurs for locating homes, and businesses.

To determine the impact of income taxes on business owners, officers compensation was determined for various types of businesses. Assumptions were made regarding the amount of deductions (called "subtractions" in the Idaho State forms) and an amount of taxable income was determined. This provides an equitable amount upon which to base the level of personal income tax. The following table shows the amount of individual tax which would be owed in the State of Idaho if the income was reported in the 1993 tax year.

No comparable tax exists in Washington State.

Table 4

SUMMARY OF IDAHO STATE PERSONAL INCOME TAX COSTS FOR BUSINESS OWNERS			
Company Type	Taxable Income	Tax Rate	Tax Due
General Merchandise	100,749	7.7%	7,754
Wholesale Trade	214,632	8.0%	17,093
Manufacturing	182,112	7.9%	14,426
Business Services	115,010	7.8%	8,924
Grocery Store	180,635	7.9%	14,305
Drug Store	362,826	8.1%	29,245
Hotel and Lodging	89,472	7.6%	6,830
Real Estate Lessors	102,396	7.7%	7,889
Home Owner	35,000	6.8%	2,383

Source: Business Planning Consultants, Inc.

This demonstrates that even very high incomes do not pay the full 8.2% income tax. However, rates for average business owners will run from 7% to 8% and average income earners will pay about 6.8%.

Since there is not a comparable tax in Washington State, Post Falls, Idaho residents are definitely at a disadvantage. A proportionately larger share of individual's direct income will go to state taxes in Idaho than in Washington. Washington collects its taxes in less direct ways. This can cause business owners to be reluctant to locate a business in Idaho or, if their business is located close to the Washington border, reluctant to locate their private residence in Idaho State.

Corporate Income and Business and Occupation Tax

While there is no equivalent in Washington for the Idaho State Personal Income Tax, there is a comparable tax for corporations. Idaho has a corporate income tax and Washington State has enacted a Business and Occupation Tax (B&O Tax). Since each tax impacts different businesses in different ways, we determined the best way to create a test which would equitably compare the two taxes was to evaluate different businesses in each state with exactly the same sales, operating costs and profits and determine the cost of each tax. Please keep in mind that this tax is not transparent to the business; the B&O and corporate income taxes cannot be paid as a line item by customers like sales tax. Rather, it is part of the cost of doing businesses and must be calculated in the price of goods and services.

Idaho State Corporate Income Tax

Idaho corporation's taxable income is taxed at the rate of 8%. This is a flat rate and is applied the same as the federal government's corporate income tax. Multi-state corporations must apportion their income using an equally weighted three-factor formula comprised of property, payroll and sales.

To develop accurate scenarios for companies financial positions, the 1994 edition of the Almanac of Business and Industrial Financial Ratios was used. These studies summarize annual financial statements for thousands of corporations in specific lines of business. Ratios are determined to show the relationship between gross sales, gross profit, officer's wages, operating costs and net profit. The average volume of sales for each type of business is also provided. Using this information, hypothetical companies have been created for specific types of businesses. Then, using identical information for both Idaho and Washington corporations, tax burdens can be determined for each respective state taxing structure.

Before the results of our analysis are described, the readers should gain an understanding of the difference between a corporate income tax and the Washington State equivalent, the B&O Tax.

Business and Occupation Tax in Washington State

Washington State does not have an income tax but does tax businesses on their gross sales. Therefore, tax is applied regardless of whether the business has a profit. For startup companies or companies with a low profit margin, it is generally a disadvantage to be located in Washington State. Unlike Idaho companies, there are no deductions for business expenses or tax payments when determining the taxable amount.

In Washington State, the B&O tax rates vary according to the type of business. The following schedule shows the tax rates for each of the business sectors identified in Washington's tax code.

Table 5

WASHINGTON STATE B&O TAX RATES - 1994	
Tax Classification	Rate
Extracting	0.515%
Slaughter	0.147%
Mfg. Food Products	0.147%
Travel Agent	0.293%
Intl. Charter	0.387%
Insurance Agents	1.172%
Mfg. Fresh Fruit and Vegetables	0.351%
Printing and Publishing	0.515%
Manufacturing	0.012%
Wholesaling Dry Grains	0.515%
Internal Distribution	0.515%
Wholesaling	0.515%
Warehousing, Radio and TV	0.515%
Public Road Construction	0.750%
Public Hospitals	2.500%
Selected Business Services	1.700%
Financial Business Services	2.130%
Service	0.515%
Retailing of Interstate Transp. Equipment	0.471%
Retailing	

Source: Washington State Department of Revenue

As shown in the table, tax rates vary considerably depending upon the type of business conducted. A general rule is that high volume, low margin business sales (Wholesale Dry Grains) are taxed at the lowest rates and low volume, high margin sales (Selected Business Services) are taxed highest.

Idaho Income Tax and Washington B&O Tax Comparisons

The reader is again referred to Appendix A for a complete description of each business scenario and evaluations of overall tax impacts. In this section we will evaluate the tax impact of earnings in both states.

Table 6 shows the variation in tax payments for companies with exactly the same financial status. It shows that high volume, low margin businesses like a grocery store, pay a significantly larger amount of corporate tax in Washington than in Idaho. Using this example, a grocery store with sales of \$13.9 million and a net profit of only \$192,000 would pay only \$15,361 in Idaho income tax but would pay \$65,445 in B&O tax. Therefore, high volume stores with low margins would fare better in Idaho than in Washington.

Stores with higher margins and greater net profit, however, do better in Washington from the Income tax/B&O tax perspective. General Merchandise stores,

for instance, pay less in State tax under the B&O tax method than do those subject to Corporate Income Tax.

Table 6

SUMMARY OF IDAHO STATE INCOME TAX AND WASHINGTON STATE B&O TAX ON SELECTED COMPANIES				
Company Type	Gross Sales	Net Profit	Idaho's Income Tax	Washington's B&O Tax
General Merchandise	2,343,000	247,513	19,801	11,036
Wholesale Trade	3,252,000	46,828	3,746	16,748
Manufacturing	3,252,000	352,516	28,201	16,748
Business Services	1,855,000	234,750	18,780	46,375
Grocery Store	13,895,000	192,015	15,361	65,445
Drug Store	6,719,000	224,082	17,927	31,646
Hotel and Lodging	1,864,000	288,040	23,043	39,703
Real Estate Lessors	1,932,000	672,684	53,815	41,152

Source: Business Planning Consultants, Inc.

