

Instructions For Idaho Form 55

GENERAL INSTRUCTIONS

Form 55 is used to calculate the Idaho credit for qualifying new employees earned or allowed. Each member of a unitary group that earns or is allowed the credit must complete a separate Form 55.

Calculating the Credit

The maximum credit available is \$500 for each qualifying new employee. "New employee" means a person who is subject to Idaho income tax withholding, employed by the taxpayer in a revenue-producing enterprise, and covered for unemployment purposes under Idaho Code. A person is considered employed by the taxpayer in a revenue-producing enterprise if the person is employed by the taxpayer on a full-time basis or on a part-time basis if the person works at least 20 hours per week.

An individual is not a qualifying employee unless he has worked for the taxpayer for a minimum of nine months during the tax year for which the credit is claimed.

The Employer Quarterly Unemployment Insurance Tax Reports and the Unemployment Insurance Wage Reports filed with the Idaho Department of Labor will be the basis for computing the number of employees. However, only employees meeting the definition of "new employee" can be included in the computation of the credit for qualifying new employees. Records must be maintained to support the computation.

The number of qualifying new employees is the excess of the average number of qualifying employees during the tax year over the greater of the average number of qualifying employees during the three preceding tax years or the average number of qualifying employees during the preceding tax year. The number of qualifying new employees must be rounded to the nearest tenth (1/10).

Credit Limitations and Revenue-Producing Enterprise

The credit may not exceed 3.25% of the net income of the revenue-producing enterprise. A "revenue-producing enterprise" means an Idaho business that begins with a natural resource and produces, assembles, fabricates, manufactures, or processes a value-added product.

Businesses involving wholesale or retail sales, professional, managerial, repairs or services generally do not qualify. Idaho businesses that consume a natural resource in a process, but do not add value to the natural resource do not qualify.

Carryover Periods

The credit carryover is limited to three tax years. If the number of qualifying employees decreases during the carryover period, you must recompute the credit based on the reduced number of qualifying employees to determine the correct amount of carryover.

SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.

PART I - CREDIT AVAILABLE SUBJECT TO LIMITATION

Lines 1 and 3. Determine the average number of qualifying employees during the tax year by adding the number of qualifying employees reported for each month on your Idaho unemployment reports and dividing that sum by the number of months of operation during the year.

Line 2. Determine the average number of qualifying employees during the three preceding tax years by dividing the total of the

average number of qualifying employees reported for each preceding year by 3. If the business was in operation for less than three tax years, use the number of tax years in operation.

Line 4. No credit is allowed unless the number on this line equals or exceeds one. If it is more than one, the number is rounded to the nearest one-tenth (1/10).

Line 6. The credit is limited to 3.25% of the net income of the revenue-producing enterprise in which the new employment occurred. If one business is engaged in two activities, one that qualifies as a "revenue-producing enterprise," and one that does not, and at least 50% of the taxpayer's total Idaho employees are performing personal services in the revenue-producing enterprise, you may treat the entire Idaho business as a revenue-producing enterprise. Enter the amount of net income from the proprietorship, farm, partnership, fiduciary or corporation income tax return that is from Idaho activities.

If one business is engaged in two activities, one that qualifies as a "revenue-producing enterprise" and one that does not, and less than 50% of the taxpayer's total Idaho employees are performing services in the revenue-producing enterprise, you must calculate qualifying employees and the net income limitation based on that portion of the Idaho business that qualifies as a revenue-producing enterprise. The amount of net income for the portion of the business that qualifies as a revenue-producing enterprise is calculated by dividing the number of employees in the revenue-producing enterprise by the total number of employees in the entire business. Multiply the net income from the proprietorship, farm, partnership, fiduciary or corporation income tax return that is from Idaho activities by this percentage. Enter the result on line 6.

Line 12. For S corporations, partnerships, estates or trusts, enter the credit passing through to the shareholders, partners, members or beneficiaries. Idaho tax credits must pass through to the shareholders, partners, members or beneficiaries in the same manner and to the extent that income or loss passes through.

PART II - CREDIT LIMITATIONS

Any taxpayer earning the Idaho credit for qualifying new employees must complete Part II to determine the limitation on the credit for qualifying new employees and all other nonrefundable credits.

