

2004

IDAHO CREDIT FOR QUALIFYING NEW EMPLOYEES

FORM 55 TC55041 10-18-04

For calendar year 2004, or fiscal year beginning Month Day Year 04 ending Month Day Year
Name(s) as shown on return Social Security Number or EIN

PART I. QUALIFYING FOR THE CREDIT

For tax years beginning in 2004, two credit rates are available if you have qualifying new employees. They are:

- 1. A \$500 credit per new employee, but only if you meet the definition of a revenue-producing enterprise, or
2. A \$1,000 credit per new employee, but only if your new employee:
a. Received an annual average hourly wage of at least \$15.50 and
b. Was eligible to receive employer provided coverage under an accident or health plan.

PART II. CREDIT AVAILABLE SUBJECT TO LIMITATION

1. The average number of qualifying employees during the tax year
2. The average number of qualifying employees during the three preceding tax years
3. The average number of qualifying employees during the preceding tax year
4. Subtract the greater of line 2 or 3 from line 1 and enter the difference. This is the number of qualifying new employees. The amount must equal or exceed one.
5. Number of qualifying new employees listed on line 4 who meet the criteria for the \$500 credit.
6. Number of qualifying new employees listed on line 4 who meet the criteria for the \$1,000 credit.
7. Multiply the number on line 5 by \$500.
8. Multiply the number on line 6 by \$1,000.
9. Add line 7 and line 8.
10. Enter the net income of the trade or business in which the new employment occurred.
11. Multiply the number on line 10 by .0325.
12. Enter the smaller of lines 9 and 11. This is your total credit for qualifying new employees earned this year.
13. Enter the pass-through share of credit from an S corporation, partnership, estate, or trust.
14. Carryover from prior years' credit for qualifying new employees.
15. Credit available prior to distributions. Add lines 12 through 14.
16. Credit distributed to partners, shareholders, or beneficiaries.
17. Total credit available subject to limitation. Subtract line 16 from line 15. Carry to PART III, line 23.

PART III. CREDIT LIMITATIONS

1. Enter the Idaho income tax from your tax return.		1	
2. Enter your credit for tax paid to other states.		2	
3. Subtract line 2 from line 1.		3	
4. Enter 50% of line 3.		4	
5. Enter your credit for contributions to Idaho educational entities.		5	
The credit is limited to the smallest of 50% of the contribution and:			
corporations: \$1,000 or 10% of the tax on line 1;			
taxpayers other than corporations: \$100 (\$200 if filing a joint return) or 20% of the tax on line 1.			
6. a. If line 5 is less than line 4, enter the amount from line 5.			
b. If line 5 is equal to or larger than line 4, enter the amount from line 4.			
<i>This is your allowable credit for contributions to Idaho educational entities.</i>		6	
7. Enter your investment tax credit from Form 49, Part 1, line 8.		7	
8. Add lines 6 and 7.		8	
9. a. If line 8 is smaller than line 4, enter the amount from line 7.			
b. If line 8 is equal to or larger than line 4, subtract line 6 from line 4.			
<i>This is your allowable investment tax credit.</i>		9	
10. Add lines 6 and 9.		10	
11. Enter your credit for contributions to Idaho youth and rehabilitation facilities.		11	
The credit is limited to the smallest of 50% of the contribution and:			
corporations: \$500 or 10% of the tax on line 1;			
taxpayers other than corporations: \$100 (\$200 if filing a joint return) or 20% of the tax on line 1.			
12. Add lines 10 and 11.		12	
13. a. If line 12 is smaller than line 4, enter the amount from line 11.			
b. If line 12 is equal to or larger than line 4, subtract line 10 from line 4.			
<i>This is your allowable credit for contributions to Idaho youth and rehabilitation facilities.</i>		13	
14. Add lines 10 and 13.		14	
15. Enter your credit for production equipment using post-consumer waste but no more than \$30,000		15	
16. Add lines 14 and 15.		16	
17. a. If line 16 is smaller than line 4, enter the amount from line 15.			
b. If line 16 is equal to or larger than line 4, subtract line 14 from line 4.			
<i>This is your allowable credit for production equipment using post-consumer waste.</i>		17	
18. Add lines 14 and 17.		18	
19. Enter your promoter-sponsored event credit.		19	
20. Add lines 18 and 19.		20	
21. a. If line 20 is smaller than line 3, enter the amount from line 19.			
b. If line 20 is equal to or larger than line 3, subtract line 18 from line 3.			
<i>This is your allowable promoter-sponsored event credit.</i>		21	
22. Add lines 18 and 21.		22	
23. Enter your credit for qualifying new employees from PART II, line 17.	23		
24. Tax available after all credits. Subtract line 22 from line 3.	24		
25. 50% of tax limitation. Subtract line 18 from line 4.	25		
26. Enter the smallest amount from lines 23, 24 and 25.			
<i>This is your allowable credit for qualifying new employees.</i>		26	

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.