The conclusion to this evaluation is not clear cut; the amount of income/B&O tax will vary considerable depending upon the particular characteristics of a business as demonstrated by the above example. Determination of whether a particular company is disadvantaged by locating in Idaho can only be determined upon examination of that companies sales and income characteristics. However, it can be generally stated that high volume, low margin businesses will do better in Idaho than in Washington. Conversely, low volume, high margin businesses pay a proportionately higher tax in Idaho.

One notable exception to this rule is distribution warehouses which are located in Washington but sell to customers outside the state. In those cases, B&O tax is not charged on out of state sales. To demonstrate this, the example of a Wholesale Trade Company was used with all statistics remaining the same except for the percentage of out of state sales. For purposes of demonstrating the distinct advantage of companies located in Washington which fit this category, we have used an assumption of 75% of sales out of state.

The following table, Table 7, shows the comparison between an Idaho company and a Washington State company using both 100% in state and 75% out of state sales. The B&O Tax is substantially reduced for this type of business and creates an even greater disadvantage for Post Falls.

Table 7

COMPARISON OF WHOLESALE TRADE COMPANIES WITH IN-STATE AND OUT OF STATE SALES			
Tax	Idaho	Washington	
		0% Out of-State Sales	75% Out of State Sales
Corporate Income Tax	3,746		
Owner's Income Tax	17,093		
Industrial Insurance	3,912	6,053	6,053
State Unemployment	1,680	1,940	1,940
B&O Tax		16,748	4,187
Property Tax	16,902	13,284	13,284
Total Tax	43,333	38,025	25,464

Source: Business Planning Consultants, Inc.

Industrial Insurance Rates

Idaho State has an industrial insurance rate which is based on the gross payroll for an individual. This rate varies according to the experience rating of each profession and for each business. To obtain a comparison for employment costs between the two states, it is necessary to create a specific example and determine what insurance costs would result. For our example, we used a clerical position, full time, which pays a gross salary of \$8.35 per hour (\$17,368 per year). In Idaho State, the industrial insurance costs would be \$85.10.

Washington State's industrial insurance system is based on the number of hours worked and a risk class rating for the type of job related activities. For instance, a clerical worker in Washington State is charged for insurance at the rate of 5.0837 per hour. If an average full time year of 1,920 hours (2,080 hours less vacation, holidays and sick days) was worked, this would equate to an industrial insurance cost of \$160.70.

A similar evaluation was prepared for our selected businesses. The following table, Table 8, shows the difference in Industrial Insurance costs for similar type employees in both Washington and Idaho States.

Table 8

SUMMARY OF INDUSTRIAL INSURANCE COSTS FOR IDAHO AND WASHINGTON STATES				
Company Type	# Employees	Employee Classification	Idaho	Washington
General Merchandise	10	In-store Sales	5,380	6,384
Wholesale Trade	4	Warehouse Workers	3,912	6,053
Manufacturing	4	Machine Operators	5,560	4,904
Business Services	20	Accountants	2,940	3,479
Grocery Store	30	Grocery Clerks	24,120	29,658
Drug Store	15	Pharmacist	7,320	5,325
Hotel and Lodging	10	Hotel Workers	11,820	10,620
Real Estate Lessors	3	In-house Realtors	690	729

Source: Idaho State Insurance Fund and Washington State Department of Labor and Industries.

This comparison shows that, as a general rule, Washington State has higher industrial insurance rates. However, for specific companies such as manufacturing, pharmacists and hotel workers, Idaho's rates are higher. As with the income tax/B&O tax comparison, the question of disadvantage for Post Falls will depend upon the rate classification of employees for each company. Rather than using industrial insurance as a sole determinant of disadvantage or advantage, it should be considered as only a part of the broader tax picture.

State Unemployment Compensation Tax

Idaho State Unemployment Compensation Tax is levied at a rate of 2.1% on the first \$20,400 of wages paid per employee. The maximum rate per employee (assuming an experience rating has not been established) would be \$428.40.

The Washington State rate is 2.5% but is based on the first \$19,900 per employee. Therefore, the maximum cost per employee would be \$497.50.

By applying our company scenarios to determine comparable State Unemployment Compensation tax rates, we can obtain a fair relationship of cost between the two states. See Table 9.

Table 9

SUMMARY OF STATE UNEMPLOYMENT COMPENSATION EMPLOYER COSTS					
Company Type	Salary Level	# Employees	Idaho	Washington	
General Merchandise	20,000	10	4,200	4,850	
Wholesale Trade	20,000	4	1,680	1,940	
Manufacturing	20,000	4	1,680	1,940	
Business Services	30,000	20	6,300	9,700	
Grocery Store	20,000	30	12,600	14,550	
Drug Store	20,000	15	6,300	7,275	
Hotel and Lodging	15,000	10	3,150	3,750	
Real Estate Lessors	25,000	3	5,250	1,455	

Source: Business Planning Consultants, Inc.

This table demonstrates that Washington State's workmen's compensation costs are consistently greater than Idaho's. Therefore, Post Falls, Idaho does not have a disadvantage regarding this tax.

Other Taxes

Each state has many other taxes which can effect the overall tax picture for businesses and residents. The following taxes have been identified to provide an example of some of these taxes and the impact they can have on business and residential development.

Hotel/Motel Tax

The Idaho State Hotel-Motel tax is 2% of gross revenues. Washington State is also 2% of gross revenue. Both rates are added to the existing sales tax rate charged to customers. Therefore, the overall sales tax for Idaho hotel patrons is 7% and the Washington rate is 10%. Therefore, Idaho, and Post Falls, has a disadvantage in this area.

Business License Fees

No business license fees are charged in Post Falls, Idaho. Spokane, Washington charges a fee of .05% to .2% of gross revenue. Utilities pay from 2 to 6 %. These fees are not charged to businesses located outside Washington State cities. Post Falls does not have a disadvantage in this area of taxation.

Fuels Tax

Idaho State imposes fuel taxes at the following rates:

Gasoline	\$0.21/gallon
Diesel	\$0.21/gallon
Propane	\$1.152/gallon
Natural Gas	\$1.165/therm
Aviation Fuel	\$0.05/gallon
Jet Fuel	\$0.04/gallon

Washington State fuel tax is \$0.23/gallon for gasoline.

This indicates that Idaho does not have a disadvantage regarding fuel taxes.

Electricity Tax

Electricity generated in Idaho is taxed at 1/2 mill per kilowatt hour. In Washington, a PUD Tax is charged which is 2.14% of gross revenue plus 5.35% of 1st 4 mills per kWh. Since the impact of these tax rates will vary considerably for each type of business depending upon their power consumption patterns and volume, no effort has been made to determine the impact of the cost between Post Falls and Spokane.

