

# NEW FOR 2002

## CAUTION - CERTAIN FEDERAL LAWS WERE NOT ADOPTED BY IDAHO

When these instructions were printed, Idaho had not adopted the most recent amendments to the Internal Revenue Code, enacted in the Job Creation and Worker Assistance Act of 2002. Provisions such as bonus depreciation have not been incorporated into Idaho law. If the Idaho Legislature does not adopt these provisions retroactively in 2003, you must make adjustments on your Idaho return if you claimed these items on your federal return.

If you claimed the bonus depreciation for federal purposes, complete a separate Form 4562 for Idaho depreciation purposes without claiming any amounts for the additional 30% depreciation. Enter the difference between the federal and Idaho Forms 4562 as an "other" addition or subtraction on the Form 66, Schedule B.

For the most current information on whether Idaho has conformed to these changes, check the Idaho State Tax Commission Web site at [www2.state.id.us/tax](http://www2.state.id.us/tax).

## QUALIFIED FUNERAL TRUSTS

Special rules were enacted by the legislature for qualified funeral trusts (QFTs). A uniform rule on determining the residency status of QFTs was adopted. A QFT is now allowed to file a composite return on behalf of the beneficiaries. See the instructions on page 3 for the details.

## CREDIT FOR CONTRIBUTIONS TO IDAHO EDUCATIONAL ENTITIES INCREASED

The maximum credit for contributions to Idaho educational entities has increased to \$100. The credit continues to be limited to 20% of your income tax liability.

# GENERAL INFORMATION

## WHO MUST FILE FORM 66

A fiduciary (guardian, trustee, executor, administrator, receiver, conservator, or any person acting in a position of trust or fiduciary capacity for any other person or group of persons) must file an Idaho income tax return on Form 66 for:

- A resident estate with gross income (as defined in Internal Revenue Code (IRC) Section 61(a)) of \$600 or more for the current tax year;
- A nonresident estate with gross income (as defined in IRC Section 61(a)) from Idaho sources of \$600 or more for the current tax year;
- A resident trust that is required to file a federal return, including a grantor trust, with gross income (as defined in IRC Section 61(a)) of \$100 or more for the current tax year;
- A nonresident trust that is required to file a federal return, including a grantor trust, with gross income (as defined in IRC Section 61(a)) from Idaho sources of \$100 or more for the current tax year; or
- An estate of a resident individual involved in bankruptcy proceedings under chapter 7 or 11 of Title 11 of the U.S. Bankruptcy Code with gross income (as defined in IRC Section 61(a)) of \$3,300 or more.

## RESIDENCY OF ESTATES

An estate is treated as a resident estate if the decedent was domiciled in Idaho on the date of his death. If the estate is other than an estate of a decedent, it is treated as a resident estate if the person for whom the estate was created is a resident of Idaho. If the estate does not qualify as a resident estate, it is treated as a nonresident estate.

A nonresident estate reports income earned from Idaho sources in the same manner as though the taxpayer was a nonresident individual.

## RESIDENCY OF TRUSTS

A trust is treated as a resident if three or more of the following occur in Idaho:

- Domicile or residency of the grantor;
- Creation of the trust;
- Existence of trust property;
- Domicile or residency of the trustees; or

- Administration of the trust. Administration of the trust includes conducting trust business, investing assets, making policy decisions, record-keeping, or filing of tax returns.

If the trust does not qualify as a resident trust, it is treated as a nonresident trust.

A nonresident trust with income earned from Idaho sources must report such income to Idaho in the same manner as though the taxpayer was a nonresident individual. No distinction is made between living trusts (created by the grantor and funded during his lifetime) and testamentary trusts (becoming operative upon the death of the grantor). If a trust is not required to file a federal return, it is not required to file an Idaho return.

## WHAT TO FILE

A complete copy of the federal income tax return must be attached to the Idaho income tax return. All Schedules K-1 must be attached to the return or submitted with the return on diskette or compact disk. Failure to attach a complete copy of the federal return may cause the return to be delinquent.

## WHEN TO FILE

Your return is due on or before the 15th day of the fourth month following the close of your tax year. For a calendar year filer, this is April 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

## ACCOUNTING METHODS

You must use the same accounting method that is used for federal tax purposes. A change of accounting method must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval to your return.

