

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 559

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO ECONOMIC ESTIMATES; AMENDING SECTION 67-6802, IDAHO CODE, TO  
2 REVISE THE DUTIES OF THE ECONOMIC ESTIMATES COMMISSION; AMENDING SEC-  
3 TION 67-6803, IDAHO CODE, TO REVISE PROVISIONS RELATING TO EXPENDITURE  
4 LIMITS; AMENDING SECTION 63-3024, IDAHO CODE, TO REVISE PROVISIONS RE-  
5 LATING TO THE COMPUTATION OF TAX IMPOSED UPON INDIVIDUALS, TRUSTS AND  
6 ESTATES; AMENDING SECTION 63-3025, IDAHO CODE, TO REVISE PROVISIONS  
7 RELATING TO TAX ON CORPORATE INCOME; AMENDING SECTION 63-3025A, IDAHO  
8 CODE, TO REVISE PROVISIONS RELATING FRANCHISE TAX; AND PROVIDING AN  
9 EFFECTIVE DATE.  
10

11 Be It Enacted by the Legislature of the State of Idaho:

12 SECTION 1. That Section 67-6802, Idaho Code, be, and the same is hereby  
13 amended to read as follows:

14 67-6802. DUTIES OF COMMISSION. The economic estimates commission  
15 shall determine and publish prior to January 1 of each year the estimated  
16 total personal income for the following fiscal year for the state of Idaho,  
17 which estimate shall be in conformance with definitions used by the bureau of  
18 economic analysis, U.S. department of commerce, except that it shall include  
19 contributions for government social insurance and shall exclude personal  
20 current transfer receipts, and shall be used in computing the appropriations  
21 limit for the legislature.

22 SECTION 2. That Section 67-6803, Idaho Code, be, and the same is hereby  
23 amended to read as follows:

24 67-6803. EXPENDITURE LIMITS. (a~~1~~) The legislature shall not, by ongo-  
25 ing appropriation for any fiscal year, cause the expenditure of general fund  
26 revenues for that fiscal year to exceed five and one-third percent (5 1/3%)  
27 of the total personal income of the state for the ensuing fiscal year as de-  
28 termined by the economic estimates commission. One-time general fund appro-  
29 priations are ~~not~~ to be included in the expenditure limit. The expenditure  
30 limitation required by this subsection may be exceeded if a majority of the  
31 membership of each house of the legislature adopts a concurrent resolution  
32 clearly stating in detail the need to exceed the expenditure limitation and  
33 the governor subsequently issues an executive order approving the necessity  
34 for the legislature to exceed the expenditure limitation in the fiscal year  
35 for which the requesting legislature is then setting the budget.

36 ~~(b) In order to permit the transference of governmental functions be-~~  
37 ~~tween the federal and state governments and between the state government and~~  
38 ~~its political subdivisions and school districts, without abridging the pur-~~  
39 ~~pose of this act, adjustments to the appropriation percentage limitation of~~

1 ~~total personal income shall be specifically detailed in appropriations and~~  
 2 ~~shall be consistent with the following principles:~~

3 ~~(1) If, by order of any court or by legislative enactment on or after~~  
 4 ~~January 1, 1980, the costs of a program or any portion thereof are trans-~~  
 5 ~~ferred from a political subdivision of this state or school district~~  
 6 ~~to the state, the appropriation percentage limitation may be commensu-~~  
 7 ~~rately increased provided the tax revenues of the affected political~~  
 8 ~~subdivisions or school districts are commensurately decreased.~~

9 ~~(2) If, by order of any court or by legislative enactment on or after~~  
 10 ~~January 1, 1980, the costs of a program or any portion thereof are trans-~~  
 11 ~~ferred from the state to a political subdivision of this state, the ap-~~  
 12 ~~propriation percentage limitation shall be commensurately decreased,~~  
 13 ~~and the tax rates of the political subdivision may be commensurately in-~~  
 14 ~~creased.~~

15 ~~(3) If funds provided by the federal government in support of an exist-~~  
 16 ~~ing service or program are eliminated or significantly curtailed on or~~  
 17 ~~after January 1, 1980, the appropriation percentage limitation may be~~  
 18 ~~commensurately increased by the amount of the increased state costs in-~~  
 19 ~~curring in providing such service or program or any portion thereof pur-~~  
 20 ~~suant to an order of any court or by legislative enactment.~~

21 ~~(4) If the costs of a program are transferred from the state to the fed-~~  
 22 ~~eral government on or after January 1, 1980, the appropriation percent-~~  
 23 ~~age limitation shall be commensurately decreased.~~

24 (2) On or before October 1 of each year, the state controller shall cer-  
 25 tify whether the receipts to the general fund for the fiscal year just ended  
 26 have exceeded the expenditure limitation for such fiscal year, as provided  
 27 in subsection (1) of this section.