Cigarette, Tobacco Tax

Cigarettes sold in Idaho are taxed at \$1.18 per pack of 20 cigarettes. Washington is \$1.54 per pack of 20 cigarettes.

Other tobacco products sold in Idaho are taxed at 35% of wholesale price. In Washington State, tobacco products are taxed at 74.9% of wholesale price.

These taxes, while not significant for determining location of a business or the relative advantage or disadvantage of being in a particular area, indicate general taxation structure in both states. As previously mentioned, Washington State generates its tax revenues in ways different from Idaho State. The higher tax rates in these categories of taxes indicated where the revenues are generated.

Overall Tax Impacts on Selected Businesses

To obtain a clearer picture of the overall tax impact on businesses and the advantage or disadvantage by being located in the State of Idaho, tax costs have been added together (for the selected business scenarios) for the following categories of tax:

- Corporate Income Tax;
- Owner's Income Tax;
- Industrial Insurance;
- State Unemployment;
- State B&O Tax; and
- Property Tax.

Sales tax, because it is passed on directly to customers, is not included.

Table 10 shows the total tax paid by our selected businesses. Generally, businesses paid more tax in Idaho than in Washington. Adding the total tax for the selected eight businesses resulted in total taxes paid in Idaho at \$660,476 and \$594,009 in Washington State. This is an 11.2% greater amount of tax paid in Post Falls, Idaho compared to Spokane, Washington.

This general level of taxation demonstrates that overall, most businesses located in Post Falls are at a disadvantage.

Table 10

Company Type	Total Tax	
	Idaho	Washington
General Merchandise	59,671	39,981
Wholesale Trade	43,333	38,025
Manufacturing	78,037	45,732
Business Services	36,944	59,554
Grocery Store	111,458	145,077
Drug Store	94,596	70,814
Hotel and Lodging	112,452	107,208
Real Estate Lessors	123,984	87,616

Source: Business Planning Consultants, Inc.

The overall tax impact on businesses is different if viewed from the perspective of the customer. The customer pays sales tax in addition to absorbing the costs of doing business which are included in the price charged for the goods or services. The next table, Table 11, shows the total tax paid by the business *and the customers*.

Table 11

Company Type	Total Tax	
	Idaho	Washington
General Merchandise	176,821	227,421
Wholesale Trade	43,333	38,025
Manufacturing	240,637	305,892
Business Services	36,944	59,554
Grocery Store	806,208	145,077
Drug Store	329,761	447,078
Hotel and Lodging	242,932	293,608
Real Estate Lessors	123,984	87,616

Source: Business Planning Consultants, Inc.

So, impact on the customers is greater in Washington than in Idaho. The glaring exception is grocery stores because no sales tax is added to food items in Washington State.

Overall Tax Impacts on Home Owners

Resident home owners are also disadvantaged in Post Falls, Idaho. Since Idaho State has a personal income tax, and a comparable tax on individuals in Washington State does not exist, Idaho home owners pay more taxes.

To obtain an understanding of how much difference there is in total tax payments by home owners, three "typical" scenarios were prepared for comparison. Assumptions were made for annual income, taxable income, food expenditures, consumer goods expenditures and an estimate of the market value of their home. Then, each individual's overall tax payments were measured. The results are shown on Table 12. Also, more detailed information for each scenario is provided in Appendix A.

Table 12

SUMMARY OF TAX COMPARISONS FOR RESIDENT HOME OWNERS			
Assumptions			
Annual Income	150,000	60,000	30,000
Taxable Income	110,000	35,000	18,000
Food Expenditures	5,000	4,800	4,000
Consumer Goods Expenditures	40,000	20,000	10,000
Market Home Value	250,000	120,000	80,000
Idaho Taxes			
State Income Tax (Note 1)	8,513	2,387	1,057
Annual Sales Taxes (Note 2)	2,250	1,240	700
Property Taxes (Note 3)	5,634	2,704	1,803
Total Tax	16,397	6,331	3,560
Washington Taxes			
Annual Sales Taxes (Note 4)	3,200	1,600	800
Property Taxes (Note 5)	4,428	2,125	1,417
Total Tax	7,628	3,725	2,217

Source: Business Planning Consultants, Inc.

Note 1: Tax is determined from the 1993 Tax Table, Form 40, Married Filing Jointly.

Note 2: Source is the Idaho State Tax Commission.

Note 3: Tax Code Area 011-001, City of Post Falls.

Note 4: Source is the Washington State Department of Revenue.

Note 5: Tax Code Area 2580, Liberty Lake

This evaluation demonstrates that home owners (and all residents) have a tax disadvantage in Post Falls, Idaho compared to Spokane County, Washington.

Population

Population Size

Population size is significantly different between the neighboring communities. Spokane County is far larger than Post Falls; it is 35 times larger. The following table shows the population size relationships.

Table 13

1993 POPULATION COMPARISON CITY OF POST FALLS, KOOTENAI AND SPOKANE COUNTY	
City of Post Falls	10,854
Kootenai County	88,850
Spokane County	383,600

Source: City of Post Falls Planning Department, Kootenai County Planning Department and Spokane County Planning Department

Size is important because a larger population provides a greater number of options. More employee possibilities with a wider variety of skills. More available industrial space. More vacant buildings. More business and sales opportunities. Also, larger population areas have more service businesses to help support business activities. These include shipping, packaging, document reproduction and other associated services. All these factors contribute to creating an environment conducive to doing business.

Work Force Size

Work force statistics for the City of Post Falls are not directly reported. However, a general estimate of The City of Post Falls' contribution to Kootenai County's employment can be obtained by taking the share of Post Falls population as a percentage of the total population of Kootenai County and applying that percentage to the county's total employment. Using that assumption, there is a substantial difference in the size of the available workforce and number of jobs. This disparity shows the significant difference in the amount of employment between the two areas.

Table 14

1993 EMPLOYMENT COMPARISON CITY OF POST FALLS SPOKANE COUNTY			
Total Non-Ag. Wage and Salary Employment	Post Falls	Spokane	Post Falls %
Manufacturing	504	19,400	2.60%
Non-Manufacturing	3,338	147,400	2.26%
Total	3,842	166,800	2.30%

Source: Kootenai and Spokane County's Job Service Departments and Business Planning Consultants, Inc.

Conclusions

Areas of Significant Disadvantage

The City of Post Falls is at significant disadvantage as a border community because of taxing methods and levels. These disadvantages include:

- Higher property taxes than bordering areas in Washington State effects both residential and business development in Post Falls;
- The corporate income tax method of taxation causes overall business taxes to be greater than in bordering areas;
- Personal income taxes create a burden on all individuals, whether business owners or employees, which is not borne by people in Washington State. This adversely effects location decisions when Spokane, Washington and Post Falls, Idaho are compared; and
- Companies which distribute products outside this area would find particularly strong incentives to be located in Washington rather than Idaho because the B&O tax is not applicable to out of state sales.
- Overall taxation of individual home owners in Idaho is greater than in Washington. When state income tax, annual sales tax payments and property taxes are added for an hypothetical home owner, Idaho State taxes are significantly higher.

