



# IDAHO SOCIETY

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## 2018 LEGISLATIVE SUMMARY

### Greetings!

This year is a historic year for tax law changes, on both the federal and state level. ISCPA advocates for CPAs, monitors legislation & keeps you updated on changes to Idaho law that may impact you and your clients.



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**2017 CONFORMITY - House Bill 355** - The new federal tax act has provisions that affect the 2017 tax year. The first lowered the threshold to claim medical expenses from 10% down to 7.5% of AGI. There also is a provision that requires taxpayers to report and pay tax on the repatriation of previously unreported overseas earnings that could apply to 2017. Signed by the Governor 2.9.18 - Retroactive to 1.1.18  
*(Bringing Idaho tax law into conformity with IRS Code as of 12.21.17)*

**TAX RATES REDUCED - House Bill 463** combines 2018 Conformity and Idaho Tax Cuts. 2018 saw the biggest changes in tax law, at the federal and state level, in recent history. This bill reduces all corporate and individual tax brackets by .475%, taking the top rate bracket down to 6.925%. Because of conformity, it also eliminated the personal exemptions, but added back a child tax credit. Criticism that the credit was not large enough, was addressed in a trailer bill presented later in the session. Signed by the Governor 3.12.18 - Retroactive to 1.1.18

**CHILD TAX CREDIT, TRAILER BILL - House Bill 675** - As mentioned above in HB463, this is the trailer bill to raise the child tax credit from \$130 to \$205. Signed by the Governor 3.12.18 - Retroactive to 1.1.18

**BONUS DEPRECIATION ADJUSTMENTS - House Bill 384** allows taxpayers to use any credits or carryovers they have when their taxable income is increased by a §63-30220 adjustment. Idaho Code requires taxpayers to add back to their Idaho income tax returns amounts deducted on their federal income tax returns under Internal Revenue Code Section 168(k), also known as bonus depreciation. §63-30220 limits changes in a closed year to only those arising from the bonus depreciation. Taxpayers are currently not allowed to use net operating losses, Idaho credits and capital loss carryovers to offset an increase of that type that is more than three years old. This bill allows taxpayers to use available loss and credit carryovers in years beyond the normal statute of limitations if there is an increase in taxable income due to a bonus depreciation adjustment. Signed by the Governor 2.15.18 - Effective 7.1.18

## NOTIFY STATE TAX COMMISSION

- **House Bill 382** - Currently taxpayers are required to report a change in their federal taxable income or in any tax paid to another state for which they have claimed a credit within 60 days. This bill extends the deadline to 120 days, giving taxpayers and tax preparers additional time to prepare amended returns when this occurs. Signed by the Governor 2.15.18 - Effective 7.1.18



## ISCPA Legislation HB514

**ISCPA Fixes a "Gotcha" For Taxpayers** - ISCPA sponsored this legislation that aligns Idaho treatment of capital gains deductions for sale of real estate partnership interests with the treatment afforded by the Internal Revenue Code. Currently, there are alternative ways to get the deduction, but average people may not know them, especially since they can get it on the federal level. The legislation passed unanimously at every level. Signed by the Governor 3.20.18 - Retroactive to 1.1.18

## FOREIGN MONIES REPATRIATION

- **House Bill 684** - This legislation provides for the conformance to the section of the new federal Tax Cuts and Jobs Act that requires the taxation of previously untaxed foreign earnings from 1986 until 2017 for U.S. multinational taxpayers. This bill creates conformity to the new federal law to keep Idaho multinational companies competitive with other states.

The bill was held in Senate Local Government. ISCPA will monitor future related legislation and update you next session on the progress of this legislation.

## UNEMPLOYMENT INSURANCE -

**House Bill 335** - Reduced taxable wage rate used for determining employers' unemployment insurance taxes by adjusting the unemployment fund size multiplier from 1.5% to 1.3%, resulting in substantial savings to Idaho's covered employers. Signed by the Governor on 1.3.18 - Retroactive to 1.1.18

## OUT OF STATE SALES TAX - House

**Bill 578** - Expands the definition of "retailer engaged in business in this state." This bill establishes that a retailer, selling tangible personal property to Idaho customers, is engaged in business in Idaho, if the out-of-state retailer generates sales of \$10,000 or more through affiliated Idaho persons. It also provides a rebuttable presumption for the retailer and allows a retailer to apply for relief by presenting their rebuttable facts to the Tax Commission. Signed by the Governor on 3.22.18

**FILING FEES - House Bill 361** removes the fee associated with filing a Statement of Termination for a partnership, consistent with legislation enacted in 2017 that removed similar fees for dissolving other business entities. The effective date will be at the projected launch of the new electronic filing system. Signed by the Governor on 3.1.18 - Effective 10.31.18

**EXTENDING FEDERAL DEDUCTIONS** - is a supplement to HB355 (2017 conformity) and

will conform the Idaho income tax code to changes Congress made on Feb. 9, 2018 that affect the 2017 taxable year with the Bipartisan Budget Act of 2018. Idaho conformed to 11 deduction extensions in

**House Bill 624** - signed by the Governor on 3.20.18 - Retroactive to 1.1.18

**Idaho conformed to the following IRC deductions:**

§108 - Exclusion from gross income of principal residence debt relief

§163 - Mortgage insurance premium deduction

§222 - Qualified tuition deduction

§168(e) - 3-year depreciation of certain race horses

§168(i) - 7-year recovery for motorsports complexes

§179E - Mine safety expense deduction

§199 - Puerto Rico production deductions 199

§168(e) - 5-year cost recovery for energy property

§179D - Energy efficient commercial building expenses

§181 - Film, television and theater production cost deductions

§451 - State energy restructuring

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The ISCPA office is open 8:30 am - 4:30 pm (MT), Monday - Friday

*During summer months, the office closes at 2:00 pm on Fridays*



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