

STATEMENT OF PURPOSE

RS26016

This Legislation aligns Idaho treatment of capital gains with the treatment afforded by the Internal Revenue Code. The IRC allows capital gains treatment for sale of a real estate partnership interest. Idaho does not. In order to qualify for capital gains treatment under current Idaho law a taxpayer needs to have the partnership distribute the property to its partners as tenants in common who then sell the TIC interests. This is an unnecessary step and can catch taxpayers unaware, making this a tax almost exclusively on the unwary who assume that Idaho law is the same as federal law.

FISCAL NOTE

There will be a slight reduction in revenue to the general fund of an unknown amount that is estimated not to exceed \$500,000. The State Tax Commission does not have data to estimate the impact but notes that it is not a common audit finding. CPAs with active tax practices indicate they rarely encounter this issue; perhaps once or twice in ten years. It likely is the taxpayer with less sophisticated tax assistance who encounters this problem. The majority of those cases presumably involve smaller tax consequences or professional tax advice would be sought. The \$500,000 is an estimate of the sponsors based on judgment and experience, not upon actual data, since no such data exists.

Contact:

Laura Lantz, Executive Director
Idaho Society of CPA's
(208) 344-6261
Ken McClure
Idaho Society of CPA's
(208) 388-1200

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).