28 (3) If the receipts to the general fund have exceeded the expenditure  
 29 limitation, then the excess revenues to the general fund shall be dis-  
 30 tributed in the following order:

31 (a) The state controller shall first transfer those excess revenues to  
 32 the budget stabilization fund subject to the requirements of section  
 33 57-814, Idaho Code;

34 (b) If the remaining excess revenues are less than twenty million dol-  
 35 lars (\$20,000,000), then they shall be subject to subsection (4) of this  
 36 section. If the remaining excess revenues are twenty million dollars  
 37 (\$20,000,000) or greater, then section 63-602KK, Idaho Code, shall  
 38 become effective January 1 of the following year, notwithstanding the  
 39 provisions of section 63-602KK(2), Idaho Code, and the first twenty  
 40 million dollars (\$20,000,000) of any remaining excess revenues shall  
 41 then be distributed pursuant to section 63-3638(13), Idaho Code. Once  
 42 section 63-602KK, Idaho Code, has been implemented, all excess revenues  
 43 to the general fund in each subsequent fiscal year, as certified by  
 44 the state controller pursuant to subsection (2) of this section, shall  
 45 be distributed pursuant to section 63-3638(13), Idaho Code, up to the  
 46 first twenty million dollars (\$20,000,000) in each year, until legisla-  
 47 tion is enacted to permanently eliminate the personal property tax;

48 (c) If the provisions of paragraphs (a) and (b) of this subsection are  
 49 satisfied, then any remaining excess revenues shall be used to perma-  
 50 nently reduce the Idaho personal and corporate income tax and franchise

1 tax, beginning on January 1 of the next year. Rates shall be reduced  
 2 by the amount that will fully utilize the excess revenues, as calcu-  
 3 lated by the state tax commission, rounded to the nearest one-tenth  
 4 of one percent (.1%). The top marginal personal income tax rate shall  
 5 first be reduced until its rate is equal to the corporate income tax and  
 6 franchise tax. All three (3) taxes shall then be concurrently perma-  
 7 rently reduced from that time forward. When the top marginal rate of  
 8 the personal income tax has been reduced to equal the marginal rate of  
 9 the bracket below it, the brackets shall then be combined. Such tax  
 10 reduction process shall continue each year in which there is excess  
 11 revenue as certified by the state controller pursuant to this section  
 12 until there are only four (4) personal income tax brackets with marginal  
 13 rates of one and five-tenths percent (1.5%), three percent (3%), four  
 14 percent (4%) and five percent (5%), and the rate of both the Idaho cor-  
 15 porate income tax and franchise tax is five percent (5%). Then, in each  
 16 subsequent year that there are excess revenues, the remaining four (4)  
 17 personal brackets shall be expanded by an amount calculated by the state  
 18 tax commission that will fully utilize any excess revenues until such  
 19 time as the brackets are defined as follows:

20 (i) Less than five thousand dollars (\$5,000);

21 (ii) Five thousand dollars (\$5,000) but less than ten thousand  
 22 dollars (\$10,000);

23 (iii) Ten thousand dollars (\$10,000) but less than twenty thousand  
 24 dollars (\$20,000); and

25 (iv) Twenty thousand dollars (\$20,000) and greater;

26 at which time the brackets will again be indexed on an ongoing basis as speci-  
 27 fied in Idaho Code.

28 (4) If there are excess revenues above the expenditure limitation as  
 29 provided in subsection (1) of this section that are not sufficient to reduce  
 30 the income and franchise tax by one-tenth of one percent (.1%), then the re-  
 31 maining excess revenues shall be held in escrow by the state treasurer in a  
 32 tax reduction fund, which is hereby created for the purposes set forth in  
 33 this section, and combined with any excess revenues in the next fiscal year  
 34 in which there are excess revenues to the general fund as provided in subsec-  
 35 tion (1) of this section.

36 (5) The provisions of subsections (2), (3) and (4) of this section shall  
 37 be in full force and effect on and after July 1, 2014.

38 SECTION 3. That Section 63-3024, Idaho Code, be, and the same is hereby  
 39 amended to read as follows:

40 63-3024. INDIVIDUALS' TAX AND TAX ON ESTATES AND TRUSTS. For taxable  
 41 year 2001, and each taxable year thereafter, a tax measured by Idaho taxable  
 42 income as defined in this chapter is hereby imposed upon every individual,  
 43 trust, or estate required by this chapter to file a return.

44 (a) The tax imposed upon individuals, trusts and estates shall be com-  
 45 puted at the following rates, unless such rates are reduced pursuant to the  
 46 provisions of section 67-6803, Idaho Code:

1	When Idaho taxable income is:	The rate is:
2	Less than \$1,000	One and six-tenths percent (1.6%)
3	\$1,000 but less than \$2,000	\$16, plus three and six-tenths
4		percent (3.6%) of the amount over \$1,000
5	\$2,000 but less than \$3,000	\$52, plus four and one-tenth
6		percent (4.1%) of the amount over \$2,000
7	\$3,000 but less than \$4,000	\$93, plus five and one-tenth
8		percent (5.1%) of the amount over \$3,000
9	\$4,000 but less than \$5,000	\$144, plus six and one-tenth
10		percent (6.1%) of the amount over \$4,000
11	\$5,000 but less than \$7,500	\$205, plus seven and one-tenth
12		percent (7.1%) of the amount over \$5,000
13	\$7,500 but less than \$20,000	\$383, plus seven and four-tenths
14		percent (7.4%) of the amount over \$7,500
15	Over \$20,000	\$1,308, plus seven and eight-tenths
16		percent (7.8%) of the amount over
17		\$20,000