The following credits must be applied to the tax before the credit for qualifying new employees:

1. Credit for tax paid to other states;
2. Credit for contributions to Idaho educational institutions;
3. Investment tax credit;
4. Credit for contributions to Idaho youth facilities, rehabilitation facilities and nonprofit substance abuse centers;
5. Credit for equipment using post-consumer waste or post-industrial waste;
6. Natural resources conservation credit;
7. Promoter-sponsored event credit.

These credits must be applied to the tax before the credit for qualifying new employees. Refer to instructions for the appropriate income tax return to compute the credits.

If you claim the Idaho credit for qualifying new employees, the 45% limitation also applies to all other credits except for the credit for tax paid to other states, the grocery credit, and credit for dependents 65 years of age or older or persons with developmental disabilities.

Line 1. Enter the amount of Idaho income tax from the appropriate income tax return. The Idaho income tax is the computed tax before adding the Permanent Building Fund Tax or any other taxes or subtracting any credits.

Line 3. Enter the amount of credit for contributions to Idaho educational entities from the appropriate Idaho income tax return.

Line 4a. This is the amount of credit for contributions to educational entities you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

Line 4b. If line 3 is equal to or larger than line 2, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year. Enter the amount from line 2 and enter this amount on the appropriate line of your Idaho income tax return. This is your allowable credit for contributions to Idaho educational entities. Do not complete the rest of this form.

Line 5. Enter the amount of your investment tax credit from Form 49, Part I, line 8.

Line 7a. This is the amount of investment tax credit you may claim on your Idaho income tax return. Enter this amount on the appropriate line of your Idaho income tax return.

Line 7b. If line 6 is equal to or larger than line 2, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Subtract line 4 from line 2. This is the amount of investment tax credit you may claim on your Idaho income tax return. Enter this amount on the appropriate line of your Idaho income tax return. The unclaimed portion of your investment tax credit may be eligible for carry forward to next year. Do not complete the rest of this form.

Line 9. Enter the amount of your credit for contributions to Idaho youth and rehabilitation facilities and nonprofit substance abuse centers from the appropriate Idaho income tax return.

Line 11a. This is the amount of credit for contributions to Idaho youth and rehabilitation facilities and nonprofit substance abuse centers you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

Line 11b. If line 10 is equal to or larger than line 2, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Subtract line 8 from line 2. This is the amount of credit for contributions to Idaho youth and rehabilitation facilities and nonprofit substance abuse centers you may claim. Enter this amount on the appropriate line of your Idaho income tax return. Do not complete the rest of this form.

Line 13. Enter the amount of your credit for production equipment using post-consumer waste from the appropriate Idaho income tax return.

Line 15a. This is the amount of credit for production equipment using post-consumer waste you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

Line 15b. If line 14 is equal to or larger than line 2, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Subtract line 12 from line 2. This is the amount of credit for production equipment using post-consumer waste you may claim. Enter this amount on the appropriate line of your Idaho income tax return. The unclaimed portion of this credit may be eligible for carry forward to next year. Do not complete the rest of this form.

Line 17. Enter the amount of your natural resources conservation credit from the appropriate Idaho income tax return.

Line 19a. This is the amount of natural resources conservation credit you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

Line 19b. If line 18 is equal to or larger than line 2, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Subtract line 16 from line 2. This is the amount of natural resources conservation credit you may claim. Enter this amount on the appropriate line of your Idaho income tax return. Do not complete the rest of this form.

Line 21. Enter the amount of your promoter-sponsored event credit from the appropriate Idaho income tax return.

Line 23a. This is the amount of promoter-sponsored event credit you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

Line 23b. If line 22 is equal to or larger than line 2, you cannot claim the credit for qualifying new employees this year. The full amount of earned Idaho credit for qualifying new employees may be available to be carried forward to the succeeding tax year.

Subtract line 20 from line 2. This is the amount of promoter-sponsored event credit you may claim. Enter this amount on the appropriate line of your Idaho income tax return. Do not complete the rest of this form.

Line 25. Enter the total credit for qualifying new employees available from Part I, line 13.

Line 27a. This is the amount of credit for qualifying new employees you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

Line 27b. Subtract line 24 from line 2. This is the amount of credit for qualifying new employees you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

The earned but unused Idaho credit for qualifying new employees may be available to be carried forward up to three tax years as long as the employment level does not decrease.