

2026 ISBA RESOLUTION NO. 08 (Proposed)

RESOLUTION FOR MODIFICATION OF THE IDAHO CODE TO EXCLUDE NON-RESIDENTS FROM BENEFITING FROM THE CAPITAL GAINS 60% EXEMPTION AND REDIRECT THE ADDITIONAL TAX REVENUE TO FUND K-12 PUBLIC EDUCATION

WHEREAS, the Idaho Code currently provides a 60% exemption from state taxes on capital gains for qualifying individuals, including non-residents of Idaho who realize capital gains from investments or property sales within the state; and

WHEREAS, the goal of the capital gains exemption is to encourage investment and economic activity within Idaho, with the ultimate aim of benefiting Idaho's economy and its residents; and

WHEREAS, non-residents who benefit from the 60% capital gains exemption are often still subject to tax on the remaining portion of their capital gains by their home state, leading to a form of double taxation that disproportionately affects non-residents; and

WHEREAS, the capital gains exemption is designed to encourage long-term investment in Idaho by Idaho residents, who are more likely to contribute to the local economy, workforce, and tax base; and

WHEREAS, non-residents who do not have a vested interest in Idaho's economic well-being, such as through residency, employment, or community engagement, are able to benefit from the exemption, reducing the overall tax revenue collected by Idaho; and

WHEREAS, redirecting the additional tax revenue that would be collected if non-residents were excluded from the exemption could have significant benefits for the state of Idaho, particularly in funding K-12 public education, a critical component of Idaho's future economic and social prosperity; and

WHEREAS, K-12 public education in Idaho has faced funding challenges in recent years, and increased investment in education is essential to ensure the long-term growth and well-being of Idaho's students, communities, and workforce;

NOW, THEREFORE BE IT RESOLVED, that the undersigned hereby calls for the modification of the Idaho Code to exclude non-resident individuals from benefiting from the 60% Capital Gains Exemption, ensuring that only Idaho residents who contribute to the state's economy and tax base can benefit from this exemption.

BE IT FURTHER RESOLVED, that the Idaho legislature be urged to pass legislation that reallocates the additional tax revenue generated from excluding non-residents from the capital gains exemption to fund K-12 public education, supporting schools, teachers, and students throughout the state.

BE IT FURTHER RESOLVED, that the modification of the capital gains exemption be structured in such a way that it aligns with the principles of fairness and equity, and ensures that Idaho residents who invest in the state are rewarded without compromising the overall tax base or fairness for local taxpayers.

BE IT FURTHER RESOLVED, that the Idaho legislature consider consulting with tax policy experts, education stakeholders, and other interested parties in drafting this modification to ensure that it is both effective and sustainable in supporting the state's economic and educational needs.

BE IT FURTHER RESOLVED, that a copy of this resolution be forwarded to the Idaho State Legislature, the Governor of Idaho, the Idaho Department of Education, and other relevant state agencies for review and consideration.

Statement of Purpose

The purpose of this resolution is to urge the Idaho Legislature to modify the Idaho Code so that non-residents are excluded from receiving the state's 60% capital gains tax exemption, and to direct the additional tax revenue generated from this change toward funding K–12 public education in Idaho. Under current law, both Idaho residents and non-residents can claim the 60% exemption on capital gains earned from Idaho-based investments or property sales. While the original intent of this exemption was to stimulate Idaho's economy and benefit its residents, allowing non-residents to claim the exemption reduces potential state tax revenue without guaranteeing proportional reinvestment into Idaho's communities, workforce, or tax base. By limiting the exemption to Idaho residents, the state would ensure that the policy benefits individuals with a direct stake in Idaho's economic well-being. The additional revenue collected from non-residents who would no longer qualify for the exemption could then be redirected to strengthen Idaho's K–12 public education system, addressing persistent funding challenges and investing in the long-term success of Idaho's students, educators, and economy. This resolution promotes principles of fairness and fiscal responsibility by rewarding resident investors who contribute to the state, ensuring more equitable tax policy, and providing a sustainable source of funding for public education.

**Submitted by West Bonner County School District
Teton School District**

ISBA Executive Board Recommendation: NO RECOMMENDATION (NEUTRAL)

Brett Plummer, ISBA Region 7 Chair, will present the Executive Board recommendation at the business session.

“The ISBA Executive Board believes it is our responsibility to identify possible funding sources, especially in times where the revenue forecast is projecting a decline. We believe this proposal invites an interesting philosophical discussion on whether Idaho should be incentivizing non-residents to receive tax

exemptions on capital gains. We encourage the District(s) to narrow their scope and to consider the corporate interests – such as agriculture and timber – who may be impacted by this resolution. The ISBA Executive Board wholly agrees that we must be forward thinking in identifying areas of tax exemptions that could otherwise provide the resources necessary to cover gaps in school funding. The neutral recommendation provides the sponsors the ability to make their case to the membership during the business session.”