Idaho Source Income

- Idaho resident: Taxed on income from all sources
- Idaho nonresident: Taxed on Idaho source income
- Part-year Idaho residents: Taxed on income received while an Idaho resident. It's also due on Idaho source income received any time during the year while not residing or domiciled in Idaho.

Idaho source income defined

Idaho source income is income from:

- Transactions or activities that take place in Idaho, or
- Property in Idaho

Idaho compensation

Compensation is income from wages and salary and other amounts your employer pays you for the services you perform. Compensation for services performed in Idaho is Idaho source income. If you:

- Work only in Idaho during the year: All your compensation is Idaho compensation.
- Work only outside Idaho during the year: You have no Idaho compensation.
  Note: All compensation received while you're domiciled or residing in Idaho is taxable by Idaho. Learn more on our Idaho Residency Status page.
- Work both in and outside Idaho during the year: You or your employer must **compute** an Idaho compensation percentage. You can then calculate your Idaho compensation from that job.

Your W-2 form should show your compensation from Idaho and any other states.

To **compute** your Idaho compensation, divide Idaho work days by total work days

- **Work days** include only those days you provided personal services for your employer. Don't include any days off when you didn't provide personal services for your employer (e.g., holidays, vacation).
- **Idaho work days** are the total days you worked in Idaho for a particular employer during the year.
- **Total work days** are the total days you worked for that employer both in and outside Idaho during the year.

Tip: Generally, if you work a five-day work week all year, you'll have 260 total work days. Subtract any vacation, holidays, sick leave days, and other days you take off.

Example A

Jake lives in Washington and worked only for XYZ Company during the year. He worked in Idaho from January through October. He worked in Washington from November through December. XYZ Company paid him $40,000 for the year. Jake computes his Idaho compensation percentage and Idaho compensation as follows:

- Idaho work days = 220 days less 6 holidays, 2 sick days, and 10 vacation days = 202
- Total work days = 260 days less 9 holidays, 4 sick days, and 15 vacation days = 232
- Idaho compensation percentage = 202 Idaho work days/232 total work days = 87%
- 87% x $40,000 (compensation from XYZ Co. for the year) = Idaho compensation of $34,800

If Jake had more than one employer:

He should make a calculation for each employer if he worked in and outside Idaho for other employers.

Special rules apply in computing compensation from stock options and severance pay.

Guidance for specific sources of income

Income from real or tangible personal property

Examples of income from owning or selling real and tangible personal property include:

- Rents
- Royalties
- Profits
- Gains
- Losses

Real property involves land or buildings. Tangible personal property involves furnishings or equipment. Income from property located or used in Idaho is Idaho source income.

Property is located or used both in and outside Idaho

Compute the Idaho part of the income, gain, or loss as follows:

For real property

Average value of property in Idaho / Average value of property everywhere

1. Determine the value of real property from the original cost of the land and improvements.
2. Compute the average value by averaging the values at the beginning and end of the tax year.

The Tax Commission can require monthly averaging to properly reflect the average value of the property.

> Example B:
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> Mary is a resident of Utah. She owns a parcel of land that spans the borders of Utah and Idaho. She sold the land for a gain of $100,000. The land in Idaho originally cost $550,000. The land in Utah cost $450,000. Mary must report $55,000 of Idaho source income from the gain on the sale of the land, computed as follows:
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> $100,000 gain x $550,000/$1,000,000 = $55,000

For tangible personal property

Days the property was used in Idaho / Days the property was used everywhere

Income from intangible property (e.g., stocks, copyrights, patents, trademarks)

Generally, income from an intangible asset is sourced to the state where you're domiciled.

Idaho source income includes:

- Interest income you receive from an installment sale of Idaho real property.
- Interest income you receive from an installment sale of tangible personal property located in Idaho when the property was sold.
- Interest income you receive from a loan you made to your S corporation or partnership. Use the S corporation's or partnership's Idaho apportionment factor to compute how much of the interest is sourced to Idaho.

Example C

Dick and Jane, residents of Nevada, owned a rental house in Idaho. In 2015 they sold the house and carried the contract (installment sale). For the next 15 years, the buyer will make interest and principal payments to Dick and Jane. The gain on the sale of the house is Idaho source income. The interest income they receive is also Idaho source income.

Example D

Frank is a resident of Wyoming. He owns an S corporation that operates solely in Idaho (Idaho apportionment factor is 100%). In 2017, he loaned money to the S corporation. Terms of the loan include interest and principal payments for the next five years. Because the loan is to an S corporation with a 100% Idaho apportionment factor, 100% of the interest income is Idaho source income.

Income from a sole proprietorship

If you have a business or farm that's a sole proprietorship and it operates in and outside Idaho, you must calculate your Idaho business income and expenses by using an apportionment formula:

The apportionment formula measures:

- The percent of your business' property in Idaho compared with everywhere
- The percent of your business' payroll in Idaho compared with everywhere
- The percent of your business' sales in Idaho compared with everywhere. Multiply sales percent by two.

