

STATEMENT OF PURPOSE

RS29277 / H0472

This bill relates to income taxes. It is the annual bill to update references to the Internal Revenue Code (IRC). The bill conforms the Idaho income tax code to changes made to the IRC that affect the 2021 taxable year. The Idaho income tax code uses federal taxable income as a starting point for both businesses and individuals. Our tax forms use federal adjusted gross income as a starting point. Idaho uses a static conformity to a specific date, currently January 1, 2021. This bill updates Idaho Code section 63-3004, to January 1, 2022 and removes obsolete definitions.

Using federal taxable income as a starting point saves a tremendous amount of duplicate work. The Idaho Legislature can still decide to which items it will conform to. Not conforming at all would cause a lot of extra work and confusion for individuals, businesses, and the tax preparation industry.

FISCAL NOTE

The fiscal impact is estimated at approximately (\$8.6 million.) for the 2022 fiscal year.

Congress repealed a rule that allowed a consolidated group of companies to allocate some of their interest expense to their foreign subsidiaries. This will increase corporate income taxes by approximately \$238,500 in FY2022 and somewhat more in subsequent years. The estimated corporate income tax increase is \$909,100 in FY2023, \$1,440,200 in FY2024, \$1,626,000 in FY 2025, and \$1,696,400 in FY2026.

The Idaho Child Tax Credit uses the IRS definition of a qualifying child. Congress increased the age limit for one year from under 17 to under 18 for the tax year 2021. This change will cost approximately (\$5,249,300) in FY2022. This change is also for the 2021 tax year only.

Idaho has a credit for child and dependent care. The IRS also has a childcare credit. Idaho allows a subtraction for any expenses paid for a child or dependent care up to the federal amount. The federal child credit has increased from \$2,000 to \$3,000. Using the Joint Committee on Taxation's estimate, the Idaho portion of those additional expenses is approximately (\$3.2 million) for FY 2022. The estimate is (\$8.7 million) for FY 2023.

In the American Rescue Plan Act of 2021, Congress temporarily allowed taxpayers to claim a casualty loss even if they use the standard deduction when they file their federal return. The FY 2022 estimate of this cost is (\$447,300). Going forward, the cost declines since this is a temporary law. The estimate is (\$137,600) for FY2023, (\$68,800) for y FY 2024, and (\$34,400) for FY2025.

Contact:

Tom Shaner
Idaho State Tax Commission
(208) 334-7518

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).