

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 330

BY WAYS AND MEANS COMMITTEE

AN ACT

1 RELATING TO TAXATION; AMENDING SECTION 63-3024, IDAHO CODE, TO REVISE CER-  
2 TAIN RATES OF INCOME TAXATION AND TO MAKE TECHNICAL CORRECTIONS; AMEND-  
3 ING SECTION 63-3025, IDAHO CODE, TO REVISE A RATE OF INCOME TAXATION,  
4 TO PROVIDE FOR AN INCOME TAX RATE REDUCTION AND TO MAKE TECHNICAL COR-  
5 RECTIONS; AMENDING SECTION 72-1350, IDAHO CODE, TO REVISE THE AVERAGE  
6 HIGH COST MULTIPLE ON AND AFTER JANUARY 1, 2018, AND TO MAKE TECHNICAL  
7 CORRECTIONS; DECLARING AN EMERGENCY AND PROVIDING RETROACTIVE APPLICA-  
8 TION.  
9

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

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

13 63-3024. INDIVIDUALS' TAX AND TAX ON ESTATES AND TRUSTS. For taxable  
14 year 2001, and each taxable year thereafter, a tax measured by Idaho taxable  
15 income as defined in this chapter is hereby imposed upon every individual,  
16 trust, or estate required by this chapter to file a return.

17 (a) (i) Through taxable year 2016 and except as provided in paragraph  
18 (a) (ii) of this subsection, the tax imposed upon individuals, trusts  
19 and estates shall be computed at the following rates:

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

35 (ii) Beginning with taxable year 2017 and each taxable year thereafter,  
36 the tax imposed upon individuals, trusts and estates shall be computed  
37 at the following rates:

<u>When Idaho taxable income is:</u>	<u>The rate is:</u>
<u>Less than \$1,000</u>	<u>One and five-tenths percent (1.5%)</u>
<u>\$1,000 but less than \$2,000</u>	<u>\$15, plus three and five-tenths percent (3.5%) of the amount over \$1,000</u>
<u>\$2,000 but less than \$3,000</u>	<u>\$50, plus four percent (4.0%) of the amount over \$2,000</u>
<u>\$3,000 but less than \$4,000</u>	<u>\$90, plus five percent (5.0%) of the amount over \$3,000</u>
<u>\$4,000 but less than \$5,000</u>	<u>\$140, plus six percent (6.0%) of the amount over \$4,000</u>
<u>\$5,000 but less than \$7,500</u>	<u>\$200, plus seven percent (7.0%) of the amount over \$5,000</u>
<u>\$7,500 and over</u>	<u>\$375, plus seven and three-tenths percent (7.3%) of the amount over \$7,500</u>

For taxable year 2000 and each year thereafter, the state tax commission shall prescribe a factor ~~which~~ that shall be used to compute the Idaho income tax brackets provided in subsection (a) of this section. The factor shall provide an adjustment to the Idaho tax brackets so that inflation will not result in a tax increase. The Idaho tax brackets shall be adjusted as follows: multiply the bracket amounts by the percentage (the consumer price index for the calendar year immediately preceding the calendar year to which the adjusted brackets will apply divided by the consumer price index for calendar year 1998). For the purpose of this computation, the consumer price index for any calendar year is the average of the consumer price index as of the close of the twelve (12) month period for the immediately preceding calendar year, without regard to any subsequent adjustments, as adopted by the state tax commission. This adoption shall be exempt from the provisions of chapter 52, title 67, Idaho Code. The consumer price index shall mean the consumer price index for all U.S. urban consumers published by the United States department of labor. The state tax commission shall annually include the factor as provided in this subsection to multiply against Idaho taxable income in the brackets above to arrive at that year's Idaho taxable income for tax bracket purposes.

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

(c) In the case of a trust that is an electing small business trust as defined in section 1361 of the Internal Revenue Code, the special rules for taxation of such trusts contained in section 641 of the Internal Revenue Code shall apply except that the maximum individual rate

1 provided in this section shall apply in computing tax due under this  
2 chapter.

3 (d) The state tax commission shall compute and publish Idaho income  
4 tax liability for taxpayers at the midpoint of each bracket of Idaho  
5 taxable income in fifty dollar (\$50.00) steps to fifty thousand dollars  
6 (\$50,000), rounding such calculations to the nearest dollar. Taxpayers  
7 having income within such brackets shall file returns based upon and pay  
8 taxes according to the schedule thus established. The state tax com-  
9 mission shall promulgate rules defining the conditions upon which such  
10 returns shall be filed.

