IDAHO

2012

Corporation Income Tax

Instructions for:

Form 41
Corporation Income Tax Return

Form 41S
S Corporation Income Tax Return

Form 42
Idaho Apportionment and Combined Reporting Adjustments

Form 44
Idaho Business Income Tax Credits and Credit Recapture

For more information:

tax.idaho.gov

Questions:
(208) 334-7660 in the Boise area
(800) 972-7660 toll free

Hearing Impaired (TDD):
(800) 377-3529

Refund Information:
(208) 364-7389 in the Boise area
(888) 228-5770 toll free

UPDATES FOR 2012

TAX RATE REDUCED
For tax years beginning on and after January 1, 2012, the maximum corporate tax rate has been reduced from 7.6% to 7.4%.

CONFORMITY TO INTERNAL REVENUE CODE (IRC)
Idaho conforms to the IRC as of January 1, 2012. Idaho doesn't conform to bonus depreciation for assets acquired after 2009.

FORMS
Idaho Form 55 Credit for Qualifying New Employees may be used for employees hired through April 14, 2011. For employees hired after April 14, 2011, Idaho Form 72 Idaho Hire One Act Credit must be used.

NONRESIDENT OWNERS OF A PASS-THROUGH ENTITY (PTE) THAT IS TRANSACTING BUSINESS IN IDAHO
An estate, trust, partnership or S corporation transacting business in Idaho must file a composite return or do backup withholding to report the Idaho source distributive income for nonresidents unless the individual files an Idaho Nonresident Owner Agreement or is an owner for which the PTE is not required to withhold.

If the pass through entity files a composite return, the income and tax allocated to the nonresident will be reported to the nonresident on their Idaho K-1. The nonresident then has the option of filing an Idaho nonresident return, reporting the allocated income and any other Idaho income and claiming the tax paid as a credit.

GENERAL INFORMATION

WHO MUST FILE A FORM 41
A corporation or association that is transacting business in Idaho, is registered with the Idaho Secretary of State to do business in Idaho, or has income attributable to Idaho must file Form 41. This includes a(n):

- Regular corporation subject to the income or franchise tax.
- Nonprofit organization that receives unrelated business income, as defined in the IRC. If you don't receive unrelated business income, you aren't required to file an Idaho corporate income tax return. However, if you file a federal Form 990, the Tax Commission will accept a copy.
- Corporation in business solely to perform contracts with the U.S. Department of Energy at the Idaho National Laboratory. This corporation is subject to the Idaho franchise tax. See Franchise Tax, page 3.
- Receiver, trustee in dissolution, trustee in bankruptcy, or assignee who possesses or holds title to all or substantially all of the property or business of a corporation, even if the property or business isn't being operated.
- Mutual savings bank that doesn't have capital stock represented by shares, a domestic building and loan association, a domestic savings and loan association, a federal savings and loan association with substantially all of the business confined to making loans to members, and a cooperative bank without capital stock operated for mutual purposes and without profit.
- Limited liability company treated as a corporation for federal income tax purposes.
- Common law trust treated as a corporation for federal income tax purposes.
- Real Estate Investment Trust (REIT).
- Regulated Investment Company (RIC).
- Homeowners' association.
- Inactive or nameholder corporation.
- Nonproductive mining corporation.

GENERAL INFORMATION

- Publicly traded partnership treated as a corporation under IRC Section 7704.

A corporation that falls under the protection of Public Law 86-272 is not required to file.

WHO MUST FILE FORM 41S
A corporation filing as an S corporation for federal income tax purposes must file Form 41S if it:

- Is transacting business in Idaho, or
- Is registered with the Idaho Secretary of State to do business in Idaho

Idaho accepts the federal approval of the S corporation election. Federal Form 2553 or a copy of the federal notice approving the election must be included with your Idaho tax return for the first year you file Form 41S.

TRANSACTING BUSINESS
Transacting business in Idaho is indicated by, but not limited to, the following activities:

- Owning or leasing, as lessor or lessee, any property in Idaho
- Soliciting business in Idaho
- Being a member of a partnership or S corporation with business in Idaho
- Any Idaho activity from which income is received, realized, or derived
- Having an agent, such as a collector, repair person, delivery person, etc., acting on your behalf in Idaho

WHAT TO FILE
A complete copy of the federal income tax return must be included with your Idaho income tax return. If filing a Form 41S, all Schedules K-1 and Idaho Forms ID K-1 must be included with your return or submitted with the return on compact disc in Word, Excel, or PDF format. Failure to include a complete copy of the federal return may cause the return to be delinquent.

WHEN TO FILE
Returns for all corporations, except for farmers' cooperatives, are due on or before the 15th day of the fourth month following the close of the tax year. For a calendar year filer, this is April 15, 2013.

Short period returns are due by the later of the 15th day of the fourth month following the close of the tax year or by the date required for that period by the IRC.

The return for a farmers' cooperative is due on or before the 15th day of the ninth month following the close of the tax year. For a calendar year filer, this is September 15.

If the last day for filing a return falls on a Saturday, Sunday or legal holiday, the return is timely if it is filed on the next work day.

WHERE TO FILE
Mail the return and payment to:

Idaho State Tax Commission
PO Box 56
Boise ID 83756-0056

If you are sending your return using a delivery service that requires a physical address, use the following:

Idaho State Tax Commission
800 Park Blvd Plaza IV
Boise ID 83712-7742

ACCOUNTING METHODS
You must use the same accounting method that is used for federal income tax purposes. A change of accounting method must have prior approval from the Internal Revenue Service (IRS). Include a copy of the federal approval with your return.

ACCOUNTING PERIOD
You must use the same accounting period that is used for federal income tax purposes. A change to the annual accounting period must have prior approval from the IRS. Include a copy of the federal approval with your return.

AMENDED RETURNS
If you discover an error on your return after it is filed, use Form 41 or Form 41S to amend your return. Check the box at the top of the form and enter the reason for amending. Complete the entire form using the corrected amounts.

If you amend your federal return, an amended Idaho income tax return must be filed. The statute of limitations for receiving a refund is three years from the due date of the return or the date the return was filed, whichever is later.

Amended returns claiming refunds that aren't filed on the form for the applicable year will be returned to the taxpayer.

ASSEMBLING THE RETURN
To ensure that your return is correctly processed, include all forms and schedules in the following order:

1. Form 41 or 41S, pages 1 and 2
2. Form 42
3. Form 75
4. Form 44
5. Forms ID K-1
6. Additional schedules in alphabetical order
7. Additional forms in numerical order
8. Complete copy of federal return

BONUS DEPRECIATION
For Property Acquired Prior To 2008 or After 2009
If you claimed bonus depreciation for federal purposes:

- Complete and include a separate federal Form 4562 or detailed computation for Idaho depreciation purposes as if you hadn't claimed the special depreciation allowance.

- Use the Idaho depreciation amounts to compute the Idaho adjusted basis and any gains or losses from the sale or exchange of the property.

- Enter the differences between the Idaho and federal depreciation amounts, and gains and losses from sales or other exchanges of the property on the bonus depreciation line.

For Property Acquired After 2007 and Before 2010
Idaho conforms to the federal bonus depreciation provisions. The amounts you use for federal will also be used for Idaho. No additional forms or computations are needed for Idaho.

CHECK-THE-BOX REGULATIONS
Idaho follows the federal entity classification (check-the-box) regulations. Therefore, if an entity is classified or taxed as a corporation for federal income tax purposes, it will be treated as a corporation for Idaho income tax purposes.

DISREGARDED ENTITIES
Idaho follows the federal rules on disregarded entities for tax purposes. As a result, these entities are treated as a sole proprietorship, branch or division of their owners. Income, deductions and credits are treated as belonging to the owner. Apportionment attributes of the disregarded entity and the owner are totaled to result in one Idaho apportionment factor.

GENERAL INFORMATION

Include a schedule listing the name and federal identification number of disregarded entities that are included in your return.

E-FILE YOUR RETURN
The Tax Commission, with the IRS, provides electronic filing of federal and state corporation and S corporation income tax returns. The Federal/State MeF E-File Program provides one-stop electronic filing of returns in a single transmission. Taxpayers who file online get faster refunds, make fewer errors, and receive confirmation that their return was received. To e-file your return, visit our website at **tax.idaho.gov** to find a commercial software package for a fee or ask your tax preparer to e-file your return.

ELECTRONIC FUNDS TRANSFERS
Payments of $100,000 or more must be paid by electronic funds transfer. If you are making an electronic funds transfer for the first time, contact the Tax Commission at (208) 334-7660 or (800) 972-7660 for further information.

ESTIMATED TAX PAYMENTS
A corporation must make estimated tax payments to the Tax Commission if it is required to make federal estimated tax payments and the Idaho tax liability is estimated to be $500 or more. Estimated taxes are filed on Form 41ES. The estimated tax payments are due on the 15th day of the 4th, 6th, 9th, and 12th months of the tax year. For a calendar year filer, this is the 15th of April, June, September, and December.

Estimated taxes aren't required for the first year a corporation exists in Idaho. The corporation will be sent the necessary estimated tax payment form, Form 41EST.

EXTENSION OF TIME TO FILE
If you can't file your return by the due date, Idaho allows you an automatic six-month extension of time to file. To avoid paying a penalty, the amount of tax payments you have made must be at least 80% of the current year's tax liability or 100% of the total tax reported last year. Use Form 41ES to make your payment.

Even though an extension gives you more time to file, the tax is due on the original due date of the return. You must pay interest on any tax paid after the due date.

FEDERAL AUDIT
If your federal taxable income or tax credits change because of a federal audit, you must send written notice (including an amended return) to the Tax Commission within 60 days of the final federal determination. You must include copies of all schedules supplied by the IRS.

If you owe additional Idaho tax and don't send written notice within 60 days, a 5% negligence penalty will be imposed. Interest applies on any tax due.

If the final federal determination results in an Idaho refund, you must file an amended Idaho income tax return with the written notice. See Amended Returns. If the statute of limitations is closed, you have one year from the date of the final determination to file for the refund.

FORMS
Forms are available at all Tax Commission offices or may be obtained:

- By Internet. Download, view, or print Idaho income tax forms and publications from our website at **tax.idaho.gov**. Some forms can't be saved electronically at this time.
- By calling (208) 334-7660 in the Boise area or (800) 972-7660.
- By mail. Write to:

  Idaho State Tax Commission
  PO Box 36
  Boise ID 83722-0410

You may use photocopies of these tax forms. Your copy must be legible.

FRANCHISE TAX
The franchise tax is imposed on a corporation for the privilege of exercising its corporate franchise in Idaho. This includes a corporation in business solely to perform contracts with the U. S. Department of Energy at the Idaho National Laboratory.

The tax is computed at 7.4% of Idaho taxable income. Corporations aren't subject to both the franchise tax and the income tax.

INTEREST
Interest applies on delinquent tax from the original due date of the return until the tax is paid at the rate of 3% per year (rate effective for 2013).

MINIMUM TAX
The minimum tax of $20 is required for each corporation that transacts business in Idaho, is registered with the Idaho Secretary of State to do business in Idaho, or is exercising its corporate franchise in Idaho. This includes an S corporation. For a unitary group of corporations, the $20 minimum tax is required for each corporation in the unitary group that is required to file an Idaho income tax return, even though only one Idaho group return is filed.

The $20 minimum tax isn't required to be paid by the following:

- A nonproductive mining corporation
- A corporation not organized for profit that isn't required to pay federal tax on unrelated business income
- A homeowners' association filing Form 1120-H and having no federal taxable income
- A corporation under the protection of Public Law 86-272

NET OPERATING LOSS (NOL)
A corporation incurs an Idaho NOL in a year when it is transacting business in Idaho and its Idaho taxable income is less than zero. An NOL incurred by a corporation during a tax year in which it wasn't transacting business in Idaho may not be subtracted.

For tax years beginning on or after January 1, 2000, the NOL generally must be carried back to the two preceding years. The carryback is limited to a maximum of $100,000. Any remaining loss may be carried forward until used, but no longer than 20 years.

For tax years beginning prior to January 1, 2000, the NOL generally must be carried back to the three preceding years. The carryback is limited to a maximum of $100,000. Any remaining loss may be carried forward until used, but no longer than 15 years.

A corporation can elect to forgo the Idaho carryback period and carry the loss forward. This Idaho election must be made by the due date, including extensions, of the loss year return. To make the Idaho election, check the box on line 37 of Form 41, indicating the Idaho election to forgo the carryback period.

GENERAL INFORMATION

An S corporation isn't allowed a deduction for an NOL carryback or carryforward. The loss must be passed through to the shareholder to be taken on his individual income tax return.