## ACCOUNTING PERIOD

You must use the same accounting period that is used for federal tax purposes. A change to the annual accounting period must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval to your return.

# GENERAL INFORMATION

## AMENDED RETURNS

If you discover an error on your return after it is filed, use this form 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.

If you are amending a return for tax years beginning prior to 2001, complete a new return using the corrected numbers on the form for the applicable year. Write AMENDED at the top of the form and attach an explanation of why the return is being amended.

## ELECTING SMALL BUSINESS TRUSTS

If the trustee makes the election under IRC Section 1361 for the trust to be an electing small business trust (ESBT) for federal purposes, the trust will be treated as an ESBT for Idaho income tax purposes. No separate election for Idaho purposes is required.

Special rules apply when computing the tax of an ESBT. The portion of an ESBT that consists of stock of one or more S corporations is treated as a separate trust in computing the tax attributable to the S corporation stock held by the trust. This tax:

- Must be paid by the ESBT.
- Must be computed separately from the tax on the remainder of the ESBT. The tax computation must be attached to the return.
- Is entered on line 20 of the Form 66.

The tax on the remainder of the ESBT is computed in the normal manner on Form 66. Do not include the S corporation items when computing this tax or distributable net income. Do not apportion to the beneficiaries any of the S corporation items.

If the ESBT consists entirely of stock in one or more S corporations, do not make any entries on lines 4 through 14 of page 1. Instead:

- Complete the heading area and lines 1 through 3b.
- Follow the instructions for line 20 for computing the tax on the S corporation items and enter the amount of tax;
- Complete the rest of the return.

## ELECTRONIC FUNDS TRANSFERS

Tax 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 for further information.

## EXTENSION OF TIME TO FILE

If you cannot 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 tax due for the current year or 100% of the total tax reported last year. Use Form 41EXT to make your payments.

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.

Failure to pay the required amount by the original due date will result in a 2% per month penalty from the original due date to the earlier of the date paid or the extended due date. A 5% per month penalty will also be computed on the tax due from the extended due date to the date of payment if the return is not filed. The maximum penalty is 25%.

## FEDERAL AUDIT

If your federal taxable income or tax credits change because of a federal audit, you must send written notice to the Tax Commission

within 60 days of the final federal determination. You must include copies of all schedules supplied by the Internal Revenue Service.

If you owe additional Idaho tax and do not 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 and the statute of limitations is closed, you have one year from the date of the final determination to file for the refund.

## GRANTOR TRUSTS

Trust income taxable to the grantor or another person under IRC Sections 671 through 678 is not taxed on a fiduciary return. However, the income information must be shown on a separate statement attached to Form 1041. Attach a copy of that information statement to Form 66. Also attach a supplemental statement to Form 66 showing Idaho additions and subtractions to federal taxable income.

## INTEREST

Interest applies on delinquent tax from the due date of the return until the tax is paid at the rate of 5% per year (rate effective 1-1-2003 to 12-31-2003).

## NET OPERATING LOSSES

An estate or trust incurs an Idaho net operating loss in a year when its Idaho taxable income is less than zero. Net operating losses incurred in activities not taxable by Idaho may not be subtracted.

For tax years beginning on or after January 1, 2000, the net operating loss 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 net operating loss generally must be carried back to the three preceding years. Any remaining loss may be carried forward until used, but no longer than 15 years.

The fiduciary can elect to forego the Idaho carryback period and carry the loss forward. This Idaho election must be made before the due date, including extensions, of the loss year return. To make the Idaho election, attach a statement to the loss year return identifying the fiduciary's name, address, employer identification number, the amount of the net operating loss, and a statement that the fiduciary is electing to forego the Idaho carryback provision, or attach a copy of the federal election to forego the federal net operating loss carryback to the Idaho loss year return.

## OTHER RETURNS THAT MAY BE REQUIRED

An Idaho individual income tax return, Form 40 or Form 43, may be required for the last tax year of a decedent or for a beneficiary of a guardianship trust or estate. Refer to the Idaho Individual Income Tax booklet for filing requirements.

If Form 1041-A or 5227 is required for federal income tax purposes, file a copy of that form with the Tax Commission. Mark the copy "Idaho Information Copy."

