

IN THE SENATE

SENATE BILL NO. 1195, As Amended in the House

BY STATE AFFAIRS COMMITTEE

AN ACT

1 RELATING TO THE EMPLOYMENT SECURITY LAW; AMENDING SECTION 72-1350, IDAHO
2 CODE, TO REVISE THE AVERAGE HIGH COST MULTIPLE ON AND AFTER JANUARY
3 1, 2018, AND TO MAKE TECHNICAL CORRECTIONS; AMENDING SECTION 63-3024,
4 IDAHO CODE, TO REVISE CERTAIN RATES OF INCOME TAXATION AND TO MAKE TECH-
5 NICAL CORRECTIONS; AMENDING SECTION 63-3025, IDAHO CODE, TO REVISE A
6 RATE OF INCOME TAXATION AND TO MAKE TECHNICAL CORRECTIONS; DECLARING AN
7 EMERGENCY AND PROVIDING RETROACTIVE APPLICATION.
8

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

10 SECTION 1. That Section 72-1350, Idaho Code, be, and the same is hereby
11 amended to read as follows:

12 72-1350. TAXABLE WAGE BASE AND TAXABLE WAGE RATES. (1) All remunera-
13 tion for personal services as defined in section 72-1328, Idaho Code, equal
14 to the average annual wage in covered employment for the penultimate calen-
15 dar year, rounded to the nearest multiple of one hundred dollars (\$100), or
16 the amount of taxable wage base specified in the federal unemployment tax
17 act, whichever is higher, shall be the taxable wage base for purposes of this
18 chapter.

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

22 (3) An average high cost ratio shall be determined by calculating the
23 average of the three (3) highest benefit cost rates in the twenty (20) year
24 period ending with the preceding year. For the purposes of this section, the
25 "benefit cost rate" is the total annual benefits paid, including the state's
26 share of extended benefits but excluding the federal share of extended ben-
27 efits and cost reimbursable benefits, divided by the total annual covered
28 wages excluding cost reimbursable wages. The resulting average high cost
29 ratio is multiplied by the desired fund size multiplier and the result, for
30 the purposes of this section, is referred to as the "average high cost multi-
31 ple" (AHCM). The desired fund size multiplier shall be eight tenths (0.8) and
32 shall increase to nine tenths (0.9) on and after January 1, 2012; to one (1)
33 on and after January 1, 2013; to one and one-tenth (1.1) on and after January
34 1, 2014; to one and two-tenths (1.2) on and after January 1, 2015; to one and
35 three-tenths (1.3) on and after January 1, 2016; to one and four-tenths (1.4)
36 on and after January 1, 2017; and to one and ~~five~~ three-tenths (1.5~~3~~) on and
37 after January 1, 2018.

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

- 1 (5) The base tax rate shall be determined as follows:
 2 (a) Divide the fund balance ratio by the AHCM;
 3 (b) Subtract the quotient obtained from the calculation in paragraph
 4 (a) of this subsection from the number two (2);
 5 (c) Multiply the remainder obtained from the calculation in paragraph
 6 (b) of this subsection by two and one-tenth percent (2.1%). The product
 7 obtained from this calculation shall equal the base tax rate, provided
 8 however, that the base tax rate shall not be less than six-tenths per-
 9 cent (0.6%) and shall not exceed three and four-tenths percent (3.4%).
 10 (6) The base tax rate calculated in accordance with subsection (5) of
 11 this section shall be used to determine the taxable wage rate effective the
 12 following calendar year for all covered employers except cost reimbursement
 13 employers as provided in subsections (7) and (8) of this section.
 14 (7) Table of Rate Classes, Tax Factors and Minimum and Maximum
 15 Taxable Wage Rates:

16	Cumulative Taxable Payroll Limits			Eligible Employers		
	17	More Than	Equal to	17	Minimum	Maximum
18		(% of	or Less Than	18	Taxable	Taxable
19	Rate	Taxable	(% of Taxable	19	Wage	Wage
20	Class	Payroll)	Payroll)	20	Rate	Rate
21	1	--	12	0.2857	0.180%	0.960%
22	2	12	24	0.4762	0.300%	1.600%
23	3	24	36	0.5714	0.360%	1.920%
24	4	36	48	0.6667	0.420%	2.240%
25	5	48	60	0.7619	0.480%	2.560%
26	6	60	72	0.8571	0.540%	2.880%
27	7	72	--	0.9524	0.600%	3.200%
28	Standard-Rated Employers					
29					Minimum	Maximum
30					Taxable	Taxable
31				Tax	Wage	Wage
32				Factor	Rate	Rate
33				1.000	1.000%	3.4%

Class	Cumulative Taxable Payroll Limits		Tax Factor	Deficit Employers	
	More Than (% of Taxable Payroll)	Equal to or Less Than (% of Taxable Payroll)		Minimum Taxable Wage Rate	Maximum Taxable Wage Rate
-1	--	30	1.7143	1.080%	4.800%
-2	30	50	1.9048	1.200%	5.200%
-3	50	65	2.0952	1.320%	5.600%
-4	65	80	2.2857	1.440%	6.000%
-5	80	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 product obtained from this calculation shall be the taxable wage rate for employers assigned to that rate class, provided however, that the taxable wage rate shall not be less than the minimum taxable wage rate assigned to that rate class and shall not exceed the maximum taxable wage rate assigned to that rate class in the table provided in subsection (7) of this section.

(c) For standard-rated employers, the department will multiply the base tax rate determined in accordance with subsection (5) of this section by the tax factor listed for standard-rated employers in the table provided in subsection (7) of this section. The product obtained from this calculation shall be the taxable wage rate for standard-rated employers, provided however, that the taxable wage rate shall not be less than the minimum taxable wage rate assigned to standard-rated employers and shall not exceed the maximum taxable wage rate assigned to standard-rated employers in the table provided in subsection (7) of this section.

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

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

1 to this paragraph shall be eighty percent (80%) of their taxable wage
2 rate.

3 (9) Each employer shall be notified of his taxable wage rate as deter-
4 mined for any calendar year pursuant to this section and section 72-1351,
5 Idaho Code. Such determination shall become conclusive and binding upon
6 the employer, unless within fourteen (14) days after notice as provided in
7 section 72-1368(5), Idaho Code, the employer files an application for re-
8 determination, setting forth his reasons therefor. Reconsideration shall
9 be limited to transactions occurring subsequent to any previous determina-
10 tion which has become final. The employer shall be promptly notified of the
11 redetermination, which shall become final unless an appeal is filed within
12 fourteen (14) days after notice as provided in section 72-1368(5), Idaho
13 Code. Proceedings on the appeal shall be in accordance with the provisions
14 of section 72-1361, Idaho Code.

15 SECTION 2. That Section 63-3024, Idaho Code, be, and the same is hereby
16 amended to read as follows:

17 63-3024. INDIVIDUALS' TAX AND TAX ON ESTATES AND TRUSTS. (a) For tax-
18 able year 2001, and each taxable year thereafter, a tax measured by Idaho
19 taxable income as defined in this chapter is hereby imposed upon every indi-
20 vidual, trust, or estate required by this chapter to file a return.

21 (a) Through taxable year 2016 and except as provided in paragraph (ii)
22 of this subsection, the tax imposed upon individuals, trusts and es-
23 ates shall be computed at the following rates:

24 When Idaho taxable income is:	The rate is:
25 Less than \$1,000	One and six-tenths percent (1.6%)
26 \$1,000 but less than \$2,000	\$16, plus three and six-tenths 27 percent (3.6%) of the amount over \$1,000
28 \$2,000 but less than \$3,000	\$52, plus four and one-tenth 29 percent (4.1%) of the amount over \$2,000
30 \$3,000 but less than \$4,000	\$93, plus five and one-tenth 31 percent (5.1%) of the amount over \$3,000
32 \$4,000 but less than \$5,000	\$144, plus six and one-tenth 33 percent (6.1%) of the amount over \$4,000
34 \$5,000 but less than \$7,500	\$205, plus seven and one-tenth 35 percent (7.1%) of the amount over \$5,000
36 \$7,500 and over	\$383, plus seven and four-tenths 37 percent (7.4%) of the amount 38 over \$7,500

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

42 <u>When Idaho taxable income is:</u>	<u>The rate is:</u>
43 <u>Less than \$1,000</u>	<u>One and five-tenths percent (1.5%)</u>

1	<u>\$1,000 but less than \$2,000</u>	<u>\$15, plus three and five-tenths</u>
2		<u>percent (3.5%) of the amount over \$1,000</u>
3	<u>\$2,000 but less than \$3,000</u>	<u>\$50, plus four percent (4.0%)</u>
4		<u>of the amount over \$2,000</u>
5	<u>\$3,000 but less than \$4,000</u>	<u>\$90, plus five percent (5.0%)</u>
6		<u>of the amount over \$3,000</u>
7	<u>\$4,000 but less than \$5,000</u>	<u>\$140, plus six percent (6.0%)</u>
8		<u>of the amount over \$4,000</u>
9	<u>\$5,000 but less than \$7,500</u>	<u>\$200, plus seven percent (7.0%)</u>
10		<u>of the amount over \$5,000</u>
11	<u>\$7,500 and over</u>	<u>\$375, plus seven and three-tenths</u>
12		<u>percent (7.3%) of the amount</u>
13		<u>over \$7,500</u>

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

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

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

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

8 SECTION 3. That Section 63-3025, Idaho Code, be, and the same is hereby
9 amended to read as follows:

10 63-3025. TAX ON CORPORATE INCOME. (1) For taxable years commencing on
11 and after January 1, 2001, a tax is hereby imposed on the Idaho taxable income
12 of a corporation, other than an S corporation, ~~which that~~ transacts or is au -
13 thorized to transact business in this state or ~~which that~~ has income attrib -
14 utable to this state. The tax shall be equal to seven and ~~four~~three-tenths
15 percent (7.43 %) of Idaho taxable income.

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

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

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

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

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

35 SECTION 4. An emergency existing therefor, which emergency is hereby
36 declared to exist, Sections 2 and 3 of this act shall be in full force and ef-
37 fect on and after passage and approval, and retroactively to January 1, 2017.
38 Section 1 of this act shall be in full force and effect on and after July 1,
39 2018.