PAYMENTS
Make your check, cashier's check, or money order payable to the Idaho State Tax Commission and include it with the tax return. Write your federal employer identification number on your check, cashier's check, or money order.

To pay by credit card, debit card, or e-check, visit our website at **tax.idaho.gov**.

For payments of $100,000 or more, see Electronic Funds Transfers.

PENALTIES
Penalties may be imposed on the tax due as follows:

- 0.5% per month or fraction of a month to a maximum of 25% for failure to pay the tax due (if return is filed)
- 2% per month or fraction of a month for failure to meet the extension criteria (the return must be filed by the extended due date and taxes must be paid by the earlier of the date the return is filed or the extended due date)
- 5% per month or fraction of a month to a maximum of 25% for failure to file the return timely
- 5% for negligence or disregard of rules
- 10% for substantial understatement of tax
- 50% for filing a false or fraudulent return

The minimum penalty is $10.

PERMANENT BUILDING FUND (PBF) TAX
A corporation required to file an Idaho income tax return must pay the $10 PBF tax. This includes homeowners' associations, inactive or nameholder corporations, and nonproductive mining corporations that are registered with the Idaho Secretary of State to do business in Idaho. The PBF tax must be paid by each corporation in the unitary group that is required to file an Idaho income tax return, even though only one Idaho group return is filed. A corporation under the protection of Public Law 86-272 isn't required to pay the PBF tax.

An S corporation required to pay tax on excess net passive income or net recognized built-in gains must pay the PBF tax. An S corporation is required to pay the PBF tax for each nonresident individual shareholder meeting the Idaho filing requirement and electing to have the S corporation pay the tax on his share of the income. A nonresident individual meets the Idaho filing requirement with gross income from Idaho sources in excess of $2,500.

QUALIFIED SUBCHAPTER S SUBSIDIARIES (QSSS)
Idaho follows the federal election to treat a qualified subsidiary of an S corporation as a QSSS. As a result, the S corporation parent and the subsidiary are treated as one corporation. Income, deductions, and credits of the QSSS are treated as income, deductions, and credits of the parent. Apportionment attributes of the QSSS are also totaled with the parent's apportionment attributes to compute one Idaho apportionment factor.

ROUNDING
Round the amounts on the return to the nearest whole dollar.

SIGNATURE
The return must be signed by an authorized individual on behalf of the corporation.

TAX DUE FOR NONRESIDENT OFFICERS, DIRECTORS, AND SHAREHOLDERS
A nonresident individual shareholder, officer, or director may have the S corporation pay the tax on his income from that S corporation. This income includes wages, salaries, and other compensation, and the individual's share of income, loss, or deduction.

Not all deductions allowed on an individual return are allowed when a corporation pays the tax for an individual officer, director, or shareholder. For example, S corporations aren't allowed deductions for carryovers or carrybacks of net operating losses, capital losses or personal exemptions.

The S corporation will be taxed on this income at the corporate rate of 7.4%.

These provisions apply to an S corporation that is transacting business in Idaho.

TAX PERIOD/YEAR COVERED BY RETURN
Use the 2012 form to file your tax return for calendar year 2012 or the fiscal year beginning in 2012.

TAX PREPARER CONTACT BOX
This box applies only if you paid a tax preparer to complete your return. If you check the box, you are authorizing the Tax Commission to discuss your return with the paid preparer identified on your return.

You are also authorizing the paid preparer to:

- Give the Tax Commission any information that is missing from your return, and
- Call the Tax Commission for information about the processing of your return or the status of your refund or payments.

You are not authorizing the paid preparer to receive any refund check, bind you to anything including any additional tax liability, or otherwise represent you before the Tax Commission.

This authorization is valid for up to 180 days from the date the Tax Commission receives the return. If you want the Tax Commission to contact you rather than your preparer, leave the box blank.

GENERAL INFORMATION FOR MULTISTATE & MULTINATIONAL TAXPAYERS AND UNITARY GROUPS

The following instructions apply only to corporations that are taxable in Idaho and another state or country (multistate and multinational corporations) or are part of a unitary group of corporations.

ALLOCATION AND APPORTIONMENT OF INCOME
Business Income. Business income includes income from transactions or activity in the regular course of your trade or business. Business income also includes income from tangible or intangible property if the acquisition, management, or disposition of the property is an integral part of your regular trade or business operations. Business income may result even though the income was derived from an occasional or extraordinary transaction. All business income must be apportioned using the apportionment formula.

Nonbusiness Income. Nonbusiness income is all income other than business income and must be allocated, not apportioned. Allocation is the assignment of nonbusiness income to a specific state.

GENERAL INFORMATION

Apportionment Formula. The apportionment formula consists of three factors: property, payroll, and sales. These percentages are averaged to arrive at the Idaho apportionment factor. For most taxpayers, the sales factor is double weighted.

Electrical and telephone utilities must use a single-weighted sales factor. See the instructions for Form 42.

EXCEPTIONS TO APPORTIONMENT FORMULA
The apportionment formula is presumed to be the correct way to apportion business income. However, if the allocation and apportionment provisions don't fairly represent your business activity in Idaho, you can ask the Tax Commission for permission to use separate accounting, exclude one or more factors, or include one or more additional factors.

Separate Accounting. Separate accounting means allocating income and related expenses to the state where the activity occurred. You must receive prior approval from the Tax Commission to use separate accounting. Permission won't be granted just because you can identify income and expenses by location or because the standard apportionment formula results in more tax to Idaho than another method.

In your request to use separate accounting you must explain in detail why the standard allocation and apportionment provisions don't fairly represent the extent of your business activity in Idaho. You must also show that your business has unique and nonrecurring situations that produce inconsistent results. If you have a unitary business, the law assumes that unitary filing and apportionment more accurately reflects your income, unless you can prove otherwise.

You must submit a written request at least 30 days prior to the due date for filing the return, not including extensions. Mail your request to:

Income Tax Policy
Idaho State Tax Commission
PO Box 36
Boise ID 83722-0410

Exclusion of a Factor. If any of the factors (property, payroll, or sales) don't apply to your business, use the remaining factors to compute the Idaho apportionment factor. To determine the average percentage, divide only by the number of factors used. For example, if your corporation has no employees anywhere, the number of factors is reduced by one.

Alternative Tax Computation on Idaho Gross Sales. A corporation that doesn't own or rent any Idaho property, whether real or personal, and doesn't have any Idaho payroll may elect to pay tax to Idaho at the rate of 1% of Idaho gross sales if its Idaho sales are $100,000 or less. To make this election, you must include a written statement with the return. Your statement must include your intent to make the election to pay the alternative tax on Idaho gross sales and affirm that for the tax year the corporation:

- Did not have any Idaho property and was not renting any Idaho property
- Did not have any Idaho payroll
- Did not have Idaho sales exceeding $100,000

You can't change your election for the year once you file your return. You will compute your tax based on 1% of the Idaho gross sales. You won't compute an Idaho apportionment factor or complete Form 42 if you have met the criteria listed and included your election statement.

MODIFIED FACTORS FOR CERTAIN INDUSTRIES
The following businesses must use special rules in computing the apportionment factors:

- Airlines
- Trucking Companies
- Railroads
- Construction Contractors
- Television and Radio Broadcasters
- Publishers
- Financial Institutions

See the instructions for Form 42.

UNITARY BUSINESS
A multistate business is unitary when the operations conducted in Idaho are integrated with, depend on, or contribute to the business outside Idaho. There are various judicially acceptable tests that are used to make this determination and a business will be determined to be unitary even if only one of the tests is met. The following are some of these tests:

The three unities test. This test is met if all three of the following unities are met:

- Unity of ownership;
- Unity of operation as evidenced by central divisions for functions such as purchasing, advertising, accounting, and management; and
- Unity of use in its centralized executive force and generalized system of operations.

The contribution or dependency test. This test is met when the operations in Idaho contribute to or are dependent on the operations of the business performed outside Idaho.

Contributions to income test. This test is met if significant flows of value are present evidenced by factors such as:

- Functional integration
- Centralization of management, and
- Economies of scale

The presence of any of the following generally indicates a unitary business:

1. All activities of the group are in the same general line or type of business
2. The activities of the group constitute different steps in a vertically structured enterprise
3. The group is characterized by strong centralized management and centralized departments exist for functions such as financing, advertising, research, or purchasing

COMBINED REPORTING METHOD
The combined report shouldn't be confused with a federal consolidated return. A combined report refers to the method used to compute the amount of business income to be reported to Idaho by each member of a unitary group and not whether the unitary group files a group return or several returns. This method uses the apportionment factor to measure the economic activities of the taxpayer in a state. Use of the combined report doesn't disregard the separate corporate identities of the members of the unitary group.

An S corporation can't use the combined reporting method.

The combined report may be reflected on one group return filed by the unitary group or on two or more returns, one for each member that has an Idaho filing requirement. If a group return is filed for the unitary group, the following information must be included with the return for each corporation that has an Idaho income tax filing requirement:

- Idaho and combined property, payroll, and sales amounts and the resulting apportionment factor
- Idaho tax computation

GENERAL INFORMATION

- Idaho net operating loss calculation
- Idaho tax credits and limitations

The combined reporting method is required if two or more corporations are engaged in a unitary business, and more than 50% of the voting stock is owned directly or indirectly by a common owner or owners. For more information, call (800) 972-7660 to order the *Guide to Combined Reporting* or obtain a copy at **tax.idaho.gov**.

A change from the use of the combined reporting method is allowed only with prior consent from the Tax Commission. You must submit a written request at least 30 days prior to the due date of the return, not including extensions. Mail your request to:

Income Tax Policy
Idaho State Tax Commission
PO Box 36
Boise ID 83722-0410

WORLDWIDE FILING
If a taxpayer is part of a unitary group, the combined report must include the income or loss and apportionment factor attributes of all unitary affiliates with more than 50% common ownership. This includes corporations incorporated outside the United States.

WATER'S EDGE ELECTION
The water's edge election is applicable only to a unitary business that has ownership in at least one foreign affiliate who doesn't file a federal income tax return. The business may elect to exclude foreign affiliates from the combined report unless they are included in a federal return and be taxed only on a percentage of any dividends received from the foreign affiliates.

Only the income and apportionment factors of unitary corporations filing a federal income tax return or included in a federal consolidated return are taken into account in determining Idaho taxable income.

To make a valid water's edge election, the Water's Edge Election and Consent Form, Form 14, must be filed with the original return for the first year the election is made. The election can't be made on an amended return. If a taxpayer wishes to change from the water's edge method to the worldwide filing method, permission must be requested from the Tax Commission.

The domestic disclosure spreadsheet must be filed within six months after filing the Form 41. A unitary business may elect to forgo the filing of the spreadsheet; however, the 85% exclusion of dividends from foreign corporations must be reduced to 80%. The election to forgo filing the spreadsheet is a yearly decision made by checking the "Yes" box on line 8b, Form 41.

To request the Idaho Water's Edge Election and Consent Form, and the domestic disclosure spreadsheet and instructions, call (800) 972-7660. You may obtain a copy of the Water's Edge Election Pamphlet at **tax.idaho.gov**.

MULTISTATE CORPORATE MEMBERS OF PARTNERSHIPS
If a corporation required to file an Idaho income tax return is a member of an operating partnership or joint venture, the corporation must apportion its share of the partnership's business income or loss along with all other net business income or loss of the corporation. The corporation's share of the partnership's property, payroll and sales is determined in the same proportion as the partnership's income is distributed and must be included in the corporation's apportionment computation.

NET OPERATING LOSS (NOL)
Each affiliated corporation included in a unitary group return must compute its own share of the combined NOL apportioned to Idaho and apply its loss to its apportioned income.

The provisions of IRC Section 381 and 382 apply in computing the Idaho net operating loss of merged corporations. The IRC Section 382 loss limitation is limited by the pre-merger loss corporation's Idaho apportionment factor for the last tax year before the merger.

FORM 41 SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.
General information instructions beginning on page 1 also apply to this form.

HEADING
File the 2012 return for calendar year 2012 or a fiscal year that begins in 2012. For a fiscal year, fill in the tax year space at the top of the form.

Write your business name, address, and federal employer identification number (EIN) in the space provided. Don't include the dash when entering your EIN.

AMENDED RETURN
This form can be used as an original return or as an amended return. If you are filing this form as an amended return, check the box at the top of the form. Enter the applicable reason(s) for amending, as listed below. Complete the entire form using the corrected amounts.

1. Federal Audit
2. Capital Loss Carryback
3. Net Operating Loss Carryback - Include Form 56 or a schedule showing the application of the loss
4. Federal Amended
5. Other - Include an explanation

QUESTIONS 1-10
Mark the appropriate boxes and provide the requested information. Answer each question or the return will be considered incomplete. Incomplete returns will cause processing delays.

