

700. CREDIT FOR INCOME TAXES PAID ANOTHER STATE OR TERRITORY: IN GENERAL (RULE 700). Section 63-3029, Idaho Code

01. Taxes Not Eligible for the Credit. If any tax or portion thereof is imposed on capital stock, retained earnings, stock values, or a basis other than income, the tax is not eligible for the credit. The credit is not allowed for income taxes imposed by another state on income not taxed by Idaho. (4-6-23)

02. Credit Calculated on a State-by-State Basis. The credit and credit limitations are to be calculated on a state-by-state basis. The taxpayer may not aggregate the income taxed by other states or the taxes paid to the other states for purposes of calculating the credit and its limitations. (4-6-23)

03. Income Tax Payable to Another State. The income tax payable to another state is to be the tax paid after the application of all credits. The tax paid to the other state must be for the same taxable year that the credit is claimed. Tax paid to cities or counties does not qualify for the credit. (4-6-23)

04. Affected Business Entities.

a. The credit provided in 63-3026B(7)(b), Idaho Code, for income taxes paid to another state by an affected business entity, shall be calculated as specified in that statute. The credit is a pro rata share of the actual tax paid to the other state. The pro rata share of the tax credit is calculated by excluding the share of any member that is an exempt entity.

b. If a pass through entity has not elected to be treated as an affected business entity in Idaho, but pays an entity level income tax in another state, an Idaho resident who is a shareholder, partner, or member is allowed the Idaho credit for taxes paid to another state to the extent the tax is attributable to the individual as a result of his share of the entity's taxable income in another state, as provided in 63-3029(1), Idaho Code.

045. Limitations. The credit for taxes paid to another state is limited as follows: (4-6-23)

a. The credit allowed may not exceed the amount of tax actually paid to the other state. This includes the amount paid by a qualifying individual and the amount paid for such individual by an S corporation, partnership, limited liability company, estate, or trust. (4-6-23)

b. If an individual receives a refund due to a refundable credit for all or part of the income tax paid by the pass-through entity, the amount of the refund attributable to the refundable credit reduces the income tax paid by the pass-through entity. (4-6-23)

c. The credit may not exceed the proportion of the tax otherwise due to Idaho that the adjusted gross income of the individual derived from sources in the other state as modified by Chapter 30, Title 63, Idaho Code, bears to total adjusted gross income for the individual so modified. (4-6-23)

d. The credit allowed to an estate or trust may not exceed the proportion of the tax otherwise due to Idaho that the federal total income of the estate or trust derived from sources in the other state and taxed by that state bears to the federal total income of the estate or trust. (4-6-23)

i. Federal total income of the estate or trust derived from sources in the other state is to be determined using the Idaho sourcing rules applicable to nonresidents found in Section 63-3026A, Idaho Code and related rules. Income derived from the ownership or disposition of any interest in real or

tangible personal property located in the other state is to be considered to be income derived from sources in the other state. Interest income earned on a bank account generally would not be income derived from sources in the other state as provided in Rule 266 of these rules. (4-6-23)

056. Examples. Available at Income Tax Rules Examples. (4-6-23)

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