

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 652

BY WAYS AND MEANS COMMITTEE

AN ACT

1 RELATING TO INCOME TAXATION; AMENDING SECTION 63-3022, IDAHO CODE, TO ESTAB-
2 LISH A PROVISION ALLOWING AN AMOUNT PAID FOR HEALTH INSURANCE PURPOSES
3 TO BE SUBTRACTED FROM TAXABLE INCOME AND TO MAKE TECHNICAL CORRECTIONS;
4 REPEALING SECTION 63-3022P, IDAHO CODE, RELATING TO AN INCOME TAX DE-
5 DUCTION FOR HEALTH INSURANCE; AND PROVIDING AN EFFECTIVE DATE.
6

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

8 SECTION 1. That Section 63-3022, Idaho Code, be, and the same is hereby
9 amended to read as follows:

10 63-3022. ADJUSTMENTS TO TAXABLE INCOME. The additions and subtrac-
11 tions set forth in this section, and in sections 63-3022A through 63-3022R,
12 Idaho Code, are to be applied to the extent allowed in computing Idaho tax-
13 able income:

14 (a) Add any state and local taxes, as defined in section 164 of the In-
15 ternal Revenue Code that are measured by net income, or for which a credit is
16 allowable under section 63-3029, Idaho Code, and paid or accrued during the
17 taxable year adjusted for state or local tax refunds used in arriving at tax-
18 able income.

19 (b) Add the net operating loss deduction used in arriving at taxable in-
20 come.

21 (c) (1) A net operating loss for any taxable year commencing on and af-
22 ter January 1, 2000, but before January 1, 2013, shall be a net oper-
23 ating loss carryback not to exceed a total of one hundred thousand dol-
24 lars (\$100,000) to the two (2) immediately preceding taxable years. At
25 the election of the taxpayer, the two (2) year carryback may be foregone
26 and the loss subtracted from income received in taxable years arising in
27 the next twenty (20) years succeeding the taxable year in which the loss
28 arises in order until exhausted. The election shall be made as under
29 section 172 (b) (3) of the Internal Revenue Code. An election under this
30 subsection must be in the manner prescribed in the rules of the state tax
31 commission and once made is irrevocable for the year in which it is made.

32 (2) A net operating loss for any taxable year commencing on or after
33 January 1, 2013, shall be a net operating loss carryback not to exceed
34 a total of one hundred thousand dollars (\$100,000) to the two (2) imme-
35 diately preceding taxable years only if an amended return carrying the
36 loss back is filed within one (1) year of the end of the taxable year of
37 the net operating loss that results in such carryback.

38 (3) Any portion of the net operating loss not subtracted from income
39 in the two (2) preceding years may be subtracted from income in the next
40 twenty (20) years succeeding the taxable year in which the loss arises
41 in order until exhausted. The sum of the deductions may not exceed the
42 amount of the net operating loss deduction incurred.

1 (4) Net operating losses incurred by a corporation during a year in
2 which such corporation did not transact business in Idaho or was not
3 included in a group of corporations combined under subsection (t) of
4 section 63-3027, Idaho Code, may not be subtracted. However, if at
5 least one (1) corporation within a group of corporations combined under
6 subsection (t) of section 63-3027, Idaho Code, was transacting business
7 in Idaho during the taxable year in which the loss was incurred, then the
8 net operating loss may be subtracted. Net operating losses incurred by
9 a person, other than a corporation, in activities not taxable by Idaho
10 may not be subtracted.

11 (5) The term "income" as used in ~~this~~ subsection (c) of this section
12 means Idaho taxable income as defined in this chapter, as modified by
13 section 63-3021(b) (2), (3) and (4), Idaho Code.

14 (d) In the case of a corporation, add the amount deducted under the pro-
15 visions of sections 243(a) and (c), 244, 245 and 246A of the Internal Revenue
16 Code (relating to dividends received by corporations) as limited by section
17 246(b) (1) of said code.

18 (e) In the case of a corporation, subtract an amount determined under
19 section 78 of the Internal Revenue Code to be taxable as dividends.

20 (f) Subtract the amount of any income received or accrued during the
21 taxable year which is exempt from taxation by this state, under the provi-
22 sions of any other law of this state or a law of the United States, if not pre-
23 viously subtracted in arriving at taxable income.

24 (g) For the purpose of determining the Idaho taxable income of the bene-
25 ficiary of a trust or of an estate:

26 (1) Distributable net income as defined for federal tax purposes shall
27 be corrected for the other adjustments required by this section.

28 (2) Net operating losses attributable to a beneficiary of a trust or es-
29 tate under section 642 of the Internal Revenue Code shall be a deduction
30 for the beneficiary to the extent that income from the trust or estate
31 would be attributable to this state under the provisions of this chap-
32 ter.

33 (h) In the case of an individual who is on active duty as a full-time
34 officer, enlistee or draftee, with the armed forces of the United States,
35 which full-time duty is or will be continuous and uninterrupted for one hun-
36 dred twenty (120) consecutive days or more, deduct compensation paid by the
37 armed forces of the United States for services performed outside this state.
38 The deduction is allowed only to the extent such income is included in tax-
39 able income.

40 (i) In the case of a corporation, including any corporation included
41 in a group of corporations combined under subsection (t) of section 63-3027,
42 Idaho Code, add any capital loss or passive loss deducted, which loss was in-
43 curred during any year in which such corporation did not transact business in
44 Idaho. However, do not add any capital loss deducted if a corporation, in-
45 cluding any corporation in a group of corporations combined under subsection
46 (t) of section 63-3027, Idaho Code, was transacting business in Idaho dur-
47 ing the taxable year in which the loss was incurred. In the case of persons
48 other than corporations, add any capital loss or passive loss deducted which
49 was incurred in activities not taxable by Idaho at the time such loss was in-
50 curred. In computing the income taxable to an S corporation or partnership

1 under this section, deduction shall not be allowed for a carryover or carry-
2 back of a net operating loss provided for in subsection (c) of this section
3 or a capital loss or passive loss provided for in section 1212 of the Internal
4 Revenue Code.

5 (j) In the case of an individual, there shall be allowed as a deduction
6 from gross income either (1) or (2) at the option of the taxpayer:

7 (1) The standard deduction as defined in section 63, Internal Revenue
8 Code.

9 (2) Itemized deductions as defined in section 63 of the Internal Rev-
10 enue Code except state or local taxes measured by net income and general
11 sales taxes as either is defined in section 164 of the Internal Revenue
12 Code.

13 (k) Add the taxable amount of any lump sum distribution excluded from
14 gross income for federal income tax purposes under the ten (10) year averag-
15 ing method. The taxable amount will include the ordinary income portion and
16 the amount eligible for the capital gain election.

17 (l) Deduct any amounts included in gross income under the provisions of
18 section 86 of the Internal Revenue Code relating to certain social security
19 and railroad benefits.

20 (m) In the case of a self-employed individual, deduct the actual cost
21 of premiums paid to secure worker's compensation insurance for coverage in
22 Idaho, if such cost has not been deducted in arriving at taxable income.

23 (n) In the case of an individual, deduct the amount contributed to a
24 college savings program pursuant to chapter 54, title 33, Idaho Code, but not
25 more than four thousand dollars (\$4,000) per tax year. If the contribution
26 is made on or before April 15, 2001, it may be deducted for tax year 2000 and
27 an individual can make another contribution and claim the deduction accord-
28 ing to the limits provided in this subsection during 2001 for tax year 2001,
29 as long as the contribution is made on or before December 31, 2001.

30 (o) In the case of an individual, add the amount of a nonqualified with-
31 drawal from an individual trust account or savings account established pur-
32 suant to chapter 54, title 33, Idaho Code, less any amount of such nonqual-
33 ified withdrawal included in the individual's federal gross income pursuant
34 to section 529 of the Internal Revenue Code.

35 (p) In the case of an individual, add the amount of a withdrawal from an
36 individual trust account or savings account established pursuant to chapter
37 54, title 33, Idaho Code, transferred to a qualified tuition program, as de-
38 fined in section 529 of the Internal Revenue Code, that is operated by a state
39 other than Idaho. The addition provided in this subsection is limited to the
40 amount of the contributions to the Idaho individual trust account or savings
41 account by the account owner that were deducted on the account owner's income
42 tax return for the year of the transfer and the prior taxable year.

43 (q) In the case of an individual, subtract an amount equal to the amount
44 paid by the taxpayer during the taxable year for insurance which constitutes
45 medical care for the taxpayer, the spouse or dependents of the taxpayer
46 which is not otherwise deducted or accounted for by the taxpayer for Idaho
47 income tax purposes. In the case of insurance which constitutes medical
48 care deducted as an itemized deduction as provided in subsection (j) of this
49 section, subtract that portion of insurance which constitutes medical care
50 not deducted because of the seven and one-half percent (7.5%) or ten percent

1 (10%) threshold for deducting medical expenses. As used in this subsection,
2 "insurance which constitutes medical care" includes any hospital or medical
3 policy or certificate, any subscriber contract, policies or certificates
4 of insurance for specific disease, hospital confinement indemnity, acci-
5 dent-only, dental, vision, single employer self-funded coverage, meaning
6 that portion of health insurance which is the retained risk of the employer,
7 student health benefits only or coverage for medical care or treatment is-
8 sued as a supplement to liability insurance. Employers shall provide to the
9 employee a statement as to whether an employee's contribution for health
10 insurance has been excluded from taxable income.

11 SECTION 2. That Section [63-3022P](#), Idaho Code, be, and the same is hereby
12 repealed.

13 SECTION 3. This act shall be in full force and effect on and after Jan-
14 uary 1, 2015.