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

13 63-3025. TAX ON CORPORATE INCOME. (1) For taxable years commencing on  
14 and after January 1, 2001, a tax is hereby imposed on the Idaho taxable income  
15 of a corporation, other than an S corporation, ~~which that~~ transacts or is au-  
16 thorized to transact business in this state or ~~which that~~ has income attrib-  
17 utable to this state. The tax shall be equal to seven and ~~four~~three-tenths  
18 percent (~~7.4~~ 7.3%) of Idaho taxable income.

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

22 (a) Net recognized built-in gain attributable to this state. The  
23 amount of net recognized built-in gain attributable to this state shall  
24 be computed in accordance with section 1374 of the Internal Revenue  
25 Code subject to the apportionment and allocation provisions of section  
26 63-3027, Idaho Code.

27 (b) Excess net passive income attributable to this state. The amount of  
28 excess net passive income attributable to this state shall be computed  
29 in accordance with section 1375 of the Internal Revenue Code subject to  
30 the apportionment and allocation provisions of section 63-3027, Idaho  
31 Code.

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

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

38 SECTION 3. That Section 72-1350, Idaho Code, be, and the same is hereby  
39 amended to read as follows:

40 72-1350. TAXABLE WAGE BASE AND TAXABLE WAGE RATES. (1) All remunera-  
41 tion for personal services as defined in section 72-1328, Idaho Code, equal  
42 to the average annual wage in covered employment for the penultimate calen-  
43 dar year, rounded to the nearest multiple of one hundred dollars (\$100), or  
44 the amount of taxable wage base specified in the federal unemployment tax  
45 act, whichever is higher, shall be the taxable wage base for purposes of this  
46 chapter.

1 (2) Prior to December 31 of each year, the director shall determine the  
 2 taxable wage rates for the following calendar year for all covered employ-  
 3 ers, except cost reimbursement employers, in accordance with this section.

4 (3) An average high cost ratio shall be determined by calculating the  
 5 average of the three (3) highest benefit cost rates in the twenty (20) year  
 6 period ending with the preceding year. For the purposes of this section, the  
 7 "benefit cost rate" is the total annual benefits paid, including the state's  
 8 share of extended benefits but excluding the federal share of extended ben-  
 9 efits and cost reimbursable benefits, divided by the total annual covered  
 10 wages excluding cost reimbursable wages. The resulting average high cost  
 11 ratio is multiplied by the desired fund size multiplier and the result, for  
 12 the purposes of this section, is referred to as the "average high cost multi-  
 13 ple" (AHCM). The desired fund size multiplier shall be eight tenths (0.8) and  
 14 shall increase to nine tenths (0.9) on and after January 1, 2012; to one (1)  
 15 on and after January 1, 2013; to one and one-tenth (1.1) on and after January  
 16 1, 2014; to one and two-tenths (1.2) on and after January 1, 2015; to one and  
 17 three-tenths (1.3) on and after January 1, 2016; to one and four-tenths (1.4)  
 18 on and after January 1, 2017; and to one and ~~five~~three-tenths (1.~~5~~3) on and  
 19 after January 1, 2018.

20 (4) The fund balance ratio shall be determined by dividing the actual  
 21 balance of the employment security fund, section 72-1346, Idaho Code, and  
 22 the reserve fund, section 72-1347A, Idaho Code, on September 30 of the cur-  
 23 rent calendar year by the wages paid by all covered employers in Idaho, ex-  
 24 cept cost reimbursement employers, in the preceding calendar year.

25 (5) The base tax rate shall be determined as follows:

26 (a) Divide the fund balance ratio by the AHCM;

27 (b) Subtract the quotient obtained from the calculation in paragraph  
 28 (a) of this subsection from the number two (2);

29 (c) Multiply the remainder obtained from the calculation in paragraph  
 30 (b) of this subsection by two and one-tenth percent (2.1%). The product  
 31 obtained from this calculation shall equal the base tax rate, provided  
 32 however, that the base tax rate shall not be less than six-tenths per-  
 33 cent (0.6%) and shall not exceed three and four-tenths percent (3.4%).

34 (6) The base tax rate calculated in accordance with subsection (5) of  
 35 this section shall be used to determine the taxable wage rate effective the  
 36 following calendar year for all covered employers except cost reimbursement  
 37 employers as provided in subsections (7) and (8) of this section.

38 (7) Table of Rrate Classes, Tax Factors and Minimum and Maximum  
 39 Taxable Wage Rates:

Class	Cumulative Taxable Payroll Limits			Eligible Employers		
	Rate	More Than (% of Taxable Payroll)	Equal to or Less Than (% of Taxable Payroll)	Tax Factor	Minimum Taxable Wage Rate	Maximum Taxable Wage Rate
1	--	12	12	0.2857	0.180%	0.960%
2	12	24	24	0.4762	0.300%	1.600%
3	24	36	36	0.5714	0.360%	1.920%
4	36	48	48	0.6667	0.420%	2.240%
5	48	60	60	0.7619	0.480%	2.560%
6	60	72	72	0.8571	0.540%	2.880%
7	72	--	--	0.9524	0.600%	3.200%
				Standard-Rated Employers		
				Tax Factor	Minimum Taxable Wage Rate	Maximum Taxable Wage Rate
				1.000	1.000%	3.4%
Class	Cumulative Taxable Payroll Limits			Deficit Employers		
	Rate	More Than (% of Taxable Payroll)	Equal to or Less Than (% of Taxable Payroll)	Tax Factor	Minimum Taxable Wage Rate	Maximum Taxable Wage Rate
-1	--	30	30	1.7143	1.080%	4.800%
-2	30	50	50	1.9048	1.200%	5.200%
-3	50	65	65	2.0952	1.320%	5.600%
-4	65	80	80	2.2857	1.440%	6.000%
-5	80	95	95	2.6667	1.680%	6.400%
-6	95	--	--	2.6667	5.400%	6.800%

(8) Each covered employer, except cost reimbursement employers, will be assigned a taxable wage rate and a contribution rate as follows:

(a) Each employer, except standard-rated employers, will be assigned to one (1) of the rate classes for eligible and deficit employers provided in subsection (7) of this section based upon the employer's experience as determined under the provisions of sections 72-1319, 72-1319A, 72-1351 and 72-1351A, Idaho Code.

(b) For each rate class provided in subsection (7) of this section, the department will multiply the base tax rate determined in accordance with subsection (5) of this section by the tax factor listed for that rate class in the table provided in subsection (7) of this section. The

1 product obtained from this calculation shall be the taxable wage rate  
2 for employers assigned to that rate class, provided however, that the  
3 taxable wage rate shall not be less than the minimum taxable wage rate  
4 assigned to that rate class and shall not exceed the maximum taxable  
5 wage rate assigned to that rate class in the table provided in subsec-  
6 tion (7) of this section.

7 (c) For standard-rated employers, the department will multiply the  
8 base tax rate determined in accordance with subsection (5) of this sec-  
9 tion by the tax factor listed for standard-rated employers in the table  
10 provided in subsection (7) of this section. The product obtained from  
11 this calculation shall be the taxable wage rate for standard-rated em-  
12 ployers, provided however, that the taxable wage rate shall not be less  
13 than the minimum taxable wage rate assigned to standard-rated employers  
14 and shall not exceed the maximum taxable wage rate assigned to stan-  
15 dard-rated employers in the table provided in subsection (7) of this  
16 section.

17 (d) Deficit employers who have been assigned a taxable wage rate from  
18 deficit rate class six will be assigned contribution rates equal to  
19 their taxable wage rate.

20 (e) All other eligible, standard-rated and deficit employers will be  
21 assigned contribution rates equal to ninety-seven percent (97%) of  
22 their taxable wage rate. Provided however, that for each calendar year  
23 a reserve tax is imposed pursuant to section 72-1347A, Idaho Code, the  
24 contribution rates for employers assigned contribution rates pursuant  
25 to this paragraph shall be eighty percent (80%) of their taxable wage  
26 rate.

27 (9) Each employer shall be notified of his taxable wage rate as deter-  
28 mined for any calendar year pursuant to this section and section 72-1351,  
29 Idaho Code. Such determination shall become conclusive and binding upon  
30 the employer, unless within fourteen (14) days after notice as provided in  
31 section 72-1368(5), Idaho Code, the employer files an application for re-  
32 determination, setting forth his reasons therefor. Reconsideration shall  
33 be limited to transactions occurring subsequent to any previous determina-  
34 tion which has become final. The employer shall be promptly notified of the  
35 redetermination, which shall become final unless an appeal is filed within  
36 fourteen (14) days after notice as provided in section 72-1368(5), Idaho  
37 Code. Proceedings on the appeal shall be in accordance with the provisions  
38 of section 72-1361, Idaho Code.

39 SECTION 4. An emergency existing therefor, which emergency is hereby  
40 declared to exist, Sections 1 and 2 of this act shall be in full force and ef-  
41 fect on and after passage and approval, and retroactively to January 1, 2017.  
42 Section 3 of this act shall be in full force and effect on and after July 1,  
43 2017.