## PAYMENTS

Make your check or money order payable to the Idaho State Tax Commission and attach it to the tax return. Payments less than \$100,000 may be made by Visa or MasterCard. Complete and attach Form CCV, Credit Card Payment Voucher. 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

# GENERAL INFORMATION

extension criteria (the return and taxes must be paid by 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 TAX

An estate or trust required to file an Idaho income tax return must pay the \$10 permanent building fund tax if all the income has not been distributed to beneficiaries. An estate or trust is also required to pay the permanent building fund tax for each individual beneficiary who meets the Idaho filing requirement but does not report his distributable income on an Idaho individual return. A QFT is not required to pay the permanent building fund tax.

## QUALIFIED FUNERAL TRUSTS

Special rules apply to the taxation of a qualified funeral trust (QFT) for trustees that elect to use these rules.

A QFT is a domestic trust that meets all of the following requirements:

- It arose as a result of a contract with a person engaged in the trade or business of providing funeral or burial services or property necessary to provide such services.
- The sole purpose of the trust is to hold, invest, and reinvest funds in the trust and to use those funds solely to pay for funeral or burial services or property to provide such services for the benefit of the beneficiaries of the trust.
- The only beneficiaries are individuals for whom such services or property are to be provided at their death under the contracts described in the first bullet.
- The aggregate contributions to the trust on behalf of any single beneficiary do not exceed the contribution limit and are made by or for the benefit of such beneficiaries.
- The trustee makes or previously had made the election to treat the trust as a QFT.
- If the election had not been made, the trust would have been treated as owned by the purchasers of the contracts under the grantor trust provisions of the IRC. However, a trust that is not treated as owned by the purchaser solely because of the death of an individual shall be treated as meeting this requirement during the 60-day period beginning on the date of the individual's death.

## Composite Return

A trustee may file a single, composite return for all QFTs of which he is the trustee. You must attach a schedule to the composite Idaho Form 66 that includes the following information for each separate interest treated as a separate QFT:

- The name of the owner of the beneficiary. If you list the name of the owner and that trust has more than one beneficiary, you must separate the trust into shares held by the separate beneficiaries.
- The type and gross amount of each type of income earned by the QFT for the tax year.
- The type and amount of each deduction and credit allocable to the QFT.
- The tax and payments made for each QFT; and,
- If the QFT was terminated during the year, give the date of the termination.

## Computing Tax

If a QFT has multiple beneficiaries, each beneficiary's interest is treated as a separate trust for purposes of computing the tax.

If a composite return is filed, attach a statement identifying the

calculation of Idaho taxable income and the Idaho income tax for each beneficiary.

## Contribution Limit

The contribution limit is determined based on the year in which an individual entered into a contract with a person engaged in the trade or business of providing funeral or burial services or property to provide these services.

For contracts entered in \_\_\_\_\_ the contribution limit amount is:

- 1998 and before ..... \$7,000
- 1999 ..... \$7,100
- 2000 ..... \$7,200
- 2001 ..... \$7,500
- 2002 ..... \$7,700

## Permanent Building Fund Tax

A QFT is not required to pay the permanent building fund tax.

## Residency of QFTs

A QFT is treated as a resident if at the time of the initial funding of the trust, the QFT is required to be established under the laws of Idaho, or if there is no such requirement, if a funeral home or cemetery located in Idaho is identified to provide the services or merchandise, or both, under the terms of a pre-need contract requiring the establishment of the trust.

## Who Must File Form 66

If a QFT has multiple beneficiaries, each beneficiary's interest is treated as a separate trust for purposes of determining whether an Idaho return must be filed. The filing requirements for each separate interest in the QFT are the same as for other resident or nonresident trusts. See page 1 of the General Instructions for Who Must File Form 66.

## ROUNDING

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

## SIGNATURE

The return must be signed by the fiduciary or officer representing the fiduciary.

## TAX DUE FOR NONFILING BENEFICIARIES

An individual beneficiary may elect to have the estate or trust pay the tax on his income from that estate or trust. The estate or trust will be taxed on such income at the corporate rate of 7.6%. An individual cannot make the election if he meets the Idaho filing requirement and must report other income that is not subject to this election. Permission from the Tax Commission is not required.

