

STATEMENT OF PURPOSE

RS28115 / H0019

This bill involves multistate income tax. This bill is updating a method of measuring the sales factor for sales other than tangible personal property or services. The current law says that the sales are counted in Idaho if the income producing activity takes place in Idaho or if the greater portion of the "costs of performance" take place in Idaho. This bill updates that measurement to what is referred to as "market based" sourcing or counting the sales based on the location of the customer. The internet has made determining the location of transactions more difficult to determine. Idaho is the only state in the greater western region still using the costs of performance method. This is a modernization for income tax comparable to the economic nexus laws passed as a result of the Supreme Court Wayfair case.

Idaho uses a three-factor apportionment formula to measure the Idaho portion of the income tax liability for any taxpayers that do business in Idaho and at least one other state. Idaho's apportionment factor is the ratio of payroll, property and sales in Idaho compared to everywhere else. This is found in section 63-3027(r). The sales are double weighted to balance the investment of capital and wages with the market return of the sales. The company's taxable income is then multiplied by the percentage representing the business's Idaho presence. Almost all states that have an income tax use some variation of this method.

FISCAL NOTE

This bill will not change the amount of tax owed by businesses in a uniform manner. Idaho based businesses will be able to count their sales at the location of delivery. Some out of state businesses will have to include sales to Idaho customers that are currently not being included.

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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).