Question 1 FEDERAL AUDIT
If a federal audit was finalized during the tax year, enter the most recent tax year covered in the audit.

Question 2 INACTIVE OR NAMEHOLDER CORPORATIONS
Check the "Yes" box if the corporation is authorized to transact business in Idaho but has no business activity and no income attributable to Idaho.

Question 3 ESTIMATED TAX PAYMENTS
a. Check the "No" box if the corporation wasn't required to make federal estimated tax payments in 2012.
b. Check the "Yes" box if your estimated tax payments were based on annualized amounts.

Question 4 FINAL RETURN
If this is the corporation's final return for Idaho, check the box that explains the reason and enter the date the event occurred. Enter the new federal EIN if the corporation has merged or reorganized.

FORM 41

Question 5 EXTENDED FEDERAL DUE DATE FOR SHORT PERIOD RETURN
If this is a short period return and the corporation has an extended federal due date, enter the federal due date on this line.

Question 6 ELECTRICAL OR TELEPHONE UTILITY
If this return is for an electrical or telephone utility, check the "Yes" box. Electrical and telephone utilities apportion business income using a different apportionment factor calculation.

Question 7 COMBINED REPORTING INFORMATION
Check the "Yes" box if this return is prepared using the combined reporting method. Even if you checked the "No" box, answer questions a through c. Include Form 41A if you answer yes to any of the questions 7 through 7d. Don't consider ownership by an S corporation when answering these questions.

a. If the corporation filing this return owns more than 50% of another corporation, check the "Yes" box.
b. If another corporation owns more than 50% of the corporation filing this return, check the "Yes" box.
c. If the same interest owns more than 50% of the corporation filing this return and another corporation, check the "Yes" box.
d. Check the "Yes" box if this is a combined report and two or more corporations included in the report are authorized to transact business in Idaho or are transacting business in Idaho.

Question 8 MULTINATIONAL UNITARY GROUP
a. If the corporation filing this return is part of a multinational unitary group, indicate whether the return is prepared on a worldwide or water's edge method. If you are electing water's edge, Form 14 is required. If you are filing an amended return, you can't change your election.
b. If this return is filed using the water's edge method, you may elect to forgo filing the domestic disclosure spreadsheet by checking the "Yes" box.
c. If this return is filed on a worldwide basis, check the "Yes" box if the income of foreign subsidiaries is computed by conforming their profit and loss statements to tax accounting standards that would be required by the IRC if the foreign subsidiaries were required to file federal income tax returns. All book to tax adjustments must be made for all foreign subsidiaries if this method is used.

Question 9 PROPERTY TAX EXEMPTION
Check the "Yes" box if you elected the property tax exemption on personal property that qualifies for the investment tax credit. Include a copy of your Form 49E.

Question 10 INSURANCE COMPANIES
Check the "Yes" box if a corporation included in this report is an insurance company paying the Idaho premium tax required by Idaho Code section 41-405.

ADDITIONS

LINE 11 FEDERAL TAXABLE INCOME
If filing as part of a federal consolidated return or separate federal Form 1120, enter the taxable income from federal Form 1120, page1, line 30. You must include a complete copy of the federal income tax return filed with the IRS with your Idaho income tax return.
If the corporations included in the unitary combined group are different from the federal consolidated group, report the differences on Form 42, Part II, lines 1,2,3 and 7.

LINE 12 INTEREST AND DIVIDENDS NOT TAXABLE UNDER INTERNAL REVENUE CODE (IRC)
Enter the interest and dividends net of applicable amortization received or accrued from obligations of any state or political subdivision excluded from federal taxable income under the provisions of the IRC. Include a schedule.

LINE 13 STATE, MUNICIPAL AND LOCAL TAXES
Enter the total of all state, municipal, and local taxes measured by net income that have been paid or accrued during the tax year less any refunds that have been included in federal taxable income. Include a schedule of all taxes deducted on the federal return.

LINE 15 DIVIDENDS RECEIVED DEDUCTION
Enter the special deduction for dividends deducted from federal income as allowed by IRC Sections 243(a) and (c), 244, 245 and 246A.

LINE 16 BONUS DEPRECIATION
If you claimed the bonus depreciation for federal purposes for property acquired before 2008 or after 2009:

- Complete a separate federal Form 4562 or detailed computation for Idaho depreciation purposes as if the special depreciation allowance hadn't been claimed.
- Compute the Idaho adjusted basis and any gains or losses from the sale or exchange of property using the Idaho depreciation amounts.
- If the federal depreciation (including gains and losses) is more than the Idaho depreciation (including gains and losses), include the difference as an addition on this line; otherwise, enter the difference on line 28.

Don't enter any amounts for property acquired after 2007 and before 2010.

LINE 17 OTHER ADDITIONS
Enter any miscellaneous Idaho additions. If you are a multistate/multinational taxpayer, include the total additions from Form 42, Part II, line 6. Include a schedule identifying each addition.

SUBTRACTIONS

LINE 19 FOREIGN DIVIDEND GROSS-UP
Enter the foreign dividend gross-up, as provided by IRC Section 78, included in federal taxable income.

LINE 20 INTEREST FROM IDAHO MUNICIPAL SECURITIES
Enter interest income from securities issued by the state of Idaho and its political subdivisions if included on line 12.

LINE 21 INTEREST ON U.S. GOVERNMENT OBLIGATIONS
Interest income from obligations of the U.S. Government isn't subject to the Idaho tax. Deduct any U.S. Government interest included in federal taxable income, line 11. Examples of obligations of the U.S. Government include:

- Banks for Cooperatives
- Federal Farm Credit Banks
- Federal Financing Bank
- Federal Homeowners Loan Bank
- Federal Intermediate Credit Bank
- Federal Land Bank
- Guam
- Puerto Rico
- Student Loan Marketing Association
- Tennessee Valley Authority Bonds
- Territory of Alaska
- Territory of Hawaii
- Territory of Samoa
- U.S. Series EE and HH Bonds
- U.S. Treasury Bills and Notes
- Virgin Islands

Interest income received from the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA) isn't paid by the U.S. Government and is subject to Idaho income tax.

FORM 41

If you have interest income from a mutual fund that invests in both nonexempt securities and exempt U.S. Government securities, you may deduct the portion of the interest earned that is attributable to direct U.S. Government obligations. This amount must be identified by the mutual fund to be deductible.

LINE 22 INTEREST EXPENSE OFFSET
Enter the amount from line 5 of the following computation. This is the interest expense offset.

1a. Interest expense. Total interest expense deducted in determining federal taxable income _____
b. Interest expense disallowed under IRC Sections 265 and 291 ..... _____
c. Interest expense from a pass-through entity..... _____
d. Interest expense of foreign corporations included in the combined report..... _____
e. Subtotal. Add lines a through d ..... _____
f. Interest expense of corporations included in the consolidated federal return but not part of the combined report filed with Idaho ..... _____
g. Intercompany interest expense..... _____
h. Total interest expense. Subtract lines f and g from line e ..... _____
2. Total tax-exempt income (interest on qualifying obligations of the United States and the state of Idaho, its cities, and political subdivisions) ..... _____
3. Total income. Refer to Rule 115, Idaho Income Tax Administrative Rules..... _____
4. Divide line 2 by line 3 ..... _____%
5. Multiply line 1h by line 4..... _____

LINE 24 TECHNOLOGICAL EQUIPMENT DONATION
Enter the fair market value of technological equipment donated to a public or nonprofit private elementary or secondary school, public or nonprofit private college or university, public library, or library district located in Idaho. Items that qualify for this deduction are limited to computers, computer software, and scientific equipment or apparatus manufactured within five years of the date of donation. The amount deducted may not reduce Idaho taxable income to less than zero. Any unused deduction can't be carried to another year.

LINE 25 ALLOCATED INCOME
Enter the amount of nonbusiness income. A schedule detailing the source of income and explaining why the income was classified as nonbusiness must be included.

LINE 26 NONBUSINESS EXPENSE OFFSET
Expenses included in federal taxable income that are related to the production of allocated nonbusiness income listed on line 25 must be added back. Related expenses include interest on indebtedness incurred or continued to purchase or carry the assets that produce the nonbusiness interest and dividend income. Interest expense related to business and nonbusiness income must be prorated. Complete the following computations to calculate the total amount of nonbusiness expense offset.

1. Expenses directly related to nonbusiness income _____
2a. Interest expense. Total interest expense deducted in determining federal taxable income _____
b. Interest expense disallowed under IRC Sections 265 and 291 ..... _____
c. Interest expense from a pass-through entity..... _____
d. Interest expense of foreign corporations included in the combined report..... _____
e. Subtotal. Add lines a through d ..... _____
f. Interest expense of corporations included in the consolidated return filed with Idaho if included in line 2a ..... _____
g. Interest expense included in line 1..... _____
h. Interest expense on line 22 attributable to tax-exempt income..... _____
i. Intercompany interest expense..... _____
j. Total interest expense. Subtract lines f through i from line e ..... _____
3. Total nonbusiness income..... _____
4. Total income. Refer to Rule 115, Idaho Income Tax Administrative Rules..... _____
5. Divide line 3 by line 4 ..... _____%
6. Multiply line 2j by line 5. This is the interest expense prorated to nonbusiness income ..... _____
7. Other indirect expenses related to both business and nonbusiness income ..... _____
8. Multiply line 7 by line 5..... _____
9. Add lines 1, 6, and 8. Enter amount on line 26.... _____

LINE 28 BONUS DEPRECIATION
If you claimed bonus depreciation for federal purposes for property acquired before 2008 or after 2009:

- Complete a separate federal Form 4562 or detailed computation for Idaho depreciation purposes as if the special depreciation allowance hadn't been claimed.
- Compute the Idaho adjusted basis and any gains or losses from the sale or exchange of property using the Idaho depreciation amounts.
- If the federal depreciation (including gains and losses) is less than the Idaho depreciation (including gains and losses), include the difference as a deduction on this line; otherwise, enter the difference on line 16.

Don't enter any amounts for property acquired after 2007 and before 2010.

LINE 29 OTHER SUBTRACTIONS
Enter any miscellaneous Idaho deductions. Multistate/multinational taxpayers include the total deductions from Form 42, Part II, line 12. Include a schedule identifying each deduction.

LINE 33 APPORTIONMENT FACTOR
If all the activity is in Idaho, enter 100%. If the corporation has multistate/multinational operations, enter the apportionment factor from Form 42, Part I, line 21. Include Form 42.

LINE 35 INCOME ALLOCATED TO IDAHO
Enter the amount of nonbusiness income allocated to Idaho less the nonbusiness expense offset from line 26 that applies to this income. A schedule detailing the source of the income allocated to Idaho must be included.

LINE 36 IDAHO NET OPERATING LOSS (NOL) CARRYOVER AND CARRYBACK
Enter the Idaho NOL carryover. If this is an amended return to claim an NOL, enter the amount of the NOL carryback.

Enter the total of the NOL carryover and carryback amounts on line 36. Include Form 56 or a schedule showing the application of the loss.

LINE 37 IDAHO TAXABLE INCOME AND ELECTION TO FORGO NOL CARRYBACK
Enter the Idaho taxable income.

Check the box on line 37 if the corporation elects to forgo the Idaho carryback period for an NOL. If you check this box, you don't need to include a separate statement electing to forgo the Idaho carryback period. If you are filing an amended return, you can't change your election.

FORM 41

TAXES

LINE 38 IDAHO INCOME TAX
Enter the amount of Idaho income tax computed at 7.4% of Idaho taxable income. The amount must be a minimum of $20. Nonproductive mining corporations and nonprofit corporations with no unrelated business income aren't subject to the $20 minimum tax. Each corporation included in a group return and required to file is subject to the $20 minimum tax.

If a multistate corporation's only activity in Idaho consists of sales that don't exceed $100,000, the corporation may elect to pay tax at the rate of 1% of its Idaho gross sales. You must include a statement to make the election. See Alternative Tax Computation on Idaho Gross Sales on page 5 for the required information. Show the computation of the tax on line 38. This will be 1% multiplied by Idaho gross sales. Do not compute an Idaho apportionment factor or apply one to the Idaho gross sales for this tax computation.

For corporations required to pay a franchise tax rather than an income tax, enter the amount of the franchise tax on this line. This tax is also computed at 7.4% of Idaho taxable income. See Franchise Tax on page 3.

