

STATEMENT OF PURPOSE

RS21873C1

This legislation simplifies the treatment of Net Operating Losses (NOLs) for Idaho income tax purposes. The "default" rule for both Federal and State losses is to carry the allowed losses back to prior tax years unless an election is affirmatively made to forego the carry back and carry them forward. An election to carry forward an NOL for Federal tax purposes, however, does not enable a taxpayer to carry an NOL forward for Idaho income tax purposes. Idaho law requires taxpayers to make a separate election by checking a box on the Idaho return. Many taxpayers overlook this additional election requirement. This causes traps for the unwary who fail to make the additional Idaho election. In some cases taxpayers lose the ability to deduct all or a portion of the NOL on their Idaho return. This legislation removes the requirement of a second election, provides a more taxpayer-friendly "default" rule, and simplifies the process for Idaho taxpayers.

FISCAL NOTE

This legislation does not provide any new deduction or entitle taxpayers to treatments not allowed by Idaho Code today. In that sense it has no fiscal impact. By removing a trap for the unwary, some taxpayers will qualify for deductions that are not properly elected today.

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