If an individual who meets the Idaho filing requirement does not make the election, and does not file his Idaho individual income tax return or does not pay the tax due, the estate or trust will be taxed on the income at the corporate rate.

## TAX PERIOD/YEAR COVERED BY RETURN

Use the 2002 form to file your tax return for calendar year 2002 or the fiscal year beginning in 2002.

## TAX PREPARER CONTACT BOX

A tax preparer contact box is located directly above the signature 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 contact your preparer to resolve any questions related to your return.

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.

# FORM 66 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 2002 return for calendar year 2002 or a fiscal year that begins in 2002. For a fiscal year, fill in the tax year space at the top of the form.

If you received a preaddressed label that is in error, correct the label and place it over the name and address area of the return. If you did not receive a preaddressed label, type or print the estate/trust name, fiduciary name and title, address, and federal employer identification number in the space provided.

## AMENDED RETURNS

This form can be used as an original return or as an amended return for tax years beginning in 2002. 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. Net Operating Loss Carryback - Attach Form 56C or a schedule showing the application of the loss.
3. Other - Attach an explanation.

## QUESTIONS 1, 2, AND 3

Mark the appropriate boxes, and provide the requested information. Each question must be answered or the return will be considered incomplete. Incomplete returns will cause processing delays.

If the fiduciary is filing Form 66 for an estate, complete questions 1a through 1d. Otherwise, go to question 2.

### Question 1 ESTATES

- a. Enter the social security number of the decedent.
- b. Enter the decedent's date of death.
- c. If the decedent was a resident of Idaho on the date of his death, check the "Yes" box.
- d. If box c is checked "No," enter the decedent's state of residence on the date of death.

### Question 2 RESIDENT/NONRESIDENT BENEFICIARIES

If any beneficiary of the estate or trust is not a resident of Idaho, check the "Yes" box. A beneficiary is an Idaho resident if:

- Domiciled for the entire year in Idaho even though temporarily outside of Idaho.
- Has a home in Idaho for the entire year and spends more than 270 days in Idaho during the tax year.

### Question 3a ELECTING SMALL BUSINESS TRUSTS

If the trustee made the election under IRC Section 1361 for the trust to be an electing small business trust for federal purposes, check the yes box.

### Question 3b QUALIFIED FUNERAL TRUSTS

If the trustee made the election under IRC Section 685 and the trust otherwise qualifies as a qualified funeral trust, check the yes box. If filing a QFT composite return, do not complete lines 4 through 14, enter zero on line 15 and continue to line 20.

## LINE 5 INCOME DISTRIBUTION DEDUCTION

Enter the amount of the deduction for distributions to beneficiaries. Attach a schedule showing the computation if different from the federal deduction.

## LINE 6 ESTATE TAX DEDUCTION

Enter the deduction for federal estate tax attributable to income in respect of a decedent. If the income in question has been distributed, only the fiduciary's pro rata share may be deducted. Refer to the instructions, federal Form 1041. If any or all of the estate tax is attributed to income which is exempt from Idaho tax, a special Idaho adjustment must be made to add back a pro rata

share of the deduction. Attach a schedule showing the computation.

## LINE 8 EXEMPTION

If the estate or trust distributes all its income to the beneficiaries and is electing to report the income distribution and pay the tax for the beneficiaries, enter zero on line 8.

If all income is reported to Idaho, enter the federal exemption from Form 1041, line 20.

If only part of the income is reported to Idaho, enter the amount from line 6 of the following computation:

1. Federal taxable income, line 22, Form 1041, as adjusted for amounts shown on lines 2 through 8, Schedule B, page 2 of Form 66. ....
2. Federal exemption, line 20, Form 1041. ....
3. Add lines 1 and 2. ....
4. Enter amount from line 7, Form 66. ....
5. Divide line 4 by line 3. .... %
6. Exemption. Multiply line 2 by line 5. ....

## LINE 11 OTHER CREDITS

Enter the amount from line 12, Schedule C, page 2 of Form 66. Instructions for Schedule C begin on page 7.