Areas of Minor Disadvantages

Different types of businesses are effected by taxes in different ways. Many businesses are slightly disadvantaged by locating in Post Falls compared to Spokane, Washington because of these tax differences. In our evaluation we found that wholesale trade companies, drug stores, hotels, real estate developers, manufacturing

companies and general merchandise stores are all taxed heavier in Idaho than in Washington. The degree of difference will vary depending upon the specific business. However, all of the above listed businesses are disadvantaged when located (or considering locating) in Idaho.

Impact on Urban Renewal Projects

Urban renewal projects may assist in neutralizing, to some extent, the disadvantages of being located close to a state border. Some of the types of projects which can help to overcome these disadvantages include:

- Projects which can positively impact the community by reducing overall property tax burdens of Post Falls residents;
- Projects which reduce property tax payment of commercial and industrial properties,
- Projects to provide incentives to locate grocery stores within Post Falls;
- Projects to provide incentives to manufacturers to reduce the personal and corporate income tax and industrial insurance tax burdens;
- Projects to overcome the disadvantages for wholesale distribution businesses; and
- Projects to reduce the combination of a state income tax and proportionately higher property taxes for individual homeowners.

Appendix A: Spokane, Washington and Post Falls, Idaho Tax Comparisons

Spokane, Washington and Post Falls, Idaho Tax Comparisons

Tax Comparison for General Merchandise Stores

Assumptions	Rate/Amount	Amount	
Sales (Note 1)		2,343,000	
In-State Sales % (Note 2)	50%		
Out of State Sales % (Note 3)	50%		
Cost of Goods Sold (Note 4)	62.9%	1,473,747	
Gross Profit		869,253	
Employee Wages (Note 5)	10 employees @ \$20,000	200,000	1,920 hrs/yr/employee
Owner's Taxable Income (Note 6)	4.3%	100,749	
Other Operating Costs (Note 7)	13.7%	320,991	
Total Operating Costs		521,740	
Net Profit		247,513	
Property Market Value		1,500,000	
Corporate Income Tax			
Post Falls, Idaho (Note 8)	8.0%	19,801	Idaho
Spokane, Washington	0.0%		Washington
Owner's Income Tax			
Post Falls, Idaho (Note 9)	7.7%	7,754	
Spokane, Washington	0.0%		
Industrial Insurance			
Post Falls, Idaho (Note 10)	\$2.69 per \$100 of payroll	5,380	
Spokane, Washington (Note 11)	\$3.325 per hour of labor		5,384
State Unemployment			
Post Falls, Idaho (Note 12)	2.1%	4,200	
Spokane, Washington (Note 13)	2.5%		4,850
B&O Tax			
Post Falls, Idaho	0.0%		
Spokane, Washington (Note 14)	0.471%		11,036
Property Tax			
Post Falls, Idaho (Note 15)	0.022536129	22,536	
Spokane, Washington (Note 16)	0.0177119		17,712
Total Tax		59,671	39,581
Sales Tax Paid by Customers			
Post Falls, Idaho (Note 17)	5.0%	117,150	
Spokane, Washington (Note 18)	8.0%		187,440
Income Tax for each employee			
Post Falls, Idaho (Note 19)	6.1%	1,220	
Spokane, Washington	0.0%		

- Note 1 - Source is Almanac of Business and Industrial Financial Ratios, SIC 5300 General Merchandise Stores
- Note 2 - Assumption of in-state sales will vary to demonstrate the impact of B&O taxes.
- Note 3 - Assumptions of out of state sales will vary to demonstrate the impact of B&O taxes.
- Note 4 - Source in Almanac of Business and Industrial Financial Ratios, General Merchandise Stores, SIC 5300, 7/90 to 6/91
- Note 5 - Employee wages are estimated at \$10.00 per hour. 1,920 hours is the State of Washington's estimate of full time hours after vacation, sick time and holidays.
- Note 6 - Source in Almanac of Business and Industrial Financial Ratios, General Merchandise Stores, SIC 5300, 7/90 to 6/91
- Note 7 - Source in Almanac of Business and Industrial Financial Ratios, General Merchandise Stores, SIC 5300, 7/90 to 6/91
- Note 8 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 9 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 10 - This is the Idaho Retail rate of \$2.69 per \$100 of payroll.
- Note 11 - Source is the Washington State Department of Labor and Industries class 6304, Department Stores
- Note 12 - 2.1% on the first \$20,400 per employee.
- Note 13 - 2.5% on the first \$19,900 per employee.
- Note 14 - B&O Tax is based on the retailing rate effective in 1994.
- Note 15 - The Property Tax rate is for Post Falls Tax Code Area 011,001, as an example only.
- Note 16 - Liberty Lake Tax Code 2580 is used as an example.
- Note 17 - Source is the Idaho State Tax Commission
- Note 18 - Source is the Washington State Department of Revenue
- Note 19 - Maximum tax rate is 8.2%. Employees are assumed to pay a lesser rate of 6.1%.

Spokane, Washington and Post Falls, Idaho Tax Comparisons

Tax Comparison for Wholesale Trade Companies

Assumptions	Rate/Amount		Amount
Sales (Note 1)			3,252,000
In-State Sales % (Note 2)	100%		
Out of State Sales % (Note 3)	0%		
Cost of Goods Sold (Note 4)	65.8%		2,139,816
Gross Profit			1,112,184
Employee Wages (Note 5)	4 employees @ \$20,000		80,000
Owner's Wages (Note 6)	6.6%		214,632
Other Operating Costs (Note 7)	23.7%		770,724
Total Operating Costs			1,065,356
Net Profit			46,828
Property Market Value			750,000
Corporate Income Tax			
Post Falls, Idaho (Note 8)	8.0%		3,746
Spokane, Washington	0.0%		
Owner's Income Tax			
Post Falls, Idaho (Note 9)	8.0%		17,093
Spokane, Washington	0.0%		
Industrial Insurance			
Post Falls, Idaho (Note 10)	\$4.89 per \$100 of payroll		3,912
Spokane, Washington (Note 11)	\$7.882 per hour of labor		6,053
State Unemployment			
Post Falls, Idaho (Note 12)	2.1%		1,680
Spokane, Washington (Note 13)	2.5%		1,940
B&O Tax			
Post Falls, Idaho	0.0%		
Spokane, Washington (Note 14)	0.515%		16,748
Property Tax			
Post Falls, Idaho (Note 15)	0.022536129		16,902
Spokane, Washington (Note 16)	0.0177119		13,284
Total Tax			43,333
Sales Tax Paid by Customers			
Post Falls, Idaho (Note 17)	0.0%		
Spokane, Washington (Note 18)	0.0%		
Income Tax for each employee			
Post Falls, Idaho (Note 19)	6.1%		1,220
Spokane, Washington	0.0%		