18 For taxable year 2000 and each year thereafter, the state tax commission  
19 shall prescribe a factor which shall be used to compute the Idaho income tax  
20 brackets provided in subsection (a) of this section. The factor shall pro-  
21 vide an adjustment to the Idaho tax brackets so that inflation will not re-  
22 sult in a tax increase. The Idaho tax brackets shall be adjusted as follows:  
23 multiply the bracket amounts by the percentage (the consumer price index for  
24 the calendar year immediately preceding the calendar year to which the ad-  
25 justed brackets will apply divided by the consumer price index for calendar  
26 year 1998). For the purpose of this computation, the consumer price index  
27 for any calendar year is the average of the consumer price index as of the  
28 close of the twelve (12) month period for the immediately preceding calendar  
29 year, without regard to any subsequent adjustments, as adopted by the state  
30 tax commission. This adoption shall be exempt from the provisions of chapter  
31 52, title 67, Idaho Code. The consumer price index shall mean the consumer  
32 price index for all U.S. urban consumers published by the United States de-  
33 partment of labor. The state tax commission shall annually include the fac-  
34 tor as provided in this subsection to multiply against Idaho taxable income  
35 in the brackets above to arrive at that year's Idaho taxable income for tax  
36 bracket purposes.

37 (b) In case a joint return is filed by husband and wife pursuant to the  
38 provisions of section 63-3031, Idaho Code, the tax imposed by this section  
39 shall be twice the tax which would be imposed on one-half (1/2) of the aggre-  
40 gate Idaho taxable income. For the purposes of this section, a return of a  
41 surviving spouse, as defined in section 2(a) of the Internal Revenue Code,  
42 and a head of household, as defined in section 2(b) of the Internal Revenue  
43 Code, shall be treated as a joint return and the tax imposed shall be twice  
44 the tax which would be imposed on one-half (1/2) of the Idaho taxable income.

45 (c) In the case of a trust that is an electing small business trust as  
46 defined in section 1361 of the Internal Revenue Code, the special rules for  
47 taxation of such trusts contained in section 641 of the Internal Revenue Code

1 shall apply except that the maximum individual rate provided in this section  
2 shall apply in computing tax due under this chapter.

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

10 SECTION 4. That Section 63-3025, Idaho Code, be, and the same is hereby  
11 amended to read as follows:

12 63-3025. TAX ON CORPORATE INCOME. (1) For taxable years commencing on  
13 and after January 1, 2001, a tax is hereby imposed on the Idaho taxable income  
14 of a corporation, other than an S corporation, which transacts or is autho-  
15 rized to transact business in this state or which has income attributable to  
16 this state. The tax shall be equal to seven and six-tenths percent (7.6%) of  
17 Idaho taxable income, unless such tax is reduced pursuant to the provisions  
18 of section 67-6803, Idaho Code.

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

22 (a) Net recognized built-in gain attributable to this state. The  
23 amount of net recognized built-in gain attributable to this state shall  
24 be computed in accordance with section 1374 of the Internal Revenue  
25 Code subject to the apportionment and allocation provisions of section  
26 63-3027, Idaho Code.

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

32 (3) The tax imposed by subsection (1) or (2) of this section shall not  
33 be less than twenty dollars (\$20.00); provided further that the twenty dol-  
34 lar (\$20.00) minimum payment shall not be collected from nonproductive min-  
35 ing corporations.

36 (4) The tax imposed by this section shall not apply to corporations  
37 taxed pursuant to the provisions of section 63-3025A, Idaho Code.

38 SECTION 5. That Section 63-3025A, Idaho Code, be, and the same is hereby  
39 amended to read as follows:

40 63-3025A. FRANCHISE TAX. (1) For taxable years commencing on and af-  
41 ter January 1, 2001, a franchise tax shall be imposed upon any corporation,  
42 other than an S corporation, for the privilege of exercising its corporate  
43 franchise within the state during such taxable year including, but not lim-  
44 ited to, corporations engaged in business in Idaho for the exclusive pur-  
45 pose of performing contracts with the United States department of energy at  
46 the Idaho national laboratory or any successor organization, which tax shall  
47 be measured by income which is attributable to this state under the provi-

1 sions of this chapter and which tax shall be at the rate provided in section  
2 63-3025, Idaho Code, unless the rate is reduced pursuant to the provisions of  
3 section 67-6803, Idaho Code.

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

7 (a) Net recognized built-in gain attributable to this state. The  
8 amount of net recognized built-in gain attributable to this state shall  
9 be computed in accordance with section 1374 of the Internal Revenue  
10 Code subject to the apportionment and allocation provisions of section  
11 63-3027, Idaho Code.

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

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

23 SECTION 6. The provisions of Sections 1 and 2 of this act shall be in  
24 full force and effect on and after July 1, 2012. The provisions of Sections  
25 3, 4 and 5 of this act shall be in full force and effect on and after July 1,  
26 2014.