## LINE 13 INCOME DISTRIBUTION NOT REPORTED TO IDAHO

Determine the amounts from lines 4 and 5 that the beneficiaries elect to report on the fiduciary return. Individual beneficiaries who have no other income reportable to Idaho and are required to file an Idaho income tax return may elect to report the income distribution from the estate or trust on the fiduciary return. Do not include amounts distributed to a beneficiary who does not meet the Idaho individual income tax filing requirement.

## LINE 14 TAX ON INCOME DISTRIBUTION

If a beneficiary elects to have the trust or estate pay the tax on his income distribution, this income is taxed at the corporate rate of 7.6%. Any credits from the estate or trust that flow through to the beneficiary may be used to offset the tax attributable to that beneficiary. Attach a schedule showing this computation.

## LINE 15 PERMANENT BUILDING FUND TAX

A trust or estate that meets the Idaho filing requirement and does not distribute all its income is required to pay the \$10 permanent building fund tax. A trust or estate that reports income on line 13 is required to pay the \$10 permanent building fund tax for each individual beneficiary that elects to have the estate or trust pay the tax on his income from the estate or trust. A trust or estate is also required to pay the permanent building fund tax for each individual beneficiary who is required to file, but does not file, an Idaho individual income tax return. A nonresident individual beneficiary is required to file if his share of gross income from the estate or trust is more than \$2,500. If all the income has been distributed to beneficiaries who file Idaho income tax returns, the trust or estate does not owe this tax.

Enter zero if this is a QFT.

## LINE 16 FUELS TAX DUE

If you buy gasoline, aircraft fuel, or special fuels (diesel, propane, 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 lines 3 and 4, Section IV, Form 75 and enter the total. Attach Form 75.

## LINE 17 TAX FROM RECAPTURE OF INVESTMENT TAX CREDIT

If you have claimed an investment tax credit on property that ceases to qualify before the end of the five-year recapture period, you must recompute the investment tax credit. This includes

# FORM 66

property moved outside of Idaho. The difference between the original credit and the recomputed credit must be recaptured.

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

## LINE 18 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 recompute the broadband equipment investment credit. This includes property that ceases to qualify for the investment tax credit. The difference between the original credit and the recomputed credit must be recaptured.

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

## LINE 19 TAX FROM RECAPTURE OF INCENTIVE INVESTMENT TAX CREDIT

If you have claimed an incentive investment tax credit on property that ceases to qualify before the end of the five-year recapture period, you must recompute the incentive investment tax credit. This includes property that ceases to qualify for the investment tax credit. The difference between the original credit and the recomputed credit must be recaptured.

Enter the amount from line 15, Part III, Form 69R. Attach Form 69R.

## LINE 20 TAX ON ELECTING SMALL BUSINESS TRUST OR QFT COMPOSITE RETURN

*Electing Small Business Trusts.* If the trust is an ESBT, the portion that consists of stock in one or more S corporations must be treated as a separate trust, and the tax must be computed separately on that separate trust. Compute the tax on the S corporation items making the following modifications:

- Take into account only the income, losses, deductions, and credits that could be taken into account as pass-through items to S corporation shareholders and gain or loss from the disposition of S corporation stock.
- You may not claim an income distribution deduction or an exemption amount.
- You may not claim a deduction for capital losses in excess of capital gains.
- Make the applicable adjustments on Schedules A and B and complete a separate Schedule C for the S corporation items.
- The tax is computed using the Tax Computation Schedule in the instructions on page 8. Attach the tax computation to the return.

Enter the tax for the S corporation items on line 20.

*QFTs.* If the trust is filing a composite QFT return, the same information and schedules used on the federal Form 1041-QFT can be used in determining the tax for Idaho. However, the calculation of each QFT's Idaho taxable income and Idaho income tax liability will need to be made on a separate schedule and attached to the composite Idaho return.

To arrive at the QFT's Idaho taxable income, each QFT included in the Idaho composite return should start with its federal taxable income as reported in the detail information attached to the federal Form 1041-QFT composite return. Each QFT's federal taxable income is then subject to the Idaho modifications. These are listed in Schedule B, Page 2 of the Form 66. If the QFT is a nonresident, the computations listed in Schedule A, Page 2 of the Form 66 must be made using the applicable information from the Form 1041-QFT prior to making the Idaho modifications in Schedule B.

A QFT is not entitled to claim the exemption deduction in computing Idaho taxable income.