- Note 1 - Source is Almanac of Business and Industrial Financial Ratios, SIC 5190 Wholesale Trade
- Note 2 - Assumption of in-state sales will vary to demonstrate the impact of B&O taxes.
- Note 3 - Assumptions of out of state sales will vary to demonstrate the impact of B&O taxes.
- Note 4 - Source is Almanac of Business and Industrial Financial Ratios, Wholesale Trade, SIC 5190, 7190 to 899
- Note 5 - Employee wages are estimated at \$10.00 per hour. 1,920 hours is the State of Washington's estimate of full time hours after vacation, sick time and holidays.
- Note 6 - Source is Almanac of Business and Industrial Financial Ratios, Wholesale Trade, SIC 5190, 7190 to 899
- Note 7 - Source is Almanac of Business and Industrial Financial Ratios, Wholesale Trade, SIC 5190, 7190 to 899
- Note 8 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 9 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 10 - This is the Idaho Wholesale Trade rate of \$4.89 per \$100 of payroll.
- Note 11 - Source is the Washington State Department of Labor and Industries, class 2102, Warehouses
- Note 12 - 2.1% on the first \$20,400 per employee.
- Note 13 - 2.5% on the first \$19,900 per employee.
- Note 14 - B&O Tax is based on the retailing rate effective in 1994.
- Note 15 - The Property Tax rate is for Post Falls Tax Code Area 011,-001, as an example only.
- Note 16 - Liberty Lake Tax Code 2580 is used as an example.
- Note 17 - Source is the Idaho State Tax Commission
- Note 18 - Source is the Washington State Department of Revenue
- Note 19 - Maximum tax rate is 8.2%. Employees are assumed to pay a lesser rate of 6.1%.

Spokane, Washington and Post Falls, Idaho Tax Comparisons

Tax Comparison for Wholesale Trade Companies

Assumptions	Rate/Amount	Amount	
Sales (Note 1)		3,252,000	
In-State Sales % (Note 2)	25%		
Out of State Sales % (Note 3)	75%		
Cost of Goods Sold (Note 4)	65.8%	2,139,816	
Gross Profit		1,112,184	
Employee Wage	4 employees @ \$20,000	80,000	1,920 hrs/yr/employee
Owner's Wages (Note 5)	6.6%	214,632	
Other Operating Costs (Note 7)	23.7%	770,724	
Total Operating Costs		1,065,356	
Net Profit		46,828	
Property Market Value		750,000	
Corporate Income Tax			Idaho Washington
Post Falls, Idaho (Note 8)	8.0%	3,745	
Spokane, Washington	0.0%		
Owner's Income Tax			
Post Falls, Idaho (Note 9)	8.0%	17,093	
Spokane, Washington	0.0%		
Industrial Insurance			
Post Falls, Idaho (Note 10)	\$4.89 per \$100 of payroll	3,912	
Spokane, Washington (Note 11)	\$7.882 per hour of labor		6,053
State Unemployment			
Post Falls, Idaho (Note 12)	2.1%	1,680	
Spokane, Washington (Note 13)	2.5%		1,940
B&O Tax			
Post Falls, Idaho	0.0%		
Spokane, Washington (Note 14)	0.515%		4,187
Property Tax			
Post Falls, Idaho (Note 15)	0.022536129	16,902	
Spokane, Washington (Note 16)	0.0177119		13,284
Total Tax		43,333	25,464
Sales Tax Paid by Customers			
Post Falls, Idaho (Note 17)	0.0%		
Spokane, Washington (Note 18)	0.0%		
Income Tax for each employee			
Post Falls, Idaho (Note 19)	6.1%	1,220	
Spokane, Washington	0.0%		

Note 1 - Source is Almanac of Business and Industrial Financial Ratios, SIC 5190 Wholesale Trade

Note 2 - Assumption of in-state sales will vary to demonstrate the impact of B&O taxes.

Note 3 - Assumptions of out of state sales will vary to demonstrate the impact of B&O taxes.

Note 4 - Source in Almanac of Business and Industrial Financial Ratios, Wholesale Trade, SIC 5190, 7/90 to 6/91

Note 5 - Employee wages are estimated at \$10.00 per hour. 1,920 hours is the State of Washington's estimate of full time hours after vacation, sick time and holidays.

Note 6 - Source in Almanac of Business and Industrial Financial Ratios, Wholesale Trade, SIC 5190, 7/90 to 6/91

Note 7 - Source in Almanac of Business and Industrial Financial Ratios, Wholesale Trade, SIC 5190, 7/90 to 6/91

Note 8 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission

Note 9 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission

Note 10 - This is the Idaho Wholesale Trade rate of \$4.89 per \$100 of payroll.

Note 11 - Source is the Washington State Department of Labor and Industries, class 2102, Warehouses

Note 12 - 2.1% on the first \$20,400 per employee.

Note 13 - 2.5% on the first \$19,900 per employee.

Note 14 - B&O Tax is based on the retailing rate effective in 1994.

Note 15 - The Property Tax rate is for Post Falls Tax Code Area 011.-001, as an example only.

Note 16 - Liberty Lake Tax Code 2580 is used as an example.

Note 17 - Source is the Idaho State Tax Commission

Note 18 - Source is the Washington State Department of Revenue

Note 19 - Maximum tax rate is 8.2%. Employees are assumed to pay a lesser rate of 6.1%.

