

## STATEMENT OF PURPOSE

### RS21416

An Idaho resident who earns income in multiple states must pay taxes to each state in which the income is earned, according to the laws of each state. All of the income is taxable in Idaho but the taxpayer is entitled to a credit for income taxes paid to other states. This prevents double taxation of income earned by an Idaho resident. The tax statutes of the various states vary significantly. It isn't always clear whether a tax paid is an income tax or not. Recently, the character of the tax paid to Texas has been called into question. It is a tax based on income but it has been suggested that it does not qualify as an income tax under the existing statute. This legislation clarifies that the Texas tax is an income tax so income taxes paid to Texas by an Idaho resident will be credited against the amount owed to Idaho, thus avoiding double taxation of the Idaho resident.

### FISCAL NOTE

If the current law is construed to hold that the Texas tax is an income tax, there is no fiscal impact to this legislation. If current law is construed in a way that the Texas tax is not an income tax there will be a loss of \$125,000 to the general fund.

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