1. Total the percentages and divide by four*. This is your Idaho apportionment factor.
2. Multiply your net business income or loss by the Idaho apportionment factor. This is your Idaho source income from business activities.

*If, for example, you have no payroll, divide by 3.

Income as a shareholder or partner

Generally, S corporations and partnerships don't pay tax on the income they earn. They pass through their items of income, loss, deduction, and credit to partners and shareholders who report these pass-through items on their own tax returns.

Operating both in and outside Idaho

If you're a shareholder of an S corporation or a partner of a partnership that operates both in and outside Idaho, your Idaho source income from the S corporation or partnership includes:

- Your share of the income, loss or deduction apportioned to Idaho, plus
- Your share of the income or loss allocated to Idaho

The Idaho Form ID K-1 the business provides to you each year should identify your Idaho apportioned share of each pass-through item and your share of income or loss allocated to Idaho.

Part-year resident

If you're a part-year resident, you must report:

- The portion part of pass-through income and deductions received while domiciled or residing in Idaho, plus
- The amount of pass-through income and deductions that's apportioned and allocated to Idaho while a nonresident of Idaho.

Treat pass-through items of income and loss as received evenly during the tax year. If you were a shareholder or partner for a shorter period, just consider that part of the tax year.

Tip: Determine the amount of reportable pass-through income or loss received while residing in Idaho in this way:, Divide by the number of months you were a shareholder or partner. Multiply by the number of months domiciled or residing in Idaho during that same time.

Qualified Investment Partnerships

Special rules apply in determining the Idaho source income of this type of investment income.

Member of Limited Liability Company (LLC)

LLC treated as partnership for federal income tax purposes:

Any member will follow the same rules as for a partner of a partnership (see above).

Sole member of LLC elects to have entity disregarded for federal income tax purposes:

The member will follow the same rules as for sole proprietorships (see above).

LLC treated as corporation for federal income tax purposes:

Members should note that the LLC will be treated as a corporation for Idaho income tax purposes.

Income from trusts and estates

Trusts and estates use the same rules as a nonresident individual when determining its Idaho source income. This is true whether the trust or estate is resident or nonresident.

Idaho nonresidents and part-year Idaho residents

Idaho source income from a trust or estate is taxable for the part of the year you're not residing or domiciled in Idaho.

Example F

Frank is a beneficiary of a trust. (Note: This example also applies if Frank is the beneficiary of an estate.) The trust sells land and distributes the gain to Frank. The gain might be Idaho source income, depending on the circumstances:

- Land sold in Oregon: **Isn't** Idaho source income
- Interest from an installment sale of Idaho land (resident trust): **Is** Idaho source income

Unemployment compensation

Unemployment compensation paid by the state of Idaho is Idaho source income.

Guidance for specific circumstances

Student

Example G

Bob is a resident of Oregon and is domiciled there. He attended Boise State University during 2017. He stayed in a dormitory for more than 270 days (from January through May 25 and from August 25 through the end of the year). During the summer he returned to his home in Oregon.

Bob is considered an Idaho part-year resident because he didn't maintain a home in Idaho the entire year. He's taxed on Idaho source income received during the year plus all income he received while living in Idaho.

Note: His residency status for tuition purposes is different than residency status for income tax purposes. Different laws apply.

Trucking company based out of state

Example H

George works for a trucking company based in California. He has a home there. He makes pick-ups and deliveries in Idaho and drives through Idaho as part of his job.

Because he's an interstate motor carrier employee with regularly assigned duties in more than one state, only his home state of California can tax his wages.

Truck owner/lessor traveling in Idaho based out of state

Example I

William owns/leases a truck and makes pick-ups and deliveries in Idaho. William is a California resident and has a home there. Idaho can tax his income from his Idaho business activity because he's an employer, not an employee.

He must apportion his income from the trucking business to Idaho based on miles driven in Idaho compared to total miles.

Pension from Idaho job, now moved to another state

Example J

Becky moved from Idaho to California. She became a resident of California and receives pension income from a job she had in Idaho. Even though the pension income is from an Idaho source, federal law prevents Idaho from taxing it.

Pension from out-of-Idaho job, now moved to Idaho

Example K

Cynthia moved from California to Idaho. She became a resident of Idaho and receives pension income from a job she had in California. Federal law states that pension income is taxable in the taxpayer's state of domicile/residence. Cynthia must report her pension income on her Idaho return

Laws and rules

Learn more about Idaho source income:

- Computing Idaho Taxable Income of Part-year or Nonresident Individuals, Trusts and Estates (Idaho Code section 63-3026A)
- Part-Year Resident (Idaho Code section 63-3013A)
- Income Tax Rules 045, and 260 through 275)

Laws and rules are housed on an external website.

This information is for general guidance only. Tax laws are complex and change regularly. We can't cover every circumstance in our guides. This guidance may not apply to your situation. Please contact us with any questions. We work to provide current and accurate information. But some information could have technical inaccuracies or typographical errors. If there's a conflict between current tax law and this information, current tax law will govern.