CREDITS

LINE 39 CREDIT FOR CONTRIBUTIONS TO IDAHO EDUCATIONAL ENTITIES
If the corporation donated money to a qualified educational entity, it may claim a tax credit. Donations of goods or services don't qualify. If you claimed the credit for qualifying new employees, enter the amount from Form 55, Part II, line 5. Otherwise, the credit is limited to the smallest of:

- One-half of the amount donated,
- 10% of the tax on line 38, or
- $5,000

A qualified educational entity includes:

- A nonprofit corporation, fund, foundation, research park, trust, or association organized and operated exclusively for the benefit of Idaho colleges and universities
- A nonprofit, private or public Idaho school (elementary, secondary or higher education) or its foundation
- Idaho education public broadcast system foundations
- The Idaho State Historical Society or its foundation
- An Idaho public library or its foundation
- An Idaho library district or its foundation
- An Idaho public or private nonprofit museum
- The Idaho Commission for Libraries
- Idaho Commission on Hispanic Affairs
- Idaho Commission for the Blind and Visually Impaired
- Idaho Council on Developmental Disabilities
- Idaho State Independent Living Council
- Idaho Council for the Deaf and Hard of Hearing

LINE 40 CREDIT FOR CONTRIBUTIONS TO IDAHO YOUTH AND REHABILITATION FACILITIES
Donations made by a corporation to a qualified center for independent living, to a youth or rehabilitation facility or their foundations, or to a nonprofit substance abuse center licensed by the Idaho Department of Health and Welfare, may qualify for a tax credit. If you claimed the credit for qualifying new employees, enter the amount from Form 55, Part II, line 9. Otherwise, the credit is limited to the smallest of:

- One-half of the amount donated,
- 10% of the tax on line 38,
- $500, or
- The tax on line 38 less the amounts on line 39 and Form 44, Part I, line 1

The qualified youth or rehabilitation facilities and their foundations are:

- Anchor House
- The Arc, Inc., Boise
- The Children's Home Society of Idaho, Inc., Boise
- The Children's Village, Inc., Coeur d'Alene
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- Gem Youth Services, Emmett
- High Reachers, Inc., Mountain Home
- Hope House, Inc., Nampa
- Idaho Drug Free Youth, Inc., Coeur d'Alene
- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Kinderhaven, Sandpoint
- Learning Lab, Inc., Boise
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Children's Home
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Project P.A.T.C.H. (Planned Assistance for Troubled Children)
- Project Safe Place, in Idaho
- Shepherd's Home, Inc., McCall
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Walker Center, Gooding
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester
- Women's and Children's Alliance

The following are the qualified centers for independent living:

- Disability Action Center Northwest, Moscow and Coeur d'Alene
- Living Independence Network Corporation, Boise and Twin Falls
- Living Independently For Everyone, Inc., Blackfoot, Idaho Falls, and Pocatello

LINE 41 TOTAL BUSINESS INCOME TAX CREDITS
Enter the total business income tax credits from Form 44, Part I, line 12. See page 16 for specific instructions. Include Form 44.

OTHER TAXES

LINE 44 PERMANENT BUILDING FUND TAX
Enter $10 for each corporation required to file, including nonproductive mining corporations. Each corporation included in a group return and required to file must pay the $10 permanent building fund tax.

LINE 45 TOTAL TAX FROM RECAPTURE OF INCOME TAX CREDITS
Enter the total tax from recapture of income tax credits from Form 44, Part II, line 7. See page 17 for specific instructions. Include Form 44.

LINE 46 FUELS TAX DUE
If you buy gasoline, aircraft fuel, or special fuels (diesel, propane, or natural gas) without paying the fuels tax and later use this fuel in licensed vehicles or aircraft, fuels tax is due. Add the amounts on Form 75, Section IV, lines 3 and 4 and enter the total on line 46. Include Form 75.

LINE 47 SALES/USE TAX DUE
If you made purchases during the year without paying sales tax, you must report use tax due on such purchases. Examples include magazine subscriptions, out-of-state catalog purchases, merchandise purchased over the Internet, book and record clubs, purchases in a state where no sales tax was charged, etc. Multiply the total amount of such purchases by 6% (.06).

If you computed use tax on Form 75, add it to the use tax on other purchases and enter the total on line 47.

If you have a sales or use tax account, don't enter your sales or use tax on this line, but continue to report the tax on these purchases on your sales and use tax returns.

LINE 48 TAX FROM RECAPTURE OF QUALIFIED INVESTMENT EXEMPTION (QIE)
If you have claimed the QIE for property tax on property that ceases to qualify before the end of the five-year recapture period, you must recapture part or all of the property tax benefit. Enter the amount from Form 49ER, Part III, line 18. Include Form 49ER.

LINE 50 UNDERPAYMENT INTEREST
Use Form 41ESR, Part I, Underpayment of Estimated Tax, to determine if there is an underpayment of any estimated tax payments. Enter the amount of underpayment interest from Form 41ESR, Part II, line 24. Include Form 41ESR.

If this is an amended return, enter the amount from the original return.

LINE 51 DONATION TO OPPORTUNITY SCHOLARSHIP PROGRAM
You may make a voluntary donation to the Idaho Opportunity Scholarship Program. The amount designated will either reduce your refund or increase your tax due. Your choice to donate is irrevocable; you can't get a refund later.

Contributions help provide need-based scholarship funds to Idaho high school graduates who attend approved higher education institutions in Idaho. This need-based program is built on a shared responsibility model. Students must contribute to the cost of attendance, and apply for other financial aid sources including federal aid. Awards are renewable for up to four years and are based primarily on financial need with some academic consideration. Students must meet a minimum GPA while completing their studies to be eligible for renewal. For more information about the Idaho Opportunity Scholarship Program, please visit **www.boardofed.idaho.gov/scholarship/opportunity.asp**.

PAYMENTS AND OTHER CREDITS

LINE 53 ESTIMATED TAX PAYMENTS
Enter the total amount of estimated tax payments made for tax year 2012 from the following forms:

- Forms 41ES, Estimated Tax Payment / Extension of Time Payment, and
- The amount applied from your 2011 return

LINE 54 SPECIAL FUELS AND GASOLINE TAX REFUND
The special fuels (diesel, propane, or natural gas) tax refund is available to those who use the fuel for heating or in off-highway equipment and have paid the tax on the special fuels purchased. Enter the amount from Form 75, Section IV, line 2. Include Form 75.

The gasoline tax refund is available to those who buy and use gasoline in off-highway equipment or auxiliary engines. Enter the amount from Form 75, Section IV, line 1. Include Form 75.

LINE 55 HIRE ONE ACT CREDIT
You may be entitled to a credit if you hired a new employee on or after April 15, 2011. See instructions for Form 72. Enter the total credit allowed from Form 72, Part IV, line 2. Include Form 72.

REFUND OR PAYMENT DUE

LINE 58 PENALTY AND INTEREST
Penalty and interest are computed on the tax on line 57 less the underpayment interest on line 50 and the donation amount on line 51.

Penalty. If the corporation files a return after the due date or fails to pay the required amount by the due date, a penalty may be due. To avoid paying any late filing or late payment penalty, the corporation must:

- Pay by the original due date at least 80% of the tax due on the return or 100% of the total tax reported last year.
- File the return by the extended due date and pay the tax due by the earlier of the date the return is filed or the extended due date.

If the corporation pays at least 80% of the tax due on the return or 100% of the total tax reported last year by the original due date, but fails to file the return by the extended due date or pay the remaining tax by the earlier of the date the return is filed or the extended due date, the following penalties will apply:

- If the return is filed on or before the extended due date, a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to date of payment.
- If the return is filed after the extended due date, a 5% per month late filing penalty will be computed on tax due from the extended due date to the earlier of the date the return is filed or the date the tax is paid, plus a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to the date the tax is paid if the tax is paid after the return is filed.

If the corporation doesn't pay at least 80% of the tax due on the return or 100% of the total tax reported last year by the original due date, the following penalties will apply unless the payment required to satisfy the extension criteria is $50 or less:

- If the return is filed by the original due date, a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to the date of payment.
- If the return is filed on or before the extended due date, a 2% per month extension penalty will be computed on tax due from the original due date to the earlier of the date the tax is paid or the date the return is filed, plus a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to the date the tax is paid if the tax is paid after the return is filed.
- If the return is filed after the extended due date, but the tax is paid on or before the extended due date, a 2% per month extension penalty will be computed on tax due from the original due date to the date the tax is paid.
- If the return is filed and the tax is paid after the extended due date, the maximum 25% penalty will apply.

The minimum penalty is $10. The maximum penalty is 25% of tax due.

Interest. Interest is charged from the due date until paid. The rate for 2013 is 3%.

LINE 61 REFUND
If you are filing an original return, you may receive all or part of the overpayment listed on line 60 as a refund, or apply all or part of the overpayment to your 2013 estimated tax. Enter the amount you wish to receive as a refund on this line. If you enter the total amount from line 60, you must enter zero on line 62.

FORM 41

LINE 62 ESTIMATED TAX
If you are filing an original return, you may apply all or part of the overpayment listed on line 60 as a credit against your 2013 estimated tax. The amount you list on this line plus the amount on line 61 must equal the overpayment listed on line 60. If you listed the total overpayment as the amount you want refunded to you on line 61, you must enter zero on this line.

AMENDED RETURN ONLY

Complete lines 63 through 66 only if you are filing this return as an amended return.

LINE 63 TOTAL DUE OR OVERPAYMENT ON THIS RETURN
If the total due shown on line 59 is greater than zero, enter this amount on line 63. The amount from line 59 should be entered as a positive amount.

If line 59 is zero, enter the amount of overpayment from line 60 on line 63. The amount from line 60 should be entered as a negative amount.

FORM 41S SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.
General information instructions beginning on page 1 also apply to this form.

An S corporation must provide each shareholder with an Idaho Form ID K-1. This form shows the shareholder's pro rata share of Idaho additions, subtractions, and credit information. For shareholders who aren't individuals, the Form ID K-1 also provides apportionment factor information that will be needed to complete their Idaho income tax return. Form ID K-1 also identifies the pro rata share of gross income to help determine Idaho filing requirements of individual shareholders. All Forms ID K-1 and a complete copy of federal Form 1120S including all federal Schedules K-1 must be included with the Idaho Form 41S.

HEADING
File the 2012 return for calendar year 2012 or a fiscal year that begins in 2012. For a fiscal year, fill in the tax year space at the top of the form.

Write your business name, address, and federal employer identification number (EIN) in the space provided. Don't include the dash when entering your EIN.

AMENDED RETURN
This form can be used as an original return or as an amended return. If you are filing this form as an amended return, check the box at the top of the form. Enter the applicable reason(s) for amending, as listed below. Complete the entire form using the corrected amounts.

1. Federal Audit
2. Federal Amended
3. Other - Include an explanation

QUESTIONS 1-12
Mark the appropriate boxes and provide the requested information. Answer each question or the return will be considered incomplete. Incomplete returns will cause processing delays.

Question 1 FORM PTE-12
Check the "Yes" box if the S corporation included Form PTE-12 with this return to report withholding of Idaho income tax on nonresident individual shareholders or directors.

1a. Check the "Yes" box if the S corporation is filing a composite return.

Question 2 FEDERAL AUDIT
If a federal audit was finalized during the tax year, enter the most recent tax year covered in the audit.

Question 3 INACTIVE OR NAMEHOLDER CORPORATIONS
Check the "Yes" box if the S corporation is authorized to transact business in Idaho but has no business activity and no income attributable to Idaho.

Question 4 ESTIMATED TAX PAYMENTS
a. Check the "No" box if the corporation wasn't required to make federal estimated tax payments in 2012.
b. Check the "Yes" box if your estimated tax payments were based on annualized amounts.

Question 5 FINAL RETURN
If this is the corporation's final return for Idaho, check the box that explains the reason and enter the date the event occurred. Enter the new federal EIN if the corporation has been merged or reorganized.

Question 6 ELECTRICAL OR TELEPHONE UTILITY
If this return is for an electrical or telephone utility, check the "Yes" box. Electrical and telephone utilities apportion business income using a different apportionment factor calculation.

Question 7 OWNERSHIP CHANGE
Check the "Yes" box if a shareholder terminated his interest in the corporation or if a new shareholder acquired an interest in the corporation.

Question 8 INVESTMENT TAX CREDIT (ITC)
Enter the amount from Form 49, Part I, line 2. This is the Idaho ITC the corporation earned for the tax year.

Question 9 BROADBAND EQUIPMENT INVESTMENT CREDIT
Enter the amount from Form 68, line 2. This is the broadband equipment investment credit the corporation earned for the tax year.

Question 10 CREDIT FOR IDAHO RESEARCH ACTIVITIES
Enter the amount from Form 67, line 16. This is the credit for Idaho research activities the corporation earned for the tax year.

Question 11 BIOFUEL INFRASTRUCTURE INVESTMENT TAX CREDIT
Enter the amount from Form 71, line 2. This is the biofuel infrastructure investment tax credit earned for the tax year.

