STATE OF IDAHO

TAX UPDATE

VOLUME EIGHTEEN - NUMBER TWO DECEMBER 2006

This issue of *Tax Update* deals with various topics. If you have questions about this material or if you need more information, contact the Idaho State Tax Commission.

E-FILE W-2s, BUSINESS INCOME TAX RETURNS

The Tax Commission is offering employers a new online program to file W-2s electronically. To use the program, go to **tax.idaho.gov** and click on "Electronic Filing" and then "File Withholding Returns Online for Free."

A new law changed the due date for employers to file electronic W-2s from the last day of February to March 31. This is the same due date they file their federal electronic W-2s. Forms 957-W and 96T aren't required when employers file electronic W-2s. Those filing paper or magnetic media W-2s must still file by February 28.

Business returns: Starting in February 2007, businesses can prepare and file their Idaho corporation and S corporation income tax returns online through approved private software companies. If you want to use this service, ask your software provider to offer e-filing for Idaho.

ALL ABOUT USE TAX

Do you buy business supplies on the Internet, by telephone, or through mail-order catalogs? If you do, you probably owe use tax to the state of Idaho.

Use tax is a tax on goods that you put to use or store in Idaho. If you haven't paid sales tax on these goods, you owe use tax (unless the items are held for resale or an Idaho exemption applies). The use tax rate is the same as the sales tax rate, which is currently 6 percent.

The amount of use tax you owe is based on the fair market value of the item when it first becomes taxable. A recent purchase price of the item is usually its fair market value.

When does use tax apply?

Not paying use tax is one of the most common errors found when the Tax Commission audits businesses. Use tax most often applies in the following situations:

- ***Untaxed purchases:*** When you buy goods from retailers who don't collect sales tax, you owe use tax.

  Examples:
  - Internet, catalog, or mail-order purchases and purchases of subscriptions or publications.
  - Buying goods in a nontaxing state to bring back to Idaho.
  - Buying from an out-of-state seller who ships the goods to you in Idaho.
- ***Withdrawing items from resale inventory*:** Use tax applies when retailers take resale merchandise from their shelves to give away or to use themselves.
- ***Transfer of business assets and goods*:** When businesses move to Idaho or come here to do work, they owe use tax on the assets and supplies they bring with them (unless they've paid tax to another state).

How do I pay use tax?

Retailers and wholesalers pay use tax on their sales and use tax returns. Other businesses that owe use tax monthly must pay the tax on a use tax return. If you owe use tax occasionally, you can pay using Form 850-U (available on our Web site) or your business income tax return. For more information about use tax, read our *Use Tax* brochure or visit our Web site and click on "Web and Catalog Shoppers."

PAYROLL COMPANIES

You can electronically file multiple 956 returns on our Web site. To sign up for this new service, call 334-7783 in the Boise area or toll free at (800) 972-7660, ext. 7783.

TIPS TO FILE W-2, 956, AND 957-W FORMS

Did you know that about 50 percent of all year-end income tax withholding forms contain errors? To avoid receiving a letter or phone call from us, please be sure to fill out your returns completely and file all W-2s. Make sure:

- The withholding account number on your W-2s matches the number on your 956 and 957-W forms.
- You added up the Idaho withholding on all your W-2s, and the amount matches the amount reported on the Form 956.
- Payments made during the year match payments claimed on the Form 956.
- Payments are reported in the correct month.
- If the total amount withheld is more than the amount you've paid, payment for the difference is included.
- Total wages are reported.
- You file both your 956 and 957-W (with W-2s).
- Your return is signed (if a paper return).

FOR MORE INFORMATION

Web site: **tax.idaho.gov**
Phone (Boise area): 334-7660
Phone (toll free): (800) 972-7660
Hearing impaired: (800) 377-3529

TAX COMMISSION OFFICES

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Lewiston:
1118 F St.
Pocatello:
611 Wilson St., Ste. 5
Twin Falls:
1038 Blue Lakes Blvd. N., Ste. C

FREE ONLINE TAX VALIDATION SERVICES

The Tax Commission recently launched some free online search tools that allow businesses to instantly verify sales tax permit, income tax withholding, and motor fuel distributor information.

The sales tax permit search displays the associated business name when a valid Idaho seller's permit number is entered. The withholding information verification search, designed for payroll companies, lists the Idaho withholding account number, name control, and filing cycle of each Employer Identification Number (EIN) entered.

And the motor fuel distributor validation service, developed for fuel product wholesalers, verifies authorized Idaho fuel distributors by EIN or business name.

Both the withholding information and motor fuel distributor services can also perform bulk searches and download results into a spreadsheet.

Anyone can use the sales tax permit validation tool. However, the withholding and motor fuel distributor services have secure Web addresses and require authorization as well as specially assigned usernames from the Tax Commission.

For questions about any of these services, call the Tax Commission at 334-7783 in the Boise area or toll free at (800) 972-7660, ext. 7783.

WEB SUBSCRIPTION SERVICE KEEPS YOU UPDATED

If you want to stay up to date on the latest tax information, you can get e-mail notifications when new content is posted on the Tax Commission Web site.

Our e-mail subscription service allows Web visitors to sign up for free personal e-mail alerts on the content that interests them. By clicking the "Keep Me Updated" button on the home page or one of the many envelope icons located throughout the site, subscribers can receive updates on more than 50 items, including brochures about sales and income tax, sales and use tax reports, property tax information, news releases, proposed administrative rules, and more.

Unless otherwise noted, information in *Tax Update* applies only to Idaho taxes. This newsletter is designed to provide general information only, and is not intended to offer comprehensive explanations of Idaho tax laws and rules. Specific questions should be addressed to the nearest Tax Commission office.

Costs associated with this publication are available from the Idaho State Tax Commission in accordance with Idaho Code section 60-202.

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