The total of the Idaho income tax due for all of the QFTs should be reported on line 20.

## LINE 22 ESTIMATED TAX PAYMENTS

Enter the total amount of payments made and the amount applied from your 2001 return.

## LINE 23 IDAHO INCOME TAX WITHHELD

Enter the amount of Idaho income tax withheld and not repaid by an employer on wages and salaries of a decedent's estate. Attach state copies of W-2s.

## LINE 24 SPECIAL FUELS AND GASOLINE TAX REFUND

The special fuels (diesel, propane, 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 line 2, Section IV, Form 75. Attach 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 line 1, Section IV, Form 75. Attach Form 75.

## LINE 27 PENALTY AND INTEREST

**Penalty:** If the trust or estate 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 penalty, the trust or estate 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, and
- file the return and pay the tax due by the extended due date.

If the trust or estate 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 or pay the remaining tax by the extended due date, the following penalties 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 extended due date to the date of payment, or
- 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 date the return is filed.

If the trust or estate does not 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:

- 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 and 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 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 on or before the extended due date but the tax is paid after the extended due date, a 2% per month late filing penalty will be computed on tax due from the original due date of the return to 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 both the return is filed and the tax is paid after the extended due date, a 5% per month late filing penalty will be computed on tax due from the original due date of the return to the earlier of the date the return is filed or the date the tax is paid.

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

**Interest:** Interest is charged on the amount of tax due, line 26, from the original due date until paid. The rate for 2003 is 5%.

## LINE 30 REFUND

If you are filing an original return, you have the option of receiving all or a portion of the overpayment listed on line 29 as a refund, or

# FORM 66

applying all or a portion of the overpayment to your 2003 estimated tax. Enter the amount you wish to receive as a refund on this line. If you enter the total from line 29, you must enter zero on line 31.

## LINE 31 ESTIMATED TAX

If you are filing an original return, you have the option of applying all or a portion of the overpayment listed on line 29 as a credit against your 2003 estimated tax. The amount you list on this line plus the amount on line 30 must equal the overpayment listed on line 29. If you listed the total overpayment as the amount you want refunded to you on line 30, you must enter zero on this line.

## AMENDED RETURN ONLY

Complete lines 32 through 35 only if you are filing this return as an amended return for 2002.

## LINE 32 TOTAL TAX DUE OR OVERPAYMENT ON THIS RETURN

If the tax due shown on line 28 is greater than zero, enter this amount on line 32. The amount from line 28 should be entered as a positive amount.

If line 28 is zero, enter the amount of overpayment from line 29 on line 32. The amount from line 29 should be entered as a negative amount.

## SCHEDULE A

The income of a nonresident estate or trust includable for Idaho fiduciary income tax purposes is that portion of its federal taxable income derived from Idaho sources.

## LINES 2 AND 3 INCOME AND CAPITAL GAIN OR LOSS DERIVED FROM IDAHO SOURCES

Include those items includable for federal fiduciary income tax purposes attributable to, or resulting from, ownership in Idaho of any interest in real or tangible personal property (including real property or property rights from which "gross income from mining" as defined by IRC Section 631(c) is derived); or the carrying on of a trade, business, profession or occupation in Idaho.

To determine income or capital gain or loss derived from Idaho sources:

1. Income from intangible personal property, including annuities, dividends, interest, and gains from the disposition of intangible personal property, shall constitute income derived from Idaho sources only to the extent that the income is derived from property employed in a trade, business, profession or occupation carried on in Idaho.
2. Deductions with respect to capital losses, net long-term capital gains, and net operating losses shall be based solely on income, gain, loss and deduction connected with Idaho sources. However, salaries, wages, commissions and compensation for personal services rendered outside the state of Idaho shall not be deemed as derived from Idaho sources.
3. A nonresident beneficiary's distributive share of income, gain, loss and deduction derived from or connected with Idaho sources shall be determined under Idaho Code, Section 63-3026A.
4. If a trade, business, profession or occupation is carried on partly within and partly without Idaho, items of income, gain, loss and deduction derived from or connected with Idaho sources shall be determined in accordance with the provisions of Idaho Code, Sections 63-3026A and 63-3027.
5. Deductions with respect to passive activity losses derived from Idaho sources shall be allowed to the extent they are allowed as a deduction on your federal income tax return. To deter-

mine the amount of your Idaho passive activity loss deduction, compute the federal passive loss allowed for each passive activity. Your Idaho passive activity loss deduction for each passive activity carried on in Idaho will be the amount that you deducted to arrive at federal taxable income or (loss).