Spokane, Washington and Post Falls, Idaho Tax Comparisons

Tax Comparison for Manufacturing Companies

Assumptions	Rate/Amount	Amount	
		Idaho	Washington
Sales (Note 1)		3,252,000	
In-State Sales % (Note 2)	100%		
Out of State Sales % (Note 3)	0%		
Cost of Goods Sold (Note 4)	65.6%	2,133,312	
Gross Profit		1,118,688	
Employee Wages (Note 5)	4 employees @ \$20,000	80,000	1,920 hrs/yr/employee
Owner's Wages (Note 6)	5.6%	182,112	
Other Operating Costs (Note 7)	15.5%	504,060	
Total Operating Costs		766,172	
Net Profit		352,516	
Property Market Value		1,250,000	
State Corporate Income Tax			
Post Falls, Idaho (Note 8)	8.0%	28,201	
Spokane, Washington	0.0%		
Owner's Income Tax			
Post Falls, Idaho (Note 9)	7.9%	14,426	
Spokane, Washington	0.0%		
Industrial Insurance			
Post Falls, Idaho (Note 10)	\$6.95 per \$100 of payroll	5,560	
Spokane, Washington (Note 11)	\$6.386 per hour of labor		4,904
State Unemployment			
Post Falls, Idaho (Note 12)	2.1%	1,680	
Spokane, Washington (Note 13)	2.5%		1,940
B&O Tax			
Post Falls, Idaho	0.0%		16,748
Spokane, Washington (Note 14)	0.515%		
Property Tax			
Post Falls, Idaho (Note 15)	0.022536129	28,170	22,140
Spokane, Washington (Note 16)	0.0177119		
Total Tax		78,037	45,732
Sales Tax Paid by Customers			
Post Falls, Idaho (Note 17)	5.0%	162,500	
Spokane, Washington (Note 18)	8.0%		260,160
Income Tax for each employee			
Post Falls, Idaho (Note 19)	6.1%	1,220	
Spokane, Washington	0.0%		

- Note 1 - Source is Almanac of Business and Industrial Financial Ratios, SIC 3550, Manufacturing General Industry Machinery
- Note 2 - Assumption of in-state sales will vary to demonstrate the impact of B&O taxes.
- Note 3 - Assumptions of out of state sales will vary to demonstrate the impact of B&O taxes.
- Note 4 - Source is Almanac of Business and Industrial Financial Ratios, SIC 3550, Manufacturing General Industry Machinery
- Note 5 - Employee wages are estimated at \$10.00 per hour. 1,920 hours is the State of Washington's estimate of full time hours after vacation, sick time and holidays.
- Note 6 - Source is Almanac of Business and Industrial Financial Ratios, SIC 3550, Manufacturing General Industry Machinery
- Note 7 - Source is Almanac of Business and Industrial Financial Ratios, SIC 3550, Manufacturing General Industry Machinery
- Note 8 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 9 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 10 - This is the Idaho Heavy Equipment Manufacturing rate of \$6.95 per \$100 of payroll.
- Note 11 - Source is the Washington State Department of Labor and Industries, class 5109 Heavy Machinery Manufacturing
- Note 12 - 2.1% on the first \$20,400 per employee.
- Note 13 - 2.5% on the first \$19,900 per employee.
- Note 14 - B&O Tax is based on the Manufacturing - Other rate effective in 1994.
- Note 15 - The Property Tax rate is for Post Falls Tax Code Area 011, -001, as an example only.
- Note 16 - Liberty Lake Tax Code 2580 is used as an example.
- Note 17 - Source is the Idaho State Tax Commission
- Note 18 - Source is the Washington State Department of Revenue
- Note 19 - Maximum tax rate is 6.2%. Employees are assumed to pay a lesser rate of 6.1%

Spokane, Washington and Post Falls, Idaho Tax Comparisons

Tax Comparison for Grocery Stores

Assumptions	Rate/Amount	Amount	
Sales (Note 1)		13,835,000	
in-State Sales % (Note 2)	100%		
Out of State Sales % (Note 3)	0%		
Cost of Goods Sold (Note 4)	78.6%	10,921,470	
Gross Profit		2,973,530	
Employee Wages (Note 5)	30 employees @ \$20,000	500,000	1,920 hrs/yr/employee
Owner's Wages (Note 6)	1.3%	20,635	
Other Operating Costs (Note 7)	14.4%	2,000,880	
Total Operating Costs		2,721,515	
Net Profit		252,015	
Property Market Value		2,000,000	
			Idaho Washington
Corporate Income Tax			
Post Falls, Idaho (Note 8)	8.0%	15,361	
Spokane, Washington	0.0%		
Owner's Income Tax			
Post Falls, Idaho (Note 9)	7.9%	14,305	
Spokane, Washington	0.0%		
Industrial Insurance			
Post Falls, Idaho (Note 10)	\$4.02 per \$100 of payroll	24,120	29,658
Spokane, Washington (Note 11)	\$5.149 per hour of labor		
State Unemployment			
Post Falls, Idaho (Note 12)	2.1%	12,600	14,550
Spokane, Washington (Note 13)	2.5%		
B&O Tax			
Post Falls, Idaho	0.0%		65,445
Spokane, Washington (Note 14)	0.471%		
Property Tax			
Post Falls, Idaho (Note 15)	0.022536129	45,072	35,424
Spokane, Washington (Note 16)	0.0177119		
Total Tax		111,458	145,077
Sales Tax Paid by Customers			
Post Falls, Idaho (Note 17)	5.0%	694,750	
Spokane, Washington (Note 18)	0.0%		
Income Tax for each employee			
Post Falls, Idaho (Note 19)	6.1%	1,220	
Spokane, Washington	0.0%		

- Note 1 - Source is Almanac of Business and Industrial Financial Ratios, SIC 5410, Grocery Stores
- Note 2 - Assumption of in-state sales will vary to demonstrate the impact of B&O taxes.
- Note 3 - Assumptions of out of state sales will vary to demonstrate the impact of B&O taxes.
- Note 4 - Source is Almanac of Business and Industrial Financial Ratios, SIC 5410, Grocery Stores
- Note 5 - Source is the State of Washington's estimate of full time hours after vacation, sick time and holidays.
- Note 6 - Source is Almanac of Business and Industrial Financial Ratios, SIC 5410, Grocery Stores
- Note 7 - Source is Almanac of Business and Industrial Financial Ratios, SIC 5410, Grocery Stores
- Note 8 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 9 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 10 - This is the Idaho Grocery Store rate of \$4.02 per \$100 of payroll.
- Note 11 - Source is the Washington State Department of Labor and Industries, class 6402, Supermarkets
- Note 12 - 2.1% on the first \$20,400 per employee.
- Note 13 - 2.5% on the first \$19,900 per employee.
- Note 14 - B&O Tax is based on the retailing rate effective in 1994.
- Note 15 - The Property Tax rate is for Post Falls Tax Code Area 011,-001, as an example only.
- Note 16 - Liberty Lake Tax Code 2580 is used as an example.
- Note 17 - Source is the Idaho State Tax Commission
- Note 18 - Source is the Washington State Department of Revenue
- Note 19 - Maximum tax rate is 8.2%. Employees are assumed to pay a lesser rate of 6.1%