Question 12 PROPERTY TAX EXEMPTION
Check the "Yes" box if you elected the property tax exemption on personal property that qualifies for the investment tax credit. Include a copy of your Form 49E.

INCOME

LINE 16 PORTFOLIO INCOME
Enter your net portfolio income or loss from Form 1120S, Schedule K, lines 4, 5a, 6, 7, and 8a.

LINE 17 BONUS DEPRECIATION
If you claimed bonus depreciation for federal purposes for property acquired before 2008 or after 2009:

- Complete a separate federal Form 4562 or detailed computation for Idaho depreciation purposes as if the special depreciation allowance hadn't been claimed.
- Compute the Idaho adjusted basis and any gains or losses from the sale or exchange of the property using the Idaho depreciation amounts.
- If the federal depreciation (including gains and losses) is more than the Idaho depreciation (including Idaho gains and losses), include the difference as an addition on this line; otherwise, enter the difference on line 32.

Don't enter any amounts from property acquired after 2007 and before 2010.

LINE 18 OTHER ITEMS
Enter your other items from Form 1120S, Schedule K. Include any other income, loss, or deductions required to be reported separately to shareholders from the federal Form 1120S, Schedule K.

ADDITIONS

LINE 20 INTEREST AND DIVIDENDS NOT TAXABLE UNDER INTERNAL REVENUE CODE (IRC)
Enter the interest and dividends net of applicable amortization received or accrued from obligations of any state or political subdivision excluded from federal income under the provisions of the IRC. Include a schedule.

LINE 21 STATE, MUNICIPAL AND LOCAL TAXES
Enter the total of all state, municipal, and local taxes measured by net income that have been paid or accrued during the tax year less any refunds that have been included in federal income. Include taxes paid on built-in gains and excess net passive income. Include a schedule of all taxes deducted on the federal return.

LINE 22 OTHER ADDITIONS
Enter any miscellaneous Idaho additions. If you have separately stated items that must be added back, include the amount. Include a schedule identifying each addition.

SUBTRACTIONS

LINE 24 INTEREST FROM IDAHO MUNICIPAL SECURITIES
Enter interest income from securities issued by the state of Idaho and its political subdivisions if included on line 20.

LINE 25 INTEREST ON U.S. GOVERNMENT OBLIGATIONS
Interest income from obligations of the U.S. Government isn't subject to the Idaho tax. Deduct any U.S. Government interest included in federal income. Examples of obligations of the U.S. Government include:

- Banks for Cooperatives
- Federal Farm Credit Banks
- Federal Financing Bank
- Federal Homeowners Loan Bank
- Federal Intermediate Credit Bank
- Federal Land Bank
- Guam
- Puerto Rico
- Student Loan Marketing Association
- Tennessee Valley Authority Bonds
- Territory of Alaska
- Territory of Hawaii
- Territory of Samoa
- U.S. Series EE and HH Bonds
- U.S. Treasury Bills and Notes
- Virgin Islands

Interest income from the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA) isn't paid by the U.S. Government and is subject to Idaho income tax.

If you have interest income from a mutual fund that invests in both nonexempt securities and exempt U.S. Government securities, you may deduct the portion of the interest earned that is attributable to direct U.S. Government obligations. This amount must be identified by the mutual fund to be deductible.

LINE 26 INTEREST EXPENSE OFFSET
Enter the amount from line 5 of the following computation. This is the interest expense offset.

1a. Interest expense. Total interest expense deducted in determining federal income ..... _____
b. Interest expense disallowed under IRC Sections 265 and 291 ..... _____
c. Interest expense from a pass-through entity..... _____
d. Intercompany interest expense ..... _____
e. Total interest expense. Add lines a through c and subtract line d ..... _____
2. Total tax-exempt income (interest on qualifying obligations of the United States and the state of Idaho, its cities, and political subdivisions) ..... _____
3. Total income. Refer to Rule 115, Idaho Income Tax Administrative Rules..... _____
4. Divide line 2 by line 3 ..... _____%
5. Multiply line 1e by line 4..... _____

LINE 28 TECHNOLOGICAL EQUIPMENT DONATION
Enter the fair market value of technological equipment donated to a public or nonprofit private elementary or secondary school, public or nonprofit private college or university, public library, or library district located in Idaho. Items that qualify for this deduction are limited to computers, computer software, and scientific equipment or apparatus manufactured within five years of the date of donation. The amount deducted may not reduce Idaho taxable income to less than zero. Any unused deduction can't be carried to another year.

LINE 29 ALLOCATED INCOME
Enter the amount of nonbusiness income. A schedule detailing the source of income and explaining why the income was classified as nonbusiness must be included.

LINE 30 NONBUSINESS EXPENSE OFFSET
Expenses included in computing federal income that are related to the production of allocated nonbusiness income listed on line 29 must be added back. Related expenses include interest on indebtedness incurred or continued to purchase or carry the assets that produce the nonbusiness interest and dividend income. Interest expense related to business and nonbusiness income must be prorated. Complete the following computations to calculate the total amount of nonbusiness expense offset.

1. Expenses directly related to nonbusiness income ..... _____
2a. Interest expense. Total interest expense deducted in determining federal income ..... _____
b. Interest expense disallowed under IRC Sections 265 and 291 ..... _____
c. Interest expense from a pass-through entity..... _____
d. Subtotal. Add lines a through c ..... _____
e. Interest expense included in line 1 ..... _____
f. Interest expense on line 26 attributable to tax-exempt income..... _____
g. Intercompany interest expense ..... _____

h. Total interest expense. Subtract lines e, f and g from line d ..... _____
3. Total nonbusiness income ..... _____
4. Total income. Refer to Rule 115, Idaho Income Tax Administrative Rules..... _____
5. Divide line 3 by line 4 ..... _____%
6. Multiply line 2h by line 5. This is the interest expense prorated to nonbusiness income ..... _____
7. Other indirect expenses related to both business and nonbusiness income ..... _____
8. Multiply line 7 by line 5 ..... _____
9. Add lines 1, 6, and 8. Enter amount on line 30 .... _____

LINE 32 BONUS DEPRECIATION
If you claimed bonus depreciation for federal purposes for property acquired before 2008 or after 2009:

- Complete a separate federal Form 4562 or detailed computation for Idaho depreciation purposes as if the special depreciation allowance hadn't been claimed.

- Compute the Idaho adjusted basis and any gains or losses from the sale or exchange of property using the Idaho depreciation amounts.

- If the federal depreciation (including gains and losses) is less than the Idaho depreciation (including gains and losses), include the difference as a deduction on this line; otherwise, enter the difference on line 17.

Don't enter any amounts for property acquired after 2007 and before 2010.

LINE 33 OTHER SUBTRACTIONS
Enter any miscellaneous Idaho deductions. Include any deductions from separately stated items you are required to report except for deductions not allowed to S corporations when paying the tax for shareholders. Include a schedule identifying each deduction.

LINE 37 APPORTIONMENT FACTOR
If all the activity is in Idaho, enter 100%. If the S corporation has multistate/multinational operations, enter the apportionment factor from Form 42, Part I, line 21. Include Form 42.

LINE 39 INCOME ALLOCATED TO IDAHO
Enter the amount of nonbusiness income allocated to Idaho less the nonbusiness expense offset from line 30 that applies to this income. A schedule detailing the source of the income allocated to Idaho must be included.

LINE 40 S CORPORATION INCOME OF SHAREHOLDERS EXEMPT FROM BACKUP WITHHOLDING
Enter the amounts paid to a shareholder whose Idaho distributable income is less than $1,000.

LINE 41 INCOME REPORTABLE BY SHAREHOLDERS
Determine the amounts from lines 38 and 39 that are reportable by resident and part-year resident individuals, partnerships, estates, trusts, and nonresident individuals who provide the entity with Idaho Form PTE-NROA. Income of nonresidents for whom the entity withholds on Idaho Form PTE-01 should be included on this line.

CREDITS

Except for the Hire One Act credit and the investment tax credit earned by an S corporation while a former C corporation, credits earned by the S corporation are passed through to each shareholder based on that shareholder's pro rata share of S corporation income or loss. When an S corporation has a fiscal year end other than that of the shareholder, the credit passes through in the same period that the S corporation income or loss is reported by the shareholder for federal tax purposes.

The S corporation must provide each shareholder with an Idaho Form ID K-1. This form shows the shareholder's pro rata share of credits earned, credits subject to recapture, and contribution information needed to calculate certain credits. Each shareholder uses this information to determine the amount of Idaho credit allowed, recapture required, and credit carryovers that exist on the shareholder's Idaho income tax return. Credits reported by each shareholder are subject to the limitations applicable to that shareholder. Copies of Form ID K-1 must be included with the Idaho S Corporation Income Tax Return for the year in which the credit is earned.

If an individual shareholder has his share of the income taxed on the S corporation's return, the tax may be offset by that shareholder's pro rata share of credits. Credits applied to this tax are computed based on the credit limitations applicable to corporations. For example, if an S corporation pays the tax for three individual shareholders, the amount of credit for contributions to educational institutions is the lesser of the following amounts:

- 50% of the three shareholders' share of the amount donated,
- 10% of the tax computed for the three shareholders, or
- $5,000

Credits allowed to a shareholder that aren't used to offset his tax can't be used to offset the tax computed for other shareholders. The following credits, however, are available to be transferred to another taxpayer rather than used by the taxpayer who earns the credit:

- Broadband equipment investment credit
- Incentive investment tax credit

To claim a credit you acquired through a transfer, you must include a copy of the Idaho Statement of Credit Transfer, Form 70, with each return on which you are claiming transferred credit.

LINE 44 CREDIT FOR CONTRIBUTIONS TO IDAHO EDUCATIONAL ENTITIES
Donations made by an S corporation to a qualified educational entity may qualify for a tax credit. Donations of goods or services don't qualify.

If the S corporation is paying the tax for one or more shareholders, determine each shareholder's pro rata share of the following amounts and enter the total of these amounts on line 44.

- If the S corporation claimed the credit for qualifying new employees, the applicable pro rata share of the amount from Form 55, Part II, line 5, or
- If the credit for qualifying new employees is not being claimed, the smallest of:
    - One-half of the amount donated,
    - 10% of the tax on line 43, or
    - $5,000

Don't enter the total credit earned by the S corporation if the S corporation isn't paying the tax for all shareholders.

A qualified educational entity includes:

- A nonprofit corporation, fund, foundation, research park, trust, or association organized and operated exclusively for the benefit of Idaho colleges and universities
- A nonprofit, private or public Idaho school (elementary, secondary or higher education) or its foundation
- Idaho education public broadcast system foundations
- The Idaho State Historical Society or its foundation
- An Idaho public library or its foundation
- An Idaho library district or its foundation

- An Idaho public or private nonprofit museum
- The Idaho Commission for Libraries
- Idaho Commission on Hispanic Affairs
- Idaho Commission for the Blind and Visually Impaired
- Idaho Council on Developmental Disabilities
- Idaho State Independent Living Council
- Idaho Council for the Deaf and Hard of Hearing

LINE 45 CREDIT FOR CONTRIBUTIONS TO IDAHO YOUTH AND REHABILITATION FACILITIES
Donations made by an S corporation to a qualified center for independent living, to a youth or rehabilitation facility or their foundation, or to a nonprofit substance abuse center licensed by the Idaho Department of Health and Welfare, may qualify for a tax credit.

If the S corporation is paying the tax for one or more shareholders, determine each shareholder's pro rata share of the following amounts and enter the total of these amounts on line 45.

- If the S corporation claimed the credit for qualifying new employees, the applicable pro rata share of the amount from Form 55, Part II, line 9, or
- If the credit for qualifying new employees is not being claimed, the smallest of:
    - One-half of the amount donated,
    - 10% of the tax on line 43,
    - $500, or
    - The tax on line 43 less the amounts on line 44 and Form 44, Part I, line 1

Don't enter the total credit earned by the S corporation if the S corporation isn't paying the tax for all shareholders.

