

## STATEMENT OF PURPOSE

### RS26207

This bill relates to income taxes. This is a supplement to the annual bill to update references to the Internal Revenue Code (IRC). The Idaho income tax code is based on using the federal taxable income as a starting point for both businesses and individuals.

This bill will conform the Idaho income tax code to changes Congress made to the IRC that affect the 2017 taxable year with the Bipartisan Budget Act of 2018. These are all deductions that Idaho conformed to in the past prior to their expiring.

There are several federal laws that expired at the end of 2016. The federal law signed on February 9, 2018, changes these sunset dates to December 31, 2017. There are eleven deductions in this bill that Idaho has previously conformed to. Two of those deductions are in the same code section so it was only necessary to add ten references to the statute. This will help avoid confusion for taxpayers and tax preparers.

### FISCAL NOTE

Based on the Joint Committee on Taxation estimate, the fiscal impact is an estimated reduction in General Fund revenue of \$4.2 million.

There are 3 in particular that make up the majority of the reduction. The first is allowing homeowners that have lost their principal residence in foreclosure to exclude that debt relief from gross income. The fiscal impact of allowing this deduction is estimated to be \$1 million.

The second allows deducting mortgage insurance premium along with mortgage interest. The fiscal impact of allowing this deduction is estimated to be \$1.8 million.

The third largest item is qualified tuition expense. The fiscal impact of allowing this deduction is estimated to be \$624,000. The remaining eight items total approximately \$800,000 in tax revenue reduction.

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**DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).**