For tax years beginning on or after January 1, 2004, you may be able to earn either a \$1,000 credit or a \$500 credit for a qualifying new employee. You cannot earn both credits for the same employee. The applicable credit rate depends on whether the new employee meets certain wage and benefit criteria. If the new employee does not meet the criteria for either credit rate, you will not be able to claim the credit for that new employee.

Qualifying New Employee

"New employee" means a person who is subject to Idaho income tax withholding and covered for unemployment purposes under Idaho Code. The employee must work in your trade or business at least 20 hours per week and a minimum of nine months during the tax year for which you are claiming the credit to qualify.

\$1,000 Credit

To qualify for the \$1,000 credit, the new employee must meet both of the following criteria:

- He must have received annual earnings at an average rate of \$15.50 or more per hour worked; and
- He must have been eligible to receive employer provided coverage under an accident or health plan described in Section 105, Internal Revenue Code (IRC).

To earn the \$1,000 credit your business does not have to be a revenue-producing enterprise.

\$500 Credit

If the new employee does not qualify for the \$1,000 credit, you may be able to claim the \$500 credit. To qualify for the \$500 credit, the employee must have worked for you in a "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.

Calculating the Credit

The Employer Quarterly Unemployment Insurance Tax Reports and the Unemployment Insurance Wage Reports filed with the Idaho Department of Commerce and Labor are the basis for computing the number of employees. However, only those employees who meet the definition of "new employee" can be included when computing the credit for qualifying new employees. You must keep records 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 whole number.

Credit Limitations

The total credit allowed cannot exceed 3.25% of the net income of your trade or business in Idaho. If you earn or claim the credit for qualifying new employees, this credit and all other income tax credits except for the credit for tax paid to other states are limited to 50% of the tax after deducting the credit for tax paid to other states. The promoter-sponsored event credit is not subject to this limitation.

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 II. CREDIT AVAILABLE SUBJECT TO LIMITATION

Line 1. 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 Employer Quarterly Unemployment Reports and dividing that sum by the number of months of operation during the tax 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 on your Idaho Employer Quarterly Unemployment Reports 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 3. Determine the average number of qualifying employees during the preceding tax year by adding the number of qualifying employees reported for each month on your Idaho Employer Quarterly Unemployment Reports and dividing that sum by the number of months of operation during the preceding tax year.

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 down to the nearest whole number.

Line 5. If your trade or business in which the new employees work does **NOT** qualify as a revenue-producing enterprise, you cannot claim the \$500 on any new employees. Enter 0 on line 5.

If your trade or business qualifies as a revenue-producing enterprise, determine the number of new employees listed on line 4 who do not qualify for the \$1,000 credit and enter that number on line 5.

Line 6. Determine the number of new employees listed on line 4 who meet the qualifications for the \$1,000 credit. The employee must have an annual average hourly wage rate of at least \$15.50 and have been eligible to receive employer provided coverage under an accident or health plan. Enter the result on line 6.

Line 10. The credit is limited to 3.25% of the net income of your trade or business in which the new employment occurred. Enter on line 10 the amount of net income from the proprietorship, farm, partnership, fiduciary or corporation income tax return that is from Idaho activities.

Line 16. 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 the same way income or loss passes through.

PART III. CREDIT LIMITATIONS

If you earned the Idaho credit for qualifying new employees, complete Part III 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. 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.

Line 1. Enter the 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 2. Enter the amount of credit for tax paid to other states. This credit is available only to individuals, estates and trusts.

Line 5. Enter the amount of credit for contributions to Idaho educational entities. This credit is limited as indicated on the form.

Line 6. Follow the instructions on line 6a or 6b, whichever is applicable. This is the amount of credit for contributions to Idaho educational entities you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

If line 5 is equal to or larger than line 4, 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. Do not complete the rest of this form.

Line 7. Enter the amount of your investment tax credit allowed from Form 49, Part I, line 8.

Line 9. Follow the instructions on line 9a or 9b, whichever is applicable. This is the amount of investment tax credit you may claim. Enter this amount on the appropriate line of your Idaho income tax return.

If line 8 is equal to or larger than line 4, 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. Do not complete the rest of this form.

Line 11. Enter the amount of your credit for contributions to Idaho youth and rehabilitation facilities and nonprofit substance abuse centers. This credit is limited as indicated on the form.

Line 13. Follow the instructions on line 13a or 13b, whichever is applicable. 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.

If line 12 is equal to or larger than line 4, 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. Do not complete the rest of this form.

Line 15. Enter the amount of your credit for production equipment using post-consumer waste, but no more than \$30,000.

Line 17. Follow the instructions on line 17a or 17b, whichever is applicable. 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.

If line 16 is equal to or larger than line 4, 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. The unclaimed portion of the credit for production equipment using post-consumer waste may be eligible for carry forward to next year. Do not complete the rest of this form.

Line 19. Enter the amount of your promoter-sponsored event credit. This credit is \$1 for each temporary permit issued during the tax year to participants of a promoter-sponsored event on behalf of the Tax Commission. You must have filed Form ST-124 with the Tax Commission to qualify for the credit.

Line 21. 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.

If line 20 is equal to or larger than line 3, 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. Do not complete the rest of this form.

Line 26. 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.