The qualified youth or rehabilitation facilities and their foundations are:

- Anchor House
- The Arc, Inc., Boise
- The Children's Home Society of Idaho, Inc., Boise
- The Children's Village, Inc., Coeur d'Alene
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- Gem Youth Services, Emmett
- High Reachers, Inc., Mountain Home
- Hope House, Inc., Nampa
- Idaho Drug Free Youth, Inc., Coeur d'Alene
- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Kinderhaven, Sandpoint
- Learning Lab, Inc., Boise
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Children's Home
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Project P.A.T.C.H. (Planned Assistance for Troubled Children)
- Project Safe Place, in Idaho
- Shepherd's Home, Inc., McCall
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Walker Center, Gooding
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester
- Women's and Children's Alliance

The following are the qualified centers for independent living:

- Disability Action Center Northwest, Moscow and Coeur d'Alene
- Living Independence Network Corporation, Boise and Twin Falls
- Living Independently For Everyone, Inc., Blackfoot, Idaho Falls, and Pocatello

LINE 46 TOTAL BUSINESS INCOME TAX CREDITS
If the S corporation is paying the tax for one or more nonresident shareholders, determine each shareholder's pro rata share of the total business income tax credits allowed from Form 44, Part I, line 12, and enter the total of these amounts on line 46. Don't enter the total credit earned by the S corporation if the S corporation isn't paying the tax for all shareholders. See page 16 for specific instructions. Include Form 44.

OTHER TAXES

LINE 49 MINIMUM TAX
A minimum tax of $20 is required. If the S corporation owes federal tax on excess net passive income or net recognized built-in gains, compute the Idaho tax using the following instructions:

- The Idaho tax on excess net passive income is computed by multiplying 7.4% by the lesser of Idaho apportioned excess net passive income or Idaho apportioned taxable income. See federal Form 1120S instructions. Include a copy of the computations.
- The Idaho tax on net recognized built-in gains is computed by multiplying 7.4% by the Idaho apportioned net recognized built-in gain. See federal Form 1120S, Schedule D instructions. Include a copy of the computations.
- If the corporation was previously a C corporation with credit carryover, the credit may be used to offset all or part of the tax.

If the total tax computed is more than $20, draw a line through the 20 printed on the form. Enter the total Idaho tax on excess net passive income and net recognized built-in gains, less applicable income tax credit carryovers on line 49. Credit limitations apply. The total tax before credits can't be less than $20.

LINE 50 PERMANENT BUILDING FUND (PBF) TAX
S corporations that pay tax on excess net passive income or net recognized built-in gains must pay the $10 PBF tax.

S corporations that report taxable income on line 42 are required to pay the $10 PBF tax for each nonresident individual shareholder who has the corporation pay the tax on his income from the S corporation. A nonresident individual shareholder is required to file if his share of the S corporation's Idaho gross income is more than $2,500.

LINE 51 TOTAL TAX FROM RECAPTURE OF INCOME TAX CREDITS
If the S corporation is paying the tax for one or more shareholders, include on line 51 those shareholders' pro rata share of the total tax from recapture of income tax credits from Form 44, Part II, line 7. See page 17 for specific instructions. Include Form 44.

LINE 52 FUELS TAX DUE
If you buy gasoline, aircraft fuel, or special fuels (diesel, propane, or natural gas) without paying the fuels tax and later use this fuel in licensed vehicles or aircraft, fuels tax is due. Add the amounts on Form 75, Section IV, lines 3 and 4 and enter the total on line 52. Include Form 75.

LINE 53 SALES/USE TAX DUE
If you made purchases during the year without paying sales tax, you must report use tax due on such purchases. Examples include magazine subscriptions, out-of-state catalog purchases, merchandise purchased over the Internet, book and record clubs, purchases in a state where no sales tax was charged, etc. Multiply the total amount of such purchases by 6% (.06).

If you computed use tax on Form 75, add it to the use tax on other purchases and enter the total on line 53.

If you have a sales or use tax account, don't enter your sales or use tax on this line, but continue to report the tax on these purchases on your sales and use tax returns.

LINE 54 TAX FROM RECAPTURE OF QUALIFIED INVESTMENT EXEMPTION (QIE)
If you have claimed the QIE for property tax on property that ceases to qualify before the end of the five-year recapture period, you must recapture part or all of the property tax benefit. Enter the amount from Form 49ER, Part III, line 18. Include Form 49ER.

LINE 56 UNDERPAYMENT INTEREST
Use Form 41ESR, Part I, Underpayment of Estimated Tax, to determine if there is an underpayment of any estimated tax payments. Enter the amount of underpayment interest from Form 41ESR, Part II, line 24. Include Form 41ESR.

If this is an amended return, enter the amount from the original return.

LINE 57 DONATION TO OPPORTUNITY SCHOLARSHIP PROGRAM
You may make a voluntary donation to the Idaho Opportunity Scholarship Program. The amount designated will either reduce your refund or increase your tax due. Your choice to donate is irrevocable; you can't get a refund later.

Contributions help provide need-based scholarship funds to Idaho high school graduates who attend approved higher education institutions in Idaho. This need-based program is built on a shared responsibility model. Students must contribute to the cost of attendance, and apply for other financial aid sources including federal aid. Awards are renewable for up to four years and are based primarily on financial need with some academic consideration. Students must meet a minimum GPA while completing their studies to be eligible for renewal. For more information about the Idaho Opportunity Scholarship Program, please visit **www.boardofed.idaho.gov/scholarship/opportunity.asp**.

PAYMENTS AND OTHER CREDITS

LINE 59 ESTIMATED TAX PAYMENTS
Enter the total amount of estimated tax payments made for the tax year 2012 from the following forms:

- Forms 41ES, Estimated Tax Payment / Extension of Time Payment, and
- The amount applied from your 2011 return

LINE 60 SPECIAL FUELS AND GASOLINE TAX REFUND
The special fuels (diesel, propane, or natural gas) tax refund is available to those who use the fuel for heating or in off-highway equipment and have paid the tax on the special fuels purchased. Enter the amount from Form 75, Section IV, line 2. Include Form 75.

The gasoline tax refund is available to those who buy and use gasoline in off-highway equipment or auxiliary engines. Enter the amount from Form 75, Section IV, line 1. Include Form 75.

LINE 61 HIRE ONE ACT CREDIT
You may be entitled to a credit if you hired a new employee on or after April 15, 2011. See instructions for Form 72. Enter the total credit allowed from Form 72, Part IV, line 2. Include Form 72.

REFUND OR PAYMENT DUE

LINE 64 PENALTY AND INTEREST
Penalty and interest are computed on the tax on line 63 less the underpayment interest on line 56 and the donation amount on line 57.

Penalty. If the S corporation files a return after the due date or fails to pay the required amount by the due date, a penalty may be due. To avoid paying any late filing or late payment penalty, the corporation must:

- Pay by the original due date at least 80% of the tax due on the return or 100% of the total tax reported last year.
- File the return by the extended due date and pay the tax due by the earlier of the date the return is filed or the extended due date.

If the S corporation pays at least 80% of the tax due on the return or 100% of the total tax reported last year by the original due date, but fails to file the return by the extended due date or pay the remaining tax by the earlier of the date the return is filed or the extended due date, the following penalties will apply:

- If the return is filed on or before the extended due date, a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to date of payment.
- If the return is filed after the extended due date, a 5% per month late filing penalty will be computed on tax due from the extended due date to the earlier of the date the return is filed or the date the tax is paid, plus a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to the date the tax is paid if the tax is paid after the return is filed.

If the S corporation doesn't pay at least 80% of the tax due on the return or 100% of the total tax reported last year by the original due date, the following penalties will apply unless the payment required to satisfy the extension criteria is $50 or less:

- If the return is filed by the original due date, a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to the date of payment.
- If the return is filed on or before the extended due date, a 2% per month extension penalty will be computed on tax due from the original due date to the earlier of the date the tax is paid or the date the return is filed, plus a 0.5% per month late payment penalty will be computed on tax due from the date the return is filed to the date the tax is paid if the tax is paid after the return is filed.
- If the return is filed after the extended due date, but the tax is paid on or before the extended due date, a 2% per month extension penalty will be computed on tax due from the original due date to the date the tax is paid.
- If the return is filed and the tax is paid after the extended due date, the maximum 25% penalty will apply.

The minimum penalty is $10. The maximum penalty is 25% of the tax due.

Interest. Interest is charged from the due date until paid. The rate for 2013 is 3%.

LINE 67 REFUND
If you are filing an original return, you may receive all or part of the overpayment listed on line 66 as a refund, or apply all or a portion of the overpayment to your 2013 estimated tax. Enter the amount you wish to receive as a refund on this line. If you enter the total amount from line 66, you must enter zero on line 68.

LINE 68 ESTIMATED TAX
If you are filing an original return, you may apply all or part of the overpayment listed on line 66 as a credit against your 2013 estimated tax. The amount you list on this line plus the amount on line 67 must equal the overpayment listed on line 66. If you listed the total overpayment as the amount you want refunded to you on line 67, you must enter zero on this line.

If you are filing an amended return, you must enter the same amount as reported on the original return.

AMENDED RETURN ONLY

Complete lines 69 through 72 only if you are filing this return as an amended return.

LINE 69 TOTAL DUE OR OVERPAYMENT ON THIS RETURN
If the total due shown on line 65 is greater than zero, enter this amount on line 69. The amount from line 65 should be entered as a positive amount.

If line 65 is zero, enter the amount of overpayment from line 66 on line 69. The amount from line 66 should be entered as a negative amount.

INSTRUCTIONS FOR FORM 44
IDAHO BUSINESS INCOME TAX CREDITS AND CREDIT RECAPTURE

Part I of Form 44 provides a listing of the Idaho business credits allowed and the credit carryover amounts.

Part II of Form 44 provides a listing of the tax from recapture of income tax credits.

The total of the business income tax credits allowed and the tax from recapture of income tax credits will be carried to the Form 41. If the S corporation is paying the tax for one or more shareholders, those shareholders' pro rata share of the total business income tax credits and tax from recapture of income tax credits will be carried to the Form 41S. Don't enter the total credit or tax from recapture if the S corporation isn't paying the tax for all the shareholders.

You must include Form 44 with your return if you are claiming any business income tax credits or have any tax from recapture of income tax credits.

Credits earned by a C corporation prior to becoming an S corporation may be used to offset any tax on excess net passive income or net recognized built-in gains, subject to the credit limitations. Include a schedule showing the application of the credit carryovers to the S corporation's tax.

PART I BUSINESS INCOME TAX CREDITS

Part I has two columns: the Credit Allowed column for the amount of credit allowed for the tax year and the Carryover column for the amount of carryover that exists at the end of the tax year.

If the corporation is filing a combined return, the following credits can be shared with members of the combined group rather than carried forward to future years:

- Investment tax credit
- Credit for Idaho research activities
- Broadband equipment investment credit
- Incentive investment tax credit
- Small employer income tax credits
- Biofuel infrastructure investment tax credit

The corporation that earned the credit must claim the credit to the extent allowable against its tax liability before sharing the credit with other members. A corporation that receives the credit through unitary sharing computes the applicable limitations based on its tax. Any unused credit remains with the member that earned the credit. A schedule must be included identifying the member earning the credit and the members using the credit.

The following credits are available to be transferred to another taxpayer rather than used by the taxpayer who earns the credit:

- Broadband equipment investment credit
- Incentive investment tax credit

To claim a credit you acquired through a transfer, you must include a copy of the Idaho Statement of Credit Transfer, Form 70, with each return on which you are claiming transferred credit.

LINE 1 INVESTMENT TAX CREDIT (ITC)
If you acquire an asset for use in your business, you may have earned an ITC.

Credit Allowed: Enter the credit allowed from Form 49, Part II, line 8.

Carryover: Enter the credit available less the credit allowed: Form 49, Part II, line 7 less the amount on line 8.

LINE 2 CREDIT FOR PRODUCTION EQUIPMENT USING POSTCONSUMER WASTE
If you purchased equipment that manufactures a product from postconsumer or postindustrial waste, you may be entitled to a tax credit. The credit is 20% of your cost to purchase qualified equipment.

Qualified equipment is machinery or equipment in Idaho with a useful life of three years or more. In addition, 90% of the equipment's production must result in products utilizing postconsumer or postindustrial waste.

Product is any manufactured material that is composed of at least 50% of postconsumer or postindustrial waste and offered for sale. Product does not include shredded material unless it is incorporated directly into the manufacturing process.

Postconsumer waste or postindustrial waste includes only glass, paper, or plastic that have been, or would have been, disposed of as solid waste. It doesn't include radioactive or hazardous waste.

Include a schedule showing your computations, listing the qualified equipment, identifying the postconsumer or postindustrial waste products, and identifying the newly manufactured products.

Credit Allowed: Enter the smallest of:

- $30,000
- 20% of the cost to purchase qualified equipment plus the amount of credit carried forward, or
- Tax available
  - If filing Form 41, the tax on line 38 less the amounts on lines 39, 40, and Form 44, Part I, line 1
  - If filing Form 41S, the tax on line 43 less the amounts on lines 44, 45, and Form 44, Part I, line 1

Carryover: Enter the amount of credit available less the amount allowed. Include a schedule showing your computations. You may carry forward the unused portion of the credit up to seven years.