Enter the amount of estate or trust income derived from Idaho sources on Schedule A, line 2. Enter the amount of Idaho capital gain or loss on Schedule A, line 3.

## LINE 6 DEDUCTIONS DIRECTLY ALLOCABLE TO IDAHO INCOME

Enter the amount of deductions directly allocable to Idaho income. Amounts directly allocable to Idaho income include but are not limited to:

- depreciation and depletion on Idaho properties;
- interest and taxes pertaining to Idaho property;
- capital gain deductions or expenses on Idaho capital gains or losses;
- estate tax deductions pertaining to Idaho income.

## LINE 7 DEDUCTIONS NOT DIRECTLY ALLOCABLE TO ANY SPECIFIC INCOME

Enter the amount of deductions not directly allocable to any specific income. Amounts not directly allocable to any specific income include but are not limited to:

- charitable deductions;
- fiduciary fees;
- attorney and account fees.

## SCHEDULE B

## LINE 1 ADJUSTED TOTAL INCOME (LOSS)

If this is a resident return, enter the amount of federal adjusted total income (loss) from Form 1041, line 17. If this is a nonresident return, enter the amount from line 10, Schedule A, page 2. See instructions for Schedule A.

## LINE 2 INTEREST AND DIVIDENDS NOT TAXABLE UNDER FEDERAL LAW

Enter the interest and dividends net of applicable amortization received or accrued from obligations of any other state or political subdivision excluded from federal taxable income under the provisions of the Internal Revenue Code. Attach a schedule.

## LINE 3 STATE INCOME TAXES

Enter the amount of state income taxes deducted in arriving at federal adjusted total income that were not distributed. The fiduciary must provide the beneficiary with the necessary information if a portion of the state income tax deduction was distributed and not included on this line.

## LINE 5 OTHER ADDITIONS

Enter any miscellaneous Idaho additions. Attach a schedule identifying each addition. If you claimed federal bonus depreciation, you must complete a separate Form 4562 to compute your Idaho depreciation without claiming any amounts for the special depreciation allowance. If the federal depreciation is more than the Idaho depreciation, include the difference as an addition on this line. Attach the Form 4562 used to compute the Idaho depreciation.

## LINE 6 IDAHO NET OPERATING LOSS

Enter the Idaho net operating loss carryover. If this is an amended return to claim a net operating loss carryback, enter the amount of the NOL carryback. Attach a schedule detailing the computation of the loss and prior loss application.

Enter the total of the NOL carryover and carryback amounts on line 6. Attach Form 56C or a schedule showing the application of the loss.

# FORM 66

## LINE 7 INCOME EXEMPT FROM IDAHO TAX

Enter the amount of interest income received from obligations of the U.S. Government (U.S. Savings Bonds, etc.) not distributed. Expenses related to the production of this income will reduce the amount you enter here. In addition, this amount should be adjusted to reflect the estate tax deduction on line 6, page 1, attributed to income exempt from Idaho tax. The fiduciary must provide the beneficiary with the necessary information if a portion of this adjustment was distributed. Attach a schedule showing your computations.

## LINE 8 OTHER SUBTRACTIONS

Enter any miscellaneous Idaho deductions. Attach a schedule identifying each deduction. If you claimed federal bonus depreciation, you must complete a separate Form 4562 to compute your Idaho depreciation without claiming any amounts for the special depreciation allowance. If the federal depreciation is less than the Idaho depreciation, include the difference as a subtraction on this line. Attach the Form 4562 used to compute the Idaho depreciation.

## SCHEDULE C

Tax credits must be computed according to the following instructions and the instructions accompanying the appropriate forms. Credits pass through to beneficiaries in the same manner that income and expenses are distributed.

