

STATEMENT OF PURPOSE

RS29932 / H0108

This bill relates to income taxes. Since Idaho allows the qualified business deduction (IRC 199A) but other states don't, the states are taxing income differently. The qualified business deduction is subtracted after the tax is calculated; other states are taxing the entire amount of income from their state sources because they don't allow the federal deduction. The result is that Idaho's credit for taxes paid is computed higher than it should be. The statute allowing the credit (63-3029) has been in place for many years and the qualified business deduction started in 2018. The deduction wasn't taken into consideration when the credit statute was written.

Idaho Code needs to clarify that the credit for taxes paid calculation needs to include an adjustment to the tax paid to the other state to reflect only the tax on the amount of income that Idaho is taxing.

FISCAL NOTE

The fiscal impact is estimated at approximately \$20,000 or more in savings for the 2023 fiscal year and each year after that. The IRS code section 199A that this deduction is based on is set to expire at the end of 2025 without further action from Congress. We left the revenue impact in after that because this is widely popular and will likely be extended.

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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).