LINE 3 PROMOTER-SPONSORED EVENT CREDIT
If you issued temporary sales tax permits to participants of a promoter-sponsored event on behalf of the Tax Commission, you may claim a $1 credit for each temporary permit issued during the tax year. Promoter-sponsored events include swap meets, flea markets, gun shows, and fairs. You must have filed Form ST-124 with the Tax Commission to qualify for the credit.

Credit Allowed: Enter the smaller of:

- $1 for each temporary permit issued during the tax year, or
- Tax available:
  - If filing Form 41, the tax on line 38 less the amounts on lines 39, 40, and Form 44, Part I, lines 1 and 2
  - If filing Form 41S, the tax on line 43 less the amounts on lines 44, 45, and Form 44, Part I, lines 1 and 2

LINE 4 CREDIT FOR QUALIFYING NEW EMPLOYEES
You may claim this credit if you have qualifying new employee credit carryover from a previous year.

Credit Allowed: Enter the allowable credit from Form 55, Part II, line 15. Include Form 55.

Carryover: Enter the amount of credit carryover to future years from Form 55, Part II, line 34.

LINE 5 CREDIT FOR IDAHO RESEARCH ACTIVITIES
If you incurred expenses for research conducted in Idaho, you may have earned the credit for Idaho research activities.

Credit Allowed: Enter the credit allowed from Form 67, line 29. Include Form 67.

Carryover: Enter the amount of credit carryover to future years from Form 67, line 30.

LINE 6 BROADBAND EQUIPMENT INVESTMENT CREDIT
If you acquired qualified broadband equipment to use in your business in Idaho, it may qualify for the broadband equipment investment credit. You may also claim this credit if you acquired the credit through a transfer.

Credit Allowed: Enter the credit allowed from Form 68, line 18. Include Form 68.

Carryover: Enter the amount of credit carryover to future years from Form 68, line 19.

LINE 7 INCENTIVE INVESTMENT TAX CREDIT
You may claim this credit if you have incentive investment tax credit carryover from the tax year beginning in 2001 or received the credit by transfer or unitary sharing.

Credit Allowed: Enter the credit allowed from Form 69, line 16. Include Form 69.

Carryover: Enter the amount of credit carryover to future years from Form 69, line 17.

LINE 8 SMALL EMPLOYER INVESTMENT TAX CREDIT
You may claim this credit if you have certified by filing Form 89SE that you have met, or will meet, the tax incentive criteria for this credit and you have acquired an asset for use in your business that otherwise qualifies for the ITC.

Credit Allowed: Enter the credit allowed from Form 83, line 28. Include Form 83.

Carryover: Enter the amount of credit carryover to future years from Form 83, line 29.

LINE 9 SMALL EMPLOYER REAL PROPERTY IMPROVEMENT TAX CREDIT
You may claim this credit if you have certified by filing Form 89SE that you have met, or will meet, the tax incentive criteria for this credit and you have acquired real property improvements for use in your business at the project site during the project period.

Credit Allowed: Enter the credit allowed from Form 84, line 26. Include Form 84.

Carryover: Enter the amount of credit carryover to future years from Form 84, line 27.

LINE 10 SMALL EMPLOYER NEW JOBS TAX CREDIT
You may claim this credit if you have certified by filing Form 89SE that you have met, or will meet, the tax incentive criteria for this credit and you have qualified new employees at the project site during the project period.

Credit Allowed: Enter the credit allowed from Form 85, line 35. Include Form 85.

Carryover: Enter the amount of credit carryover to future years from Form 85, line 36.

LINE 11 BIOFUEL INFRASTRUCTURE INVESTMENT TAX CREDIT
If you placed in service qualified infrastructure used to sell biofuel, it may qualify for the biofuel infrastructure investment tax credit.

Credit Allowed: Enter the credit allowed from Form 71, line 30. Include Form 71.

Carryover: Enter the amount of credit carryover to future years from Form 71, line 31.

PART II TAX FROM RECAPTURE OF INCOME TAX CREDITS

LINE 1 TAX FROM RECAPTURE OF INVESTMENT TAX CREDIT
If you have claimed an ITC on property that ceases to qualify before the end of the five-year recapture period, you must compute the ITC recapture. This includes property moved outside of Idaho.

Enter the amount from Form 49R, Part III, line 15. Include Form 49R.

LINE 2 TAX FROM RECAPTURE OF BROADBAND EQUIPMENT INVESTMENT CREDIT
If you have claimed a broadband equipment investment credit on property that ceases to qualify before the end of the five-year recapture period, you must compute the broadband equipment investment credit recapture. This includes property that ceases to qualify for the ITC.

Enter the amount from Form 68R, Part III, line 15. Include Form 68R.

LINE 3 TAX FROM RECAPTURE OF SMALL EMPLOYER INVESTMENT TAX CREDIT
If you have claimed a small employer investment tax credit on property that ceases to qualify before the end of the five-year recapture period, you must compute the small employer investment tax credit recapture. This includes property moved outside of Idaho.

You must also compute recapture if you failed to meet the incentive criteria required to qualify for this credit at the project site during the project period.

Enter the amount from Form 83R, Part III, line 15. Include Form 83R.

LINE 4 TAX FROM RECAPTURE OF SMALL EMPLOYER REAL PROPERTY IMPROVEMENT TAX CREDIT
If you have claimed a small employer real property improvement tax credit on property that ceases to qualify before the end of the five-year recapture period, you must compute the small employer real property improvement tax credit recapture.

You must also compute recapture if you failed to meet the tax incentive criteria required to qualify for this credit at the project site during the project period.

Enter the amount from Form 84R, Part III, line 15. Include Form 84R.

LINE 5 TAX FROM RECAPTURE OF SMALL EMPLOYER NEW JOBS TAX CREDIT
If you have claimed a small employer new jobs tax credit and you failed to maintain the required level of new employees for the entire five-year recapture period, you must compute the small employer new jobs tax credit recapture.

You must also compute recapture if you failed to meet the tax incentive criteria required to qualify for this credit at the project site during the project period.

Enter the amount from Form 85R, line 13. Include Form 85R.

LINE 6 TAX FROM RECAPTURE OF BIOFUEL INFRASTRUCTURE INVESTMENT TAX CREDIT
If you have claimed a biofuel infrastructure investment tax credit on property that ceases to qualify before the end of the five-year recapture period, you must compute biofuel infrastructure investment tax credit recapture. This includes property no longer used to sell biofuel in Idaho.

Enter the amount from Form 71R, Part III, line 15. Include Form 71R.

INSTRUCTIONS FOR FORM 42

IDAHO APPORTIONMENT AND COMBINED REPORTING ADJUSTMENTS

Part I of this form provides the computation of the Idaho apportionment factor and is to be used by taxpayers who have income from business activity that is taxable in Idaho and another state or country.

If the taxpayer is a partner in a partnership or a shareholder in an S corporation, the taxpayer must take into account the activity of the pass-through entity in determining whether the taxpayer has income from business activity that is taxable in Idaho and another state or country. Include the taxpayer's share of the pass-through entity's property, payroll, and sales numbers from Form ID K-1 in the amounts reported on Form 42.

Part II of this form provides the worldwide and water's edge adjustments to compute combined income. Part II must be used by a corporation that has ownership in at least one foreign affiliate.

PART I APPORTIONMENT FORMULA

GENERAL INFORMATION

If the taxpayer transacts business in Idaho and another state or country, include a schedule showing apportionment detail by company.

CORPORATIONS
When a unitary group files using the combined reporting method, each corporation included in the combined group must compute its own apportionment factors. It does this by including its total Idaho property, sales, and payroll in the numerators and using the property, sales, and payroll of all the corporations included in the combined report in the denominators. Form 42 is used to show the total for the unitary group. A schedule must be included detailing the Idaho apportionment factor computation for each corporation in the group.

Worldwide Filers: For multinational unitary groups using the worldwide filing method, the denominators include the total property, sales, and payroll of all domestic and foreign corporations included in the unitary group.

Water's Edge Filers: For multinational unitary groups using the water's edge filing method, the denominators include only the total property, sales, and payroll of the water's edge combined group. These would exclude the property, sales, and payroll of foreign subsidiaries whose income isn't included in the computation of apportionable income. To the extent dividends are included in apportionable income, they are included in the sales factor denominator.

All intercompany amounts should be excluded from the computation of the apportionment factors.

PROPERTY FACTOR
The property factor is a fraction. The numerator is the average value of real and tangible personal property owned or rented and used in Idaho during the tax year to produce business income. The denominator is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the tax year to produce business income. Property used in the production of nonbusiness income is excluded from the factor.

Property is included in the factor if it is actually used or capable of being used during the tax year in the regular course of the trade or business of the taxpayer. Property under construction is excluded.

Property owned by the taxpayer is valued at its original cost. Original cost is the basis of the property for federal income tax purposes (prior to any federal adjustments) when it was acquired by the corporation and adjusted for subsequent capital additions or improvements, special deductions or partial disposition because of sale, exchange, abandonment, etc. Depreciation doesn't reduce original cost.

The average value of property owned by the taxpayer is computed by averaging the values at the beginning and ending of the tax year. The Tax Commission may require or allow the averaging of monthly values to properly reflect the average values.

Property rented is valued at eight times the net annual rental rate. The net annual rental rate for any item of rented property is the total rents paid for the property, less the aggregate annual subrental rates paid by subtenants. Subrents aren't deducted when the subrents are business income.

SALES FACTOR
The sales factor is double weighted for all taxpayers except electrical and telephone utilities. Electrical and telephone utilities use a single-weighted sales factor.

The sales factor is a fraction. The numerator is the gross receipts derived during the tax year from transactions and activities attributable to Idaho in the regular course of the taxpayer's trade or business. The denominator is the total gross receipts derived during the tax year from transactions and activities everywhere in the regular course of the corporation's trade or business. Receipts derived from the production of nonbusiness income are excluded from the sales factor.

Sales includes all gross receipts derived from transactions and activities in the regular course of trade or business. Gross receipts means gross sales, less returns and allowances. Gross receipts from sales of tangible personal property are assigned to Idaho if:

- Property is delivered or shipped to a purchaser in Idaho regardless of F.O.B. point or other conditions of sales
- Property is shipped from an office, store, warehouse, factory, or other place of storage in Idaho and the taxpayer isn't taxable in the state of the purchaser (throwback sales) or the purchaser is the U.S. Government

Sales also includes gross receipts from services and all other gross receipts such as interest, dividends, rents, royalties, gross receipts from the sale of property, and other income derived by the taxpayer in the regular course of business. If gross receipts don't fairly represent the extent of your business activity in Idaho, you may petition, or may be required, to use another method to obtain an equitable result. Income from services is attributable to this state to the extent that the services are performed in Idaho.

Although the following amounts may be business income, gross receipts don't include such items as the repayment, maturity, or redemption of the principal of a loan, bond, mutual fund or certificate of deposit or similar marketable instrument, the principal amount received under a repurchase agreement, the proceeds from issuing your own stock or from the sale of treasury stock, damages or other amounts received from litigation, property acquired by an agent on behalf of another, tax refunds or other tax benefit recoveries, pension reversions, contributions to capital, income from the forgiveness of indebtedness, and amounts realized from exchanges of inventory that aren't recognized by the IRC.

PAYROLL FACTOR
The payroll factor is a fraction. The numerator is the compensation paid in Idaho during the tax year to produce business income. The denominator is the total compensation paid during the tax year to produce business income. Compensation connected with the production of nonbusiness income is excluded from the payroll factor.

The total amount paid to employees is determined on the basis of the taxpayer's accounting method. Under the accrual method, all compensation properly accrued is deemed to have been paid. If you are required to report compensation under the cash method for unemployment compensation purposes, you may use the cash method to include compensation paid to employees in the payroll factor.

Compensation means wages, salaries, commissions, and any other form of payment to employees for personal services. Payments made to an independent contractor, or any other person not properly classifiable as an employee, are excluded.

Compensation is paid in Idaho if any one of the following tests are met:

- The individual's service is performed entirely within Idaho.
- The individual's service is performed both in and outside Idaho but the service performed outside Idaho is incidental to the individual's service in Idaho.
- Some of the service is performed in Idaho and the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in Idaho.
- Some of the service is performed in Idaho and the base of operations, or the place from which the service is directed or controlled, isn't in any state in which some part of the service is performed, but the individual's residence is in Idaho.

MODIFIED FACTORS FOR CERTAIN INDUSTRIES
Idaho has adopted the Multistate Tax Commission (MTC) regulations for the following special industries. Examples of the computations of these factors are found in the applicable MTC regulations on the Internet. You can find them under Laws and Rules at **tax.idaho.gov**.