Spokane, Washington and Post Falls, Idaho Tax Comparisons

Tax Comparison for Drug Stores

Assumptions	Rate/Amount	Amount	
Sales (Note 1)		6,719,000	
Prescription % (Note 2)	30%		
Non-prescription % (Note 3)	70%		
Cost of Goods Sold (Note 4)	71.6%	4,810,804	
Gross Profit		1,908,196	
Employee Wages (Note 5)	15 employees @ \$20,000	300,000	1,920 hrs yr/emp/yr
Owner's Wages (Note 6)	5.4%	352,826	
Other Operating Costs (Note 7)	15.2%	1,021,288	
Total Operating Costs		1,684,114	
Net Profit		224,082	
Property Market Value		1,500,000	
			<u>Idaho</u> <u>Washington</u>
Corporate Income Tax			
Post Falls, Idaho (Note 8)	8.0%	17,927	
Spokane, Washington	0.0%		
Owner's Income Tax			
Post Falls, Idaho (Note 9)	8.1%	29,245	
Spokane, Washington	0.0%		
Industrial Insurance			
Post Falls, Idaho (Note 10)	\$2.44 per \$100 of payroll	7,320	
Spokane, Washington (Note 11)	\$1.249 per hour of labor		5,325
State Unemployment			
Post Falls, Idaho (Note 12)	2.1%	6,300	
Spokane, Washington (Note 13)	2.5%		7,275
B&O Tax			
Post Falls, Idaho	0.0%		
Spokane, Washington (Note 14)	0.471%		31,645
Property Tax			
Post Falls, Idaho (Note 15)	0.022536129	33,804	
Spokane, Washington (Note 16)	0.0177119		26,568
Total Tax		94,596	70,814
Sales Tax Paid by Customers			
Post Falls, Idaho (Note 17)	5.0%	235,165	
Spokane, Washington (Note 18)	8.0%		375,254
Income Tax for each employee			
Post Falls, Idaho (Note 19)	6.1%	1,220	
Spokane, Washington	0.0%		

- Note 1 - Source is Almanac of Business and Industrial Financial Ratios, SIC 5912, Drug Stores
- Note 2 - Assumption the % of prescription sales is arbitrary to demonstrate sales tax impact.
- Note 3 - Assumption the % of non-prescription sales is arbitrary to demonstrate sales tax impact.
- Note 4 - Source is Annual Statement Studies, SIC 5912, Drug Stores
- Note 5 - Employee wages are estimated at \$10.00 per hour. 1,920 hours is the State of Washington's estimate of full time hours after vacation, sick time and holidays.
- Note 6 - Source is Almanac of Business and Industrial Financial Ratios, SIC 5912, Drug Stores
- Note 7 - Source is Almanac of Business and Industrial Financial Ratios, SIC 5912, Drug Stores
- Note 8 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 9 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 10 - This is the Idaho Drug Store rate of \$2.44 per \$100 of payroll.
- Note 11 - Source is the Washington State Department of Labor and Industries, class 6406, Retail Stores NCC
- Note 12 - 2.1% on the first \$20,400 per employee.
- Note 13 - 2.5% on the first \$19,900 per employee.
- Note 14 - B&O Tax is based on the retailing rate effective in 1994.
- Note 15 - The Property Tax rate is for Post Falls Tax Code Area 011.-001, as an example only
- Note 16 - Liberty Lake Tax Code 2580 is used as an example.
- Note 17 - Source is the Idaho State Tax Commission
- Note 18 - Source is the Washington State Department of Revenue
- Note 19 - Maximum tax rate is 8.2%. Employees are assumed to pay a lesser rate of 6.1%

Spokane, Washington and Post Falls, Idaho Tax Comparisons

Tax Comparison for Hotels and Other Lodging Places

Assumptions	Rate/Amount	Amount	
Sales (Note 1)		1,864,000	
In-State Sales % (Note 2)	100%		
Out of State Sales % (Note 3)	0%		
Cost of Goods Sold (Note 4)	27.6%	514,464	
Gross Profit		1,349,536	
Employee Wages (Note 5)	10 employees @ \$15,000	150,000	1,920 hrs/yr/employees
Owner's Wages (Note 6)	4.8%	39,472	
Other Operating Costs (Note 7)	44.1%	922,024	
Total Operating Costs		1,051,496	
Net Profit		258,040	
Property Market Value		3,000,000	
Corporate Income Tax			Idaho Washington
Post Falls, Idaho (Note 8)	8.0%	23,043	
Spokane, Washington	0.0%		
Owner's Income Tax			
Post Falls, Idaho (Note 9)	7.6%	6,830	
Spokane, Washington	0.0%		
Industrial Insurance			
Post Falls, Idaho (Note 10)	\$7.88 per \$100 of payroll	11,820	
Spokane, Washington (Note 11)	\$5.531 per hour of labor		10,620
State Unemployment			
Post Falls, Idaho (Note 12)	2.1%	3,150	
Spokane, Washington (Note 13)	2.5%		3,750
B&O Tax			
Post Falls, Idaho	0.0%		
Spokane, Washington (Note 14)	2.13%		39,703
Property Tax			
Post Falls, Idaho (Note 15)	0.022536129	57,508	
Spokane, Washington (Note 16)	0.0177119		53,135
Total Tax		112,452	107,208
Sales Tax Paid by Customers			
Post Falls, Idaho (Note 17)	7.0%	130,480	
Spokane, Washington (Note 18)	10.0%		186,400
Income Tax for each employee			
Post Falls, Idaho (Note 19)	2.0%	300	
Spokane, Washington	0.0%		

- Note 1 - Source is Almanac of Business and Industrial Financial Ratios, SIC 7000 Hotels and Other Lodging Places
- Note 2 - Assumption of in-state sales will vary to demonstrate the impact of B&O taxes.
- Note 3 - Assumptions of out of state sales will vary to demonstrate the impact of B&O taxes.
- Note 4 - Source is Almanac of Business and Industrial Financial Ratios, SIC 7000 Hotels and Other Lodging Places
- Note 5 - Employee wages are estimated at \$10.00 per hour. 1,920 hours is the State of Washington's estimate of full time hours after vacation, sick time and holidays.
- Note 6 - Source is Almanac of Business and Industrial Financial Ratios, SIC 7000 Hotels and Other Lodging Places
- Note 7 - Source is Almanac of Business and Industrial Financial Ratios, SIC 7000 Hotels and Other Lodging Places
- Note 8 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 9 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 10 - This is the Idaho Hotel rate of \$7.88 per \$100 of payroll.
- Note 11 - Source is the Washington State Department of Labor and Industries, class 4905, Motels
- Note 12 - 2.1% on the first \$20,400 per employee.
- Note 13 - 2.5% on the first \$19,900 per employee.
- Note 14 - B&O Tax is based on the Service & Other Activities rate effective in 1994
- Note 15 - The Property Tax rate is for Post Falls Tax Code Area 011,001, as an example only
- Note 16 - Liberty Lake Tax Code 2580 is used as an example.
- Note 17 - Source is the Idaho State Tax Commission
- Note 18 - Source is the Washington State Department of Revenue
- Note 19 - Maximum tax rate is 8.2%. Employees are assumed to pay a lesser rate of 2.0%.

