

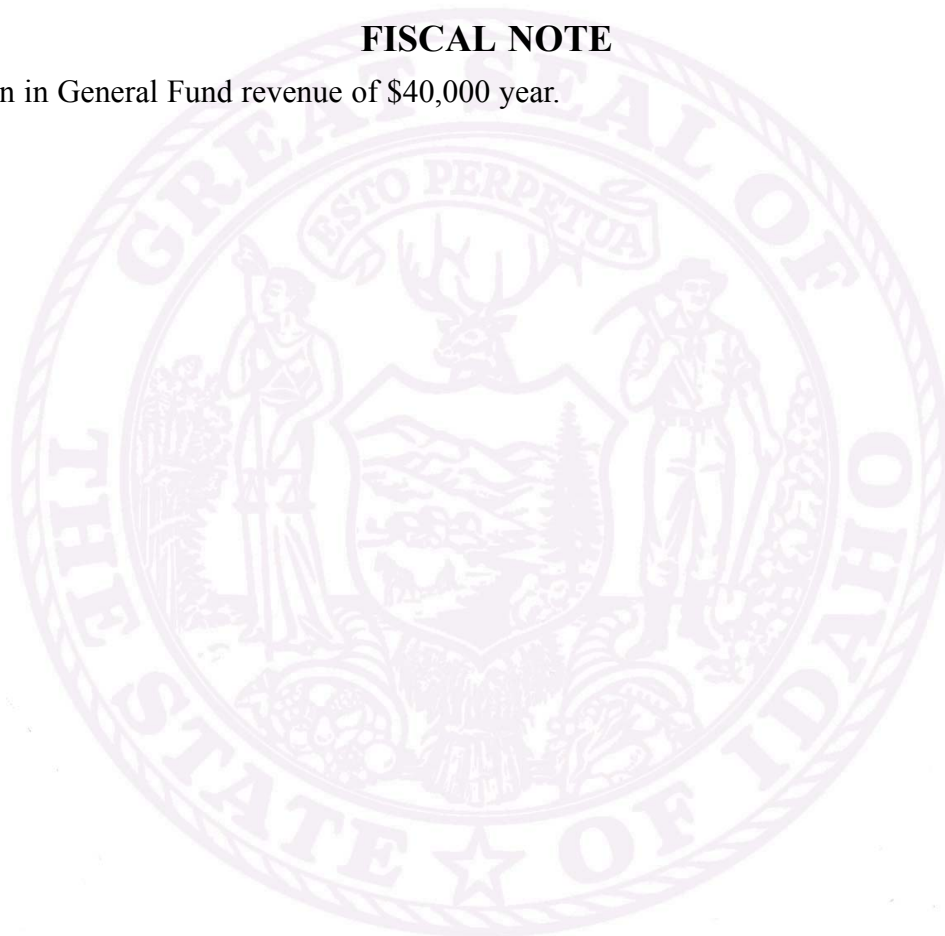
## **STATEMENT OF PURPOSE**

### **RS23238**

Under the claim of right doctrine, a taxpayer may be required to report income and pay income tax thereon even though they might be required to repay the funds in a future taxable year. If, in a subsequent year, the taxpayer repays the income item that was previously taxed, a deduction is allowed for the repaid amount. However, in some situations, a taxpayer may not receive a benefit from the deduction thereby effectively paying tax on income they had fully repaid. The proposal allows a refundable credit for the difference between the Idaho state income tax liability for the year the income was included in taxable income and the Idaho state income tax that would have been paid had the income not be included in taxable income.

### **FISCAL NOTE**

A reduction in General Fund revenue of \$40,000 year.



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