

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 707

BY WAYS AND MEANS COMMITTEE

1 AN ACT
2 RELATING TO INCOME TAXATION POLICIES; AMENDING SECTION 63-3024, IDAHO
3 CODE, TO REVISE INDIVIDUAL INCOME TAX RATES AND THE RATE OF TAX ON
4 ESTATES AND TRUSTS; AMENDING SECTION 63-3025, IDAHO CODE, TO REVISE
5 CORPORATE INCOME TAX RATES; AMENDING SECTION 63-3025A, IDAHO CODE, TO
6 REVISE FRANCHISE TAX RATES; PROVIDING SEVERABILITY; AND PROVIDING AN
7 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 ~~2001~~2012, 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) ~~The tax imposed upon individuals, trusts and estates shall be com-
16 puted at the following rates:
17 When Idaho taxable income is:~~

When Idaho taxable income is:	The rate is:
18 Less than \$1,000	One and six tenths percent (1.6%)
19 \$1,000 but less than \$2,000	\$16, plus three and six tenths
20 \$2,000 but less than \$3,000	percent (3.6%) of the amount over \$1,000
21 \$3,000 but less than \$4,000	\$52, plus four and one tenth
22 \$4,000 but less than \$5,000	percent (4.1%) of the amount over \$2,000
23 \$5,000 but less than \$7,500	\$93, plus five and one tenth
24 \$7,500 but less than \$20,000	percent (5.1%) of the amount over \$3,000
25 Over \$20,000	\$144, plus six and one tenth
26 Over \$20,000	percent (6.1%) of the amount over \$4,000
27 Over \$20,000	\$205, plus seven and one tenth
28 Over \$20,000	percent (7.1%) of the amount over \$5,000
29 Over \$20,000	\$383, plus seven and four tenths
30 Over \$20,000	percent (7.4%) of the amount over \$7,500
31 Over \$20,000	\$1,308, plus seven and eight tenths
32 Over \$20,000	percent (7.8%) of the amount over
33 Over \$20,000	\$20,000

34 The tax imposed upon individuals, trusts and estates for Idaho taxable
35 income of less than five thousand dollars (\$5,000) shall be zero (0) and
36 for Idaho taxable income of five thousand dollars (\$5,000) or more up to
37 twenty thousand dollars (\$20,000) 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

1 Idaho taxable income over twenty thousand dollars (\$20,000) shall be equal
2 to seven and five-tenths percent (7.5%) of the amount of Idaho taxable income
3 over twenty thousand dollars (\$20,000) for taxable year 2012, seven and
4 two-tenths percent (7.2%) of the amount of Idaho taxable income over twenty
5 thousand dollars (\$20,000) for taxable year 2013, six and nine-tenths per-
6 cent (6.9%) of Idaho taxable income over twenty thousand dollars (\$20,000)
7 for taxable year 2014, six and six-tenths percent (6.6%) of Idaho taxable
8 income over twenty thousand dollars (\$20,000) for taxable year 2015, six and
9 three-tenths percent (6.3%) of Idaho taxable income over twenty thousand
10 dollars (\$20,000) for taxable year 2016, six percent (6%) of Idaho taxable
11 income over twenty thousand dollars (\$20,000) for taxable year 2017, five
12 and seven-tenths percent (5.7%) of Idaho taxable income over twenty thousand
13 dollars (\$20,000) for taxable year 2018, five and four-tenths percent
14 (5.4%) of Idaho taxable income over twenty thousand dollars (\$20,000) for
15 taxable year 2019, five and one-tenth percent (5.1%) of Idaho taxable income
16 over twenty thousand dollars (\$20,000) for taxable year 2020 and four and
17 nine-tenths percent (4.9%) of Idaho taxable income over twenty thousand
18 dollars (\$20,000) for taxable year 2021 and taxable years thereafter. The
19 rate reduction in this section shall not take place if a majority of the
20 membership of each house of the legislature adopts a concurrent resolution
21 requesting that the governor issue an executive order directing the state
22 tax commission that the income tax rate provided in this section remain
23 unchanged for the tax year in which the requesting legislature is meeting,
24 and if the governor concurs and issues such an executive order, the income
25 tax rate shall remain unchanged for that tax year. The income tax rate
26 adjustment required by this section for tax years subsequent to tax year 2012
27 shall not take place if all of the following conditions are met:

28 (1) The governor has ordered a temporary reduction of general fund
29 spending authority, pursuant to section 67-3512A, Idaho Code, between
30 July 1 and October 1 of the tax year for which the rate reduction is to
31 take place;

32 (2) The temporary reduction of general fund spending authority is still
33 in effect on October 1 of the tax year for which the rate reduction is to
34 take place;

35 (3) The amount of the temporary reduction in general fund spending au-
36 thority equals or exceeds one percent (1%) of the moneys that the leg-
37 islature has appropriated from the general fund for the fiscal year for
38 which the temporary reductions have been ordered; and

39 (4) The governor issues an executive order directing the state tax
40 commission that the rate reduction allowed by this section remain
41 unchanged for the tax year during which the temporary reduction of
42 general fund spending authority has been ordered and the executive
43 order issued.

44 For taxable year 2000 and each year thereafter, the state tax commission
45 shall prescribe a factor which shall be used to compute the Idaho income tax
46 brackets provided in subsection (a) of this section. The factor shall pro-
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:
49 multiply the bracket amounts by the percentage (the consumer price index for
50 the calendar year immediately preceding the calendar year to which the ad-

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

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

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

26 (d) The state tax commission shall compute and publish Idaho income
 27 tax liability for taxpayers at the midpoint of each bracket of Idaho taxable
 28 income in fifty dollar (\$50.00) steps to fifty thousand dollars (\$50,000),
 29 rounding such calculations to the nearest dollar. Taxpayers having income
 30 within such brackets shall file returns based upon and pay taxes according
 31 to the schedule thus established. The state tax commission shall promulgate
 32 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 hereby
 34 amended to read as follows:

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

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 ajority 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 take place;

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 in subsection (1) of this section upon both:

31 (a) Net recognized built-in gain attributable to this state. The
32 amount of net recognized built-in gain attributable to this state shall
33 be computed in accordance with section 1374 of the Internal Revenue
34 Code subject to the apportionment and allocation provisions of section
35 63-3027, Idaho Code.

36 (b) Excess net passive income attributable to this state. The amount of
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
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
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:

1 63-3025A. FRANCHISE TAX. (1) For taxable years commencing on and af-
2 ter January 1, 20~~11~~12, a franchise tax shall be imposed upon any corporation,
3 other than an S corporation, for the privilege of exercising its corporate
4 franchise within the state during such taxable year including, but not lim-
5 ited to, corporations engaged in business in Idaho for the exclusive pur-
6 pose of performing contracts with the United States department of energy at
7 the Idaho national laboratory or any successor organization, which tax shall
8 be measured by income which is attributable to this state under the provi-
9 sions of this chapter and which tax shall be at the rate provided in section
10 63-3025, Idaho Code.

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

14 (a) Net recognized built-in gain attributable to this state. The
15 amount of net recognized built-in gain attributable to this state shall
16 be computed in accordance with section 1374 of the Internal Revenue
17 Code subject to the apportionment and allocation provisions of section
18 63-3027, Idaho Code.

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

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

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

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