The fiduciary must prepare and distribute to each beneficiary a schedule that shows all Idaho income and deductions that must be reported on the beneficiary's Idaho income tax return. The schedule must also include the beneficiary's share of amounts that are eligible for tax credits. Each beneficiary uses this credit information to determine the amount of Idaho credit, credit recapture and credit carryover to be reported on the Idaho income tax return. Credits reported by each beneficiary are subject to the limitations applicable to that beneficiary based on his share of the credit and his tax liability. Copies of these schedules must be attached to the Idaho Fiduciary Income Tax Return for the year in which the credit is earned. Credit information reported on the schedule should include the following:

- Donations to a qualified educational entity
- Qualified investment eligible for the investment tax credit
- Donations to a qualified center for independent living, substance abuse center, or to a youth or rehabilitation facility or their foundations
- Costs of qualifying equipment eligible for the credit for production equipment using post-consumer waste
- Amount approved for the natural resources conservation credit
- Amount of promoter-sponsored event credit
- Amount of credit for qualifying new employees
- Amount of credit for Idaho research activities
- Amount of broadband equipment investment credit
- Amount of incentive investment tax credit
- Amount of recapture for any of the credits

If an individual beneficiary elects to have his share of the income taxed on the estate or trust return, the tax may be offset by the credit allowed to that beneficiary. Credits applied to this tax are computed based on the credit limitations applicable to estates or trusts. For example, if a trust pays the tax for three individual beneficiaries, the amount of credit for contributions to educational institutions is the lesser of the following amounts:

- 50% of the three beneficiaries' share of the amount donated,
- 20% of the tax computed for the three beneficiaries, or
- \$100

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 attach a copy of the Idaho Statement of Credit Transfer, Form 70, to each return on which you are claiming transferred credit.

## LINE 1 CREDIT FOR TAXES PAID TO ANOTHER STATE

This credit only applies to resident or part-year resident estates or trusts.

An Idaho estate or trust must report all of its income regardless of where it was earned. If the estate or trust is also taxed by another state on income reported on the Idaho return, it is entitled to a credit against the Idaho tax.

If you have credit for taxes paid to more than one state, attach a schedule with a computation for each state. You must attach a copy of the other state's tax return to your Idaho return. Enter total on line 1g.

## LINE 2 CREDIT FOR CONTRIBUTIONS TO IDAHO EDUCATIONAL ENTITIES

If the estate or trust donated cash or goods to a qualified educational entity, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 20% of the tax on line 10, or
- \$100

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 State Library

## LINE 3 INVESTMENT TAX CREDIT

If you acquire an asset for use in your business, you may have earned an investment tax credit.

The Idaho investment tax credit earned by an estate or trust passes through to each beneficiary in the same ratio that income is allocated to that beneficiary. When an estate or trust has a fiscal year end other than that of the beneficiaries, the investment tax credit passes through in the same tax period that the income or loss from the estate or trust is required to be reported by the beneficiary for federal tax purposes.

Report the allowed credit computed on line 9b or line 10, Part II, Form 49 or line 7, Part II, Form 55. Attach Form 49 and Form 55 if applicable.

## LINE 4 CREDIT FOR CONTRIBUTIONS TO IDAHO YOUTH AND REHABILITATION FACILITIES

If the estate or trust donated cash or goods 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, it may claim a tax credit. The credit is limited to the smallest of:

- one-half of the amount donated,
- 20% of the tax on line 10, or
- \$100

The qualified youth or rehabilitation facilities and their foundations are:

- Anchor House
- The Arc, Inc., Boise

# FORM 66

- The Children's Home Society of Idaho, Inc., Boise
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- Gem Youth Services, Emmett
- High Reachers, Inc., Mountain Home
- Hope House, Inc., Nampa
- Idaho Elks Rehabilitation Hospital, Inc., Boise
- Idaho Youth Ranch
- Kinderhaven, Sandpoint
- 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
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Western Idaho Training Co., Inc., Caldwell
- Winchester Occupational Workshop, Winchester

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, Blackfoot, Idaho Falls, and Pocatello

### LINE 5 CREDIT FOR PRODUCTION EQUIPMENT USING POST-CONSUMER WASTE

If you purchased equipment that manufactures a product from post-consumer or post-industrial 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 post-consumer or post-industrial waste.

The credit claimed in a tax year is limited to the lesser of \$30,000 or your tax liability. You may carry forward the unused portion of the credit up to seven