Spokane, Washington and Post Falls, Idaho Tax Comparisons

Tax Comparison for Real Estate Operators and Lessors of Buildings

Assumptions	Rate/Amount	Amount	
Sales (Note 1)		1,932,000	
In-State Sales % (Note 2)	100%		
Out of State Sales % (Note 3)	0%		
Cost of Goods Sold (Note 4)	14.4%	278,208	
Gross Profit		1,653,792	
Employee Wages (Note 5)	3 employees @ \$25,000	75,000	1,920 hrs/yr/employee
Owner's Wages (Note 6)	5.3%	102,396	
Other Operating Costs (Note 7)	41.6%	803,712	
Total Operating Costs		981,108	
Net Profit		672,684	
Property Market Value		2,500,000	
Corporate Income Tax			Idaho Washington
Post Falls, Idaho (Note 8)	8.0%	53,815	
Spokane, Washington	0.0%		
Owner's Income Tax			
Post Falls, Idaho (Note 9)	7.7%	7,889	
Spokane, Washington	0.0%		
Industrial Insurance			
Post Falls, Idaho (Note 10)	\$.92 per \$100 of payroll	690	
Spokane, Washington (Note 11)	\$.1266 per hour of labor		729
State Unemployment			
Post Falls, Idaho (Note 12)	2.1%	5,250	
Spokane, Washington (Note 13)	2.5%		1,455
B&O Tax			
Post Falls, Idaho	0.0%		
Spokane, Washington (Note 14)	2.13%		41,152
Property Tax			
Post Falls, Idaho (Note 15)	0.022536129	56,340	44,280
Spokane, Washington (Note 16)	0.0177119		
Total Tax		123,984	87,616
Sales Tax Paid by Customers			
Post Falls, Idaho (Note 17)	0.0%		
Spokane, Washington (Note 18)	0.0%		
Income Tax for each employee			
Post Falls, Idaho (Note 19)	5.1%	1,525	
Spokane, Washington	0.0%		

- Note 1 - Source is Almanac of Business and Industrial Financial Ratios, SIC 6511 Real Estate Operators and Lessors of Buildings
- Note 2 - Assumption of in-state sales will vary to demonstrate the impact of B&O taxes.
- Note 3 - Assumptions of out of state sales will vary to demonstrate the impact of B&O taxes.
- Note 4 - Source is Almanac of Business and Industrial Financial Ratios, SIC 6511 Real Estate Operators and Lessors of Buildings
- Note 5 - Employee wages are estimated at \$12.00 per hour. 1,920 hours is the State of Washington's estimate of full-time hours after vacation, sick time and holidays.
- Note 6 - Source is Almanac of Business and Industrial Financial Ratios, SIC 6511, Real Estate Operators and Lessors of Buildings
- Note 7 - Source is Almanac of Business and Industrial Financial Ratios, SIC 6511, Real Estate Operators and Lessors of Buildings
- Note 8 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 9 - Assumes a maximum tax rate. Source is the Idaho State Tax Commission
- Note 10 - This is the Idaho Realtor rate of \$ per \$100 of payroll.
- Note 11 - Source is the Washington State Department of Labor and Industries, class 7202, Real Estate Agencies
- Note 12 - 2.1% on the first \$20,400 per employee.
- Note 13 - 2.5% on the first \$19,900 per employee.
- Note 14 - B&O Tax is based on the Service & Other Activities rate effective in 1994.
- Note 15 - The Property Tax rate is for Post Falls Tax Code Area 011,-001, as an example only.
- Note 16 - Liberty Lake Tax Code 2580 is used as an example
- Note 17 - Source is the Idaho State Tax Commission
- Note 18 - Source is the Washington State Department of Revenue
- Note 19 - Maximum tax rate is 8.2% Employees are assumed to pay a lesser rate of 6.1%.

Spokane, Washington and Post Falls, Idaho Tax Comparisons

Tax Comparison for Resident Home Owners

Assumptions	Rate/Amount	Amount		
Annual Income		150,000		
Taxable Income		110,000		
Food Expenditures		5,000		
Consumer Goods Expenditures		40,000		
Home Value		250,000		
			Idaho	Washington
State Income Tax			8,513	
Post Falls, Idaho (Note 1)	7.7%			
Spokane, Washington				
Annual Sales Taxes				
Post Falls, Idaho (Note 2)	5.0%	2,250		
Spokane, Washington (Note 3)	8.0%			3,200
Property Taxes				
Post Falls, Idaho (Note 4)	0.022536129	5,634		
Spokane, Washington (Note 5)	0.017711900			4,428
Total Tax			16,397	7,628

Note 1: Tax is determined from the 1993 Tax Table, Form 40, Married filing jointly.

Note 2: Source is the Idaho State Tax Commission

Note 3: Source is the Washington State Department of Revenue

Note 4: Tax Code Area 011-001

Note 5: Tax Code Area 2580. Liberty Lake

Spokane, Washington and Post Falls, Idaho Tax Comparisons

Tax Comparison for Resident Home Owners

Assumptions	<u>Rate/Amount</u>	<u>Amount</u>	
Annual Income		60,000	
Taxable Income		35,000	
Food Expenditures		4,800	
Consumer Goods Expenditures		20,000	
Home Value		120,000	
		<u>Idaho Washington</u>	
State Income Tax			
Post Falls, Idaho (Note 1)	6.8%	2,387	
Spokane, Washington			
Annual Sales Taxes			
Post Falls, Idaho (Note 2)	5.0%	1,240	
Spokane, Washington (Note 3)	8.0%		1,600
Property Taxes			
Post Falls, Idaho (Note 4)	0.022536129	2,704	
Spokane, Washington (Note 5)	0.017711900		2,125
		<hr/>	
Total Tax		6,331	3,725

Note 1: Tax is determined from the 1993 Tax Table, Form 40. Married filing jointly.

Note 2: Source is the Idaho State Tax Commission

Note 3: Source is the Washington State Department of Revenue

Note 4: Tax Code Area 011-001

Note 5: Tax Code Area 2580. Liberty Lake