Airlines
If you are in the business of transporting passengers, freight or mail by air, your apportionment factor should reflect the movement of your transportation equipment and personnel. Include transportation revenue, property ready for flight, and transportation payroll in the Idaho numerators based on the percentage of Idaho departures of aircraft weighted as to the value of aircraft by type to the total departures similarly weighted.

The value of nonflight property and nonflight payroll will be allocated to the state based on the general apportionment rules.

Railroads and Trucking Companies
If you are in the business of transporting passengers, freight, or mail by motor carrier or rail, your apportionment factor should reflect the movement of your transportation equipment and personnel. Include the transportation revenue, property, and payroll in the Idaho numerators based on the percentage of miles traveled in Idaho to miles traveled everywhere.

Other revenue, fixed property, and compensation of employees assigned to fixed locations are included in the factors based on the general apportionment rules. Per diem and mileage charges paid or received for the temporary use of railroad cars shouldn't be included in the sales or property factors.

Construction Contractors
You must use the same long-term contract accounting method for Idaho reporting purposes that you used for federal reporting purposes. If the percentage of completion method is used, the following special rules apply in addition to the general property, payroll, and sales factor rules.

The property factor denominator includes the average value of the taxpayer's cost of construction in progress (including materials and labor) to the extent the costs exceed progress billings. The portion of this amount attributable to construction projects in Idaho is included in the Idaho numerator. If progress billings exceed construction costs, don't include any value in the property factors for the taxpayer's equity in the project.

The sales factor includes only the portion of the gross contract price which corresponds to the percentage of the entire contract which was completed at the end of the tax year. For example, if the project was 30% complete at the end of the tax year, 30% of the bid price should be included in the gross receipts. Gross receipts from a construction project are attributable to Idaho if the construction is located in Idaho. Gross receipts from a

construction project located partially in Idaho are included in the numerator based on ratio of construction costs for the project in Idaho for the tax year to the total of construction costs for that project for the tax year.

Compensation paid for work on a particular construction project is included in the payroll factor even though capitalized into the cost of construction. Compensation is attributable to the state where most of the employee's service is performed, regardless of where reported for unemployment tax purposes.

Publishers
If you are in the business of publishing, selling, licensing or distributing books, newspapers, magazines, periodicals, trade journals or other printed material, include outer-jurisdictional property in the property factor whether owned or rented if used in your business. Outer-jurisdictional property includes such items as orbiting satellites and undersea transmission cables that aren't physically located in any particular state. The portion of outer-jurisdictional property attributable to Idaho is computed using the ratio of Idaho usage to usage everywhere.

The sales numerator includes gross receipts from the sale of printed materials delivered or shipped to a purchaser or subscriber in Idaho. Gross receipts from the advertising and the sale, rental or other use of customer lists are included as Idaho sales as determined by a circulation factor.

If the purchaser or subscriber is the U.S. Government or you aren't taxable in the state, the gross receipts are attributable to Idaho if the printed material or other property is shipped from a business location in Idaho.

Broadcasters
If you are in the business of conducting television or radio broadcasts, either through a network or through an affiliated, unaffiliated or independent television or radio broadcasting station, your apportionment factor should exclude outer-jurisdictional, film and radio programming property. Outer-jurisdictional property includes orbiting satellites and undersea transmission cables that aren't physically located in any particular state. Film programming means performances, events, or productions telecast, live or otherwise, on television. It includes news and sporting events in the format of a motion picture, a video tape, or other medium. Radio programming means all performances, events, or productions broadcast live or otherwise on radio. It includes commercial, educational or artistic works, in the format of an audio tape, disc or other medium.

Audio or video cassettes, discs or similar medium containing film or radio programming that is intended for sale or rental for home viewing or listening is included in the property factor at original cost.

The value of property located or used in Idaho for part of the tax year is included in the Idaho property numerator based on the ratio that the number of days the property is located or used in Idaho bears to the total number of days you owned or rented the property during the tax year.

Idaho sales include advertising revenue from live television, film or radio programming in release to or by television and radio stations located in Idaho and receipts from live telecasts, films and radio programs based on the audience factor.

The payroll factor includes residual and profit participation payments paid to employees, directors, actors, newscasters, and other individuals in a role of employee. Include amounts paid to an individual, corporation, or other business entity for providing the services of directors, actors, newscasters, and other talent for a live television broadcast, film or radio program if the payments were at least 25% of total compensation paid to employees and the extent of your business activity in Idaho wouldn't be fairly represented by not including the amounts. The portion of these amounts attributable to Idaho is determined according to the general apportionment rules.

Financial Institutions
The apportionment factor of a financial institution should reflect the business of extending credit through loans and credit cards by including the value of these intangibles in the property factor.

A financial institution is a business that predominantly deals in money or moneyed capital in substantial competition with the business of national banks. Predominantly means more than 50% of gross income is attributable to dealings in money or moneyed capital. Money or moneyed capital includes coin, cash, currency, mortgages, deeds of trust, conditional sales contracts, loans, commercial paper, installment notes, credit cards, and accounts receivable.

A business is presumed to be a financial institution if it is one of the following:

- A corporation registered under state law as a bank holding company or registered under the Federal Bank Holding Company Act, as amended, or registered as a savings and loan holding company under the Federal National Housing Act, as amended
- A national bank organized under the National Bank Act
- A savings association or federal savings bank as defined in the Federal Deposit Insurance Act
- A bank or thrift institution incorporated or organized under the laws of any state
- A corporation organized under the provisions of Title 12 U.S.C. §§ 611 to 631
- An agency or branch of a foreign depository as defined in Title 12 U.S.C. § 3101
- A corporation whose voting stock is more than 50% owned by an entity presumed to be a financial institution (insurance companies excluded)
- A corporation that in the current year and immediately preceding two years, derived more than 50% of its total gross income for financial accounting purposes from finance leases

In addition to the property included under the standard property factor as discussed on page 18, the property factor must also include the average value of loans and credit card receivables. Loans and credit card receivables are valued at their average outstanding principal balance, without regard to any reserve for bad debts.

Loans and credit card receivables are considered located in Idaho if they are properly assigned to a regular place of business in this state; that is, if the loan has a preponderance of substantive contacts with that place of business. Substantive contacts include solicitation, investigation, negotiation, approval, and administration.

There are also special sales factor rules for attributing receipts to a state. The payroll factor is computed the same as under the standard apportionment rules. See page 19.

SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form. Compute all percentages to four places to the right of the decimal point (00.0000%). Include a schedule showing apportionment detail by company if filing for a unitary group.

PROPERTY
Lines 1 through 4. Enter the beginning and end of the year total property and Idaho property amounts.

Line 9. Divide Idaho property by total property (amounts on line 8).

SALES
Lines 11 and 12. Enter the amounts from line 10 that were delivered or shipped to Idaho purchasers (line 11) or that were throwback sales to Idaho (line 12). A sale made in a state that has no jurisdiction to tax the seller is a throwback sale.

Line 14. Include a detailed schedule.

Line 16. Divide Idaho gross receipts by total gross receipts (amounts on line 15).

Electrical and telephone utilities. This is your single-weighted sales factor. Go to line 18.

Line 17. For all taxpayers other than electrical and telephone utilities, multiply the amount on line 16 by 2. This is your double-weighted sales factor.

PAYROLL
Line 19. Divide Idaho wages and salaries by total wages and salaries (amounts on line 18).

TOTAL PERCENTAGE
Line 20. For all taxpayers other than electrical and telephone utilities, add the percentages on lines 9, 17, and 19. For electrical and telephone utilities, add the percentages on lines 9, 16, and 19.

IDAHO APPORTIONMENT FACTOR
Line 21. For all taxpayers other than electrical and telephone utilities, divide the total on line 20 by 4. For electrical and telephone utilities, divide the total on line 20 by 3.

If any of the factors don't apply to your business, divide the total on line 20 by the number of factors used. For example, if your business has no employees anywhere, your factor is reduced by one.

PART II COMBINED REPORTING ADJUSTMENTS

GENERAL INFORMATION

The worldwide filing method is required for all corporations unless the water's edge election has been made. The water's edge election must be made by filing Form 14, Idaho Water's Edge Election and Consent Form, with the original tax return filed by the corporation for the tax year. The election can't be made on an amended return. Permission must be requested from the Tax Commission to change from the water's edge method to the worldwide method.

SPECIFIC INSTRUCTIONS

To the extent that amounts listed for water's edge filers are different than the amounts listed for worldwide filers, separate instructions are listed.

ADDITIONS

LINE 1 INCOME FROM UNITARY FOREIGN SUBSIDIARIES
Water's Edge Filers. If you are a water's edge filer, disregard this line and go to line 2.

Worldwide Filers. The income of a foreign affiliate included in a consolidated federal return is included on line 11, Form 41.

If foreign affiliates aren't included in a consolidated federal return, the corporation can select one of the following options. The option selected must be used for all foreign affiliates not included in a consolidated federal return and must be adjusted for the Idaho additions and subtractions listed on Form 41.

Option 1. Enter the net income before income taxes stated on each affiliate's profit and loss statement prepared for the United States Securities and Exchange Commission (SEC). If the profit and loss statement isn't filed with the SEC, enter the net income or loss before income taxes reported on the profit and loss statement prepared for reporting to shareholders that is subject to review by an independent auditor.

Option 2. The net income or loss reported on the profit and loss statements may be adjusted to tax accounting standards as would be required by the IRC if the corporation were incorporated in the United States. If a corporation chooses to make the book to tax adjustments, all book to tax adjustments must be made for all unitary foreign corporations not included in the consolidated federal return. The book to tax adjustments must be consistently applied each year the group files a worldwide return.

Include a schedule of the foreign affiliate income by corporation. Also include schedules of the book to tax adjustments, if any.

LINE 2 FEDERAL TAXABLE INCOME OF NONCONSOLIDATED UNITARY SUBSIDIARIES

Enter the federal taxable income of unitary subsidiaries incorporated in the United States that are more than 50% commonly owned and that weren't included in the federal consolidated return. This is the amount reported on the subsidiary's federal income tax return, Form 1120, adjusted for the Idaho additions and subtractions listed on Form 41. Include a schedule identifying this income by corporation.

LINE 3 INCOME OF FOREIGN CORPORATIONS SUBJECT TO FEDERAL TAXATION
Water's Edge Filers. Enter the federal taxable income reported by corporations incorporated outside the United States that are required to file a federal income tax return. This includes foreign corporations filing a federal Form 1120F.

Worldwide Filers. The income of foreign corporations is included on line 1.

Include a schedule identifying this income by corporation and also include copies of the federal income tax returns filed by each.

LINE 4 INTERCOMPANY ELIMINATIONS
Enter the amount of intercompany transactions between the combined group and nonunitary subsidiaries eliminated on the federal consolidated return. The income of the nonunitary subsidiaries is a subtraction on line 7. Include a schedule identifying the intercompany transactions by corporation.

LINE 5 OTHER ADDITIONS
Enter any miscellaneous Idaho additions. Include a schedule identifying each miscellaneous addition by corporation.

FORM 42

SUBTRACTIONS

LINE 7 FEDERAL TAXABLE INCOME OF NONUNITARY SUBSIDIARIES INCLUDED ON THE FEDERAL RETURN
Enter the federal taxable income of nonunitary subsidiaries included in the federal consolidated return. Include a schedule identifying the income or loss by corporation.

LINE 8 DIVIDEND EXCLUSION
The following dividend exclusions are applicable only to water's edge filers.

a. Foreign Dividends. Enter the total amount of dividends paid by foreign affiliates. Include the amounts of income from controlled foreign corporations under subpart F if included in federal taxable income. Enter the income from possession corporations included in line 2. Don't include on this line any actual dividends paid by the possession corporations.
b. Exclusion Percentage. If you elected to forgo filing the water's edge spreadsheets as indicated on line 8b, Form 41, enter 80%. Enter 85% if you are filing the water's edge domestic disclosure spreadsheets.

LINE 9 INTERCOMPANY DIVIDENDS INCLUDED ON THE COMBINED RETURN
Enter the amount of dividends paid by one member to another member of the unitary group that haven't been subtracted elsewhere on this form or Form 41.

Include a schedule identifying payors, payees and dividend amounts regardless of the filing method.

LINE 10 INTERCOMPANY TRANSACTIONS INCLUDED ON THE FEDERAL RETURN
Enter the intercompany transactions, between members of the combined group, that haven't otherwise been eliminated.

LINE 11 OTHER SUBTRACTIONS
Enter any miscellaneous Idaho deductions. Include a schedule identifying each miscellaneous deduction by corporation.

These instructions don’t provide a comprehensive explanation of Idaho tax laws or rules.
Costs associated with this publication are available from the Idaho State Tax Commission in accordance with Section 60-202, Idaho Code.