## LEGISLATURE OF THE STATE OF IDAHO Sixtieth Legislature Second Regular Session - 2010

ACTOCIA DEGISTACULC

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## IN THE HOUSE OF REPRESENTATIVES

## HOUSE BILL NO. 707

## BY WAYS AND MEANS COMMITTEE

AN ACT

- RELATING TO INCOME TAXATION POLICIES; AMENDING SECTION 63-3024, IDAHO
  CODE, TO REVISE INDIVIDUAL INCOME TAX RATES AND THE RATE OF TAX ON
  ESTATES AND TRUSTS; AMENDING SECTION 63-3025, IDAHO CODE, TO REVISE
  CORPORATE INCOME TAX RATES; AMENDING SECTION 63-3025A, IDAHO CODE, TO
  REVISE FRANCHISE TAX RATES; PROVIDING SEVERABILITY; AND PROVIDING AN
  EFFECTIVE DATE.
- 8 Be It Enacted by the Legislature of the State of Idaho:

9 SECTION 1. That Section 63-3024, Idaho Code, be, and the same is hereby 10 amended to read as follows:

11 63-3024. INDIVIDUALS' TAX AND TAX ON ESTATES AND TRUSTS. For taxable 12 year 200112, and each taxable year thereafter, a tax measured by Idaho tax-13 able income as defined in this chapter is hereby imposed upon every individ-14 ual, trust, or estate required by this chapter to file a return.

15	(a) <del>The tax imposed upon indivi</del>	duals, trusts and estates shall be com-
16	puted at the following rates:	
17	When Idaho taxable income is:	The rate is:
18	<del>Less than \$1,000</del>	One and six-tenths percent (1.6%)
19	<del>\$1,000 but less than \$2,000</del>	\$16, plus three and six-tenths
20		<pre>percent (3.6%) of the amount over \$1,000</pre>
21	\$2,000 but less than \$3,000	\$52, plus four and one-tenth
22		<pre>percent (4.1%) of the amount over \$2,000</pre>
23	<del>\$3,000 but less than \$4,000</del>	\$93, plus five and one-tenth
24		<pre>percent (5.1%) of the amount over \$3,000</pre>
25	<del>\$4,000 but less than \$5,000</del>	\$144, plus six and one-tenth
26		percent (6.1%) of the amount over \$4,000
27	<del>\$5,000 but less than \$7,500</del>	\$205, plus seven and one-tenth
28		<pre>percent (7.1%) of the amount over \$5,000</pre>
29	<del>\$7,500 but less than \$20,000</del>	\$383, plus seven and four-tenths
30		<pre>percent (7.4%) of the amount over \$7,500</pre>
31	<del>Over \$20,000</del>	\$1,308, plus seven and eight-tenths
32		percent (7.8%) of the amount over
33		<del>\$20,000</del>
34	The tax imposed upon individual	s, trusts and estates for Idaho taxable
35	income of less than five thousand of	dollars (\$5,000) shall be zero (0) and
36	for Idaho taxable income of five the	housand dollars (\$5,000) or more up to
37		and less shall be four and nine-tenths

38 percent (4.9%) of the amount of Idaho taxable income for taxable years 2012 39 and thereafter. The tax imposed upon individuals, trusts and estates for

Idaho taxable income over twenty thousand dollars (\$20,000) shall be equal 1 to seven and five-tenths percent (7.5%) of the amount of Idaho taxable income 2 over twenty thousand dollars (\$20,000) for taxable year 2012, seven and 3 two-tenths percent (7.2%) of the amount of Idaho taxable income over twenty 4 thousand dollars (\$20,000) for taxable year 2013, six and nine-tenths per-5 cent (6.9%) of Idaho taxable income over twenty thousand dollars (\$20,000) 6 for taxable year 2014, six and six-tenths percent (6.6%) of Idaho taxable 7 income over twenty thousand dollars (\$20,000) for taxable year 2015, six and 8 three-tenths percent (6.3%) of Idaho taxable income over twenty thousand 9 10 dollars (\$20,000) for taxable year 2016, six percent (6%) of Idaho taxable income over twenty thousand dollars (\$20,000) for taxable year 2017, five 11 and seven-tenths percent (5.7%) of Idaho taxable income over twenty thousand 12 dollars (\$20,000) for taxable year 2018, five and four-tenths percent 13 14 (5.4%) of Idaho taxable income over twenty thousand dollars (\$20,000) for taxable year 2019, five and one-tenth percent (5.1%) of Idaho taxable income 15 over twenty thousand dollars (\$20,000) for taxable year 2020 and four and 16 nine-tenths percent (4.9%) of Idaho taxable income over twenty thousand 17 dollars (\$20,000) for taxable year 2021 and taxable years thereafter. The 18 rate reduction in this section shall not take place if a majority of the 19 membership of each house of the legislature adopts a concurrent resolution 20 requesting that the governor issue an executive order directing the state 21 tax commission that the income tax rate provided in this section remain 22 unchanged for the tax year in which the requesting legislature is meeting, 23 and if the governor concurs and issues such an executive order, the income 24 tax rate shall remain unchanged for that tax year. The income tax rate 25 adjustment required by this section for tax years subsequent to tax year 2012 26 27 shall not take place if all of the following conditions are met: The governor has ordered a temporary reduction of general fund 28 (1)spending authority, pursuant to section 67-3512A, Idaho Code, between 29 July 1 and October 1 of the tax year for which the rate reduction is to 30 take place; 31 (2) The temporary reduction of general fund spending authority is still 32 in effect on October 1 of the tax year for which the rate reduction is to 33 take place; 34 35 (3) The amount of the temporary reduction in general fund spending authority equals or exceeds one percent (1%) of the moneys that the leg-36 islature has appropriated from the general fund for the fiscal year for 37 which the temporary reductions have been ordered; and 38 The governor issues an executive order directing the state tax 39 (4) commission that the rate reduction allowed by this section remain 40 unchanged for the tax year during which the temporary reduction of 41 general fund spending authority has been ordered and the executive 42 43 order issued. For taxable year 2000 and each year thereafter, the state tax commission 44 shall prescribe a factor which shall be used to compute the Idaho income tax 45 brackets provided in subsection (a) of this section. The factor shall pro-46 47 vide an adjustment to the Idaho tax brackets so that inflation will not re-48 sult in a tax increase. The Idaho tax brackets shall be adjusted as follows:

multiply the bracket amounts by the percentage (the consumer price index forthe calendar year immediately preceding the calendar year to which the ad-

justed brackets will apply divided by the consumer price index for calendar 1 year 1998). For the purpose of this computation, the consumer price index 2 for any calendar year is the average of the consumer price index as of the 3 close of the twelve (12) month period for the immediately preceding calendar 4 year, without regard to any subsequent adjustments, as adopted by the state 5 tax commission. This adoption shall be exempt from the provisions of chapter 6 52, title 67, Idaho Code. The consumer price index shall mean the consumer 7 price index for all U.S. urban consumers published by the United States de-8 partment of labor. The state tax commission shall annually include the fac-9 10 tor as provided in this subsection to multiply against Idaho taxable income in the brackets above to arrive at that year's Idaho taxable income for tax 11 12 bracket purposes.

(b) In case a joint return is filed by husband and wife pursuant to the 13 14 provisions of section 63-3031, Idaho Code, the tax imposed by this section shall be twice the tax which would be imposed on one-half (1/2) of the aggre-15 gate Idaho taxable income. For the purposes of this section, a return of a 16 surviving spouse, as defined in section 2(a) of the Internal Revenue Code, 17 and a head of household, as defined in section 2(b) of the Internal Revenue 18 Code, shall be treated as a joint return and the tax imposed shall be twice 19 the tax which would be imposed on one-half (1/2) of the Idaho taxable income. 20

(c) In the case of a trust that is an electing small business trust as
defined in section 1361 of the Internal Revenue Code, the special rules for
taxation of such trusts contained in section 641 of the Internal Revenue Code
shall apply except that the maximum individual rate provided in this section
shall apply in computing tax due under this chapter.

(d) The state tax commission shall compute and publish Idaho income
tax liability for taxpayers at the midpoint of each bracket of Idaho taxable
income in fifty dollar (\$50.00) steps to fifty thousand dollars (\$50,000),
rounding such calculations to the nearest dollar. Taxpayers having income
within such brackets shall file returns based upon and pay taxes according
to the schedule thus established. The state tax commission shall promulgate
rules defining the conditions upon which such returns shall be filed.

33 SECTION 2. That Section 63-3025, Idaho Code, be, and the same is hereby34 amended to read as follows:

TAX ON CORPORATE INCOME. (1) For taxable years commencing on 35 63-3025. and after January 1, 2001, a tax is hereby imposed on the Idaho taxable income 36 of a corporation, other than an S corporation, which transacts or is autho-37 rized to transact business in this state or which has income attributable to 38 this state. The tax shall be equal to seven and six-tenths percent (7.6%) of 39 Idaho taxable income for taxable years through 2012. The tax imposed shall 40 be equal to seven and five-tenths percent (7.5%) of Idaho taxable income 41 for taxable year 2012, seven and two-tenths percent (7.2%) of Idaho taxable 42 income for taxable year 2013, six and nine-tenths percent (6.9%) of Idaho 43 taxable income for taxable year 2014, six and six-tenths percent (6.6%) of 44 Idaho taxable income for taxable year 2015, six and three-tenths percent 45 (6.3%) of Idaho taxable income for taxable year 2016, six percent (6%) of 46 Idaho taxable income for taxable year 2017, five and seven-tenths percent 47 48 (5.7%) of Idaho taxable income for taxable year 2018, five and four-tenths percent (5.4%) of Idaho taxable income for taxable year 2019, five and 49

1	one-tenth percent (5.1%) of Idaho taxable income for taxable year 2020 and
2	four and nine-tenths percent (4.9%) for taxable year 2021 and taxable years
3	thereafter. The rate reduction in this section shall not take place if a ma-
4	jority of the membership of each house of the legislature adopts a concurrent
5	resolution requesting that the governor issue an executive order directing
6	the state tax commission that the income tax rate provided in this section
7	remain unchanged for the tax year in which the requesting legislature is
8	meeting, and if the governor concurs and issues such an executive order, the
9	income tax rate shall remain unchanged for that tax year. The income tax rate
10	adjustment required by this section for tax years subsequent to tax year 2012
11	shall not take place if all of the following conditions are met:
12	(a) The governor has ordered a temporary reduction of general fund
13	spending authority, pursuant to section 67-3512A, Idaho Code, between
14	July 1 and October 1 of the tax year for which the rate reduction is to
15	<u>take place;</u>
16	(b) The temporary reduction of general fund spending authority is still
17	in effect on October 1 of the tax year for which the rate reduction is to
18	take place;
19	(c) The amount of the temporary reduction in general fund spending au-
20	thority equals or exceeds one percent (1%) of the moneys that the leg-
21	islature has appropriated from the general fund for the fiscal year for
22	which the temporary reductions have been ordered; and
23	(d) The governor issues an executive order directing the state tax
24	commission that the rate reduction allowed by this section remain
25	unchanged for the tax year during which the temporary reduction of
26	general fund spending authority has been ordered and the executive
27	order issued.
28	(2) In the case of an S corporation that is required to file a return un-
29	der section 63-3030, Idaho Code, a tax is hereby imposed at the rate provided
30 24	<ul><li>in subsection (1) of this section upon both:</li><li>(a) Net recognized built-in gain attributable to this state. The</li></ul>
31 22	(a) Net recognized built-in gain attributable to this state. The amount of net recognized built-in gain attributable to this state shall
32 22	be computed in accordance with section 1374 of the Internal Revenue
33 34	Code subject to the apportionment and allocation provisions of section
34 35	63-3027, Idaho Code.
36	(b) Excess net passive income attributable to this state. The amount of
30 37	excess net passive income attributable to this state shall be computed
38	in accordance with section 1375 of the Internal Revenue Code subject to
39	the apportionment and allocation provisions of section 63-3027, Idaho
39 40	Code.
41	(3) The tax imposed by subsection (1) or (2) of this section shall not be
42	less than twenty dollars (\$20.00); provided further that the twenty dollar
43	(\$20.00) minimum payment shall not be collected from nonproductive mining
43 44	corporations.
45	(4) The tax imposed by this section shall not apply to corporations
46	taxed pursuant to the provisions of section 63-3025A, Idaho Code.
47	SECTION 3. That Section 63-3025A, Idaho Code, be, and the same is hereby
48	amended to read as follows.

63-3025A. FRANCHISE TAX. (1) For taxable years commencing on and af-1 ter January 1, 20+12, a franchise tax shall be imposed upon any corporation, 2 other than an S corporation, for the privilege of exercising its corporate 3 franchise within the state during such taxable year including, but not lim-4 ited to, corporations engaged in business in Idaho for the exclusive pur-5 pose of performing contracts with the United States department of energy at 6 the Idaho national laboratory or any successor organization, which tax shall 7 be measured by income which is attributable to this state under the provi-8 sions of this chapter and which tax shall be at the rate provided in section 9 10 63-3025, Idaho Code.

(2) In the case of an S corporation that is required to file a return un der section 63-3030, Idaho Code, a tax is hereby imposed at the rate provided
 in subsection (1) of this section upon both:

(a) Net recognized built-in gain attributable to this state. The
amount of net recognized built-in gain attributable to this state shall
be computed in accordance with section 1374 of the Internal Revenue
Code subject to the apportionment and allocation provisions of section
63-3027, Idaho Code.

(b) Excess net passive income attributable to this state. The amount of
excess net passive income attributable to this state shall be computed
in accordance with section 1375 of the Internal Revenue Code subject to
the apportionment and allocation provisions of section 63-3027, Idaho
Code.

(3) The tax imposed by subsection (1) or (2) of this section shall not
be less than twenty dollars (\$20.00); provided further that the twenty dollar (\$20.00) minimum payment shall not be collected from nonproductive mining corporations; but the twenty dollar (\$20.00) minimum tax shall apply to
corporations qualified to file returns and actually filing returns under the
provisions of subchapter "S" of the Internal Revenue Code.

SECTION 4. SEVERABILITY. The provisions of this act are hereby declared
 to be severable and if any provision of this act or the application of such
 provision to any person or circumstance is declared invalid for any reason,
 such declaration shall not affect the validity of the remaining portions of
 this act.

35 SECTION 5. This act shall be in full force and effect on and after Jan-36 uary 1, 2012.