

STATEMENT OF PURPOSE

RS28138 / H0013

This bill relates to income tax. This is to allow Idaho to comply with changes in the Internal Revenue Code that were made as part of the Bipartisan Budget Act of 2015, Public Law 114-74, as amended. Congress created a new efficient method option to avoid the time and expense of auditing large partnerships with 100 or more partners. If the IRS determines that the partnership has calculated their tax liability incorrectly in past years, they notify the partnership of the estimated liability. The partnership is given the option of paying a settlement amount based on that estimate and avoiding the cost and time of conducting the audit. This also saves the partnership the cost and effort of amending the prior year tax returns causing their partners to have to amend their tax returns.

Idaho's income tax laws are based on federal taxable income and taxpayers are required to report changes in federal taxable income. This new procedure isn't technically a change in federal taxable income but not adopting these changes would leave Idaho with no clear authority to collect the tax liability of large partnerships doing business in Idaho and their resident partners.

This bill creates a parallel state option for partnerships to address the state tax liability in the case of a proposed change without the cost and time of the full traditional audit.

FISCAL NOTE

This bill has a neutral impact on the income tax owed by partnerships. There will be significant savings in time and effort for businesses and the tax administrators. Not having this tax administration tool will result in more audits and litigation for Idaho and large partnerships doing business here and will cost Idaho more and more income taxes as time goes on.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).