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LEGISLATURE OF THE STATE OF IDAHO
Sixty-third Legislature Second Regular Session - 2016

IN THE _____

BILL NO. _____

BY _____

1 AN ACT
2 RELATING TO INCOME TAXATION; AMENDING SECTION 63-3024, IDAHO CODE, TO REDUCE
3 THE TOP INDIVIDUAL INCOME TAX RATE; AMENDING SECTION 63-3025, IDAHO
4 CODE, TO REDUCE THE RATE ON THE TAXATION OF CORPORATE INCOME; DECLARING
5 AN EMERGENCY AND PROVIDING RETROACTIVE APPLICATION.

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

7 SECTION 1. That Section 63-3024, Idaho Code, be, and the same is hereby
8 amended to read as follows:

9 63-3024. INDIVIDUALS' TAX AND TAX ON ESTATES AND TRUSTS. For taxable
10 year 2001, and each taxable year thereafter, a tax measured by Idaho taxable
11 income as defined in this chapter is hereby imposed upon every individual,
12 trust, or estate required by this chapter to file a return.

13 (a) The tax imposed upon individuals, trusts and estates shall be com-
14 puted at the following rates:

| | | |
|----|-------------------------------|--|
| 15 | When Idaho taxable income is: | The rate is: |
| 16 | Less than \$1,000 | One and six-tenths percent (1.6%) |
| 17 | \$1,000 but less than \$2,000 | \$16, plus three and six-tenths |
| 18 | | percent (3.6%) of the amount over \$1,000 |
| 19 | \$2,000 but less than \$3,000 | \$52, plus four and one-tenth |
| 20 | | percent (4.1%) of the amount over \$2,000 |
| 21 | \$3,000 but less than \$4,000 | \$93, plus five and one-tenth |
| 22 | | percent (5.1%) of the amount over \$3,000 |
| 23 | \$4,000 but less than \$5,000 | \$144, plus six and one-tenth |
| 24 | | percent (6.1%) of the amount over \$4,000 |
| 25 | \$5,000 but less than \$7,500 | \$205, plus seven and one-tenth |
| 26 | | percent (7.1%) of the amount over \$5,000 |
| 27 | \$7,500 and over | \$383, plus seven and four <u>three</u> -tenths |
| 28 | | percent (7.4 <u>3</u> %) of the amount |
| 29 | | over \$7,500 |

30 For taxable year 2000 and each year thereafter, the state tax commission
31 shall prescribe a factor which shall be used to compute the Idaho income tax
32 brackets provided in subsection (a) of this section. The factor shall pro-
33 vide an adjustment to the Idaho tax brackets so that inflation will not re-
34 sult in a tax increase. The Idaho tax brackets shall be adjusted as follows:
35 multiply the bracket amounts by the percentage (the consumer price index for
36 the calendar year immediately preceding the calendar year to which the ad-
37 justed brackets will apply divided by the consumer price index for calendar

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

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

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

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

32 SECTION 2. That Section 63-3025, Idaho Code, be, and the same is hereby
33 amended to read as follows:

34 63-3025. TAX ON CORPORATE INCOME. (1) For taxable years commencing on
35 and after January 1, 2001, a tax is hereby imposed on the Idaho taxable in-
36 come of a corporation, other than an S corporation, which transacts or is au-
37 thorized to transact business in this state or which has income attributable
38 to this state. The tax shall be equal to seven and ~~four~~ three-tenths percent
39 (7.43%) of Idaho taxable income.

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

43 (a) Net recognized built-in gain attributable to this state. The
44 amount of net recognized built-in gain attributable to this state shall
45 be computed in accordance with section 1374 of the Internal Revenue
46 Code subject to the apportionment and allocation provisions of section
47 63-3027, Idaho Code.

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1 (b) Excess net passive income attributable to this state. The amount of
2 excess net passive income attributable to this state shall be computed
3 in accordance with section 1375 of the Internal Revenue Code subject to
4 the apportionment and allocation provisions of section 63-3027, Idaho
5 Code.

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

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

12 SECTION 3. An emergency existing therefor, which emergency is hereby
13 declared to exist, this act shall be in full force and effect on and after its
14 passage and approval, and retroactively to January 1, 2016.

STATEMENT OF PURPOSE

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This draft reduces an income tax bracket for individuals, trusts and estates where Idaho taxable income is \$7,500 and over from 7.4% to 7.3%.

FISCAL NOTE

The impact to the state General Fund is an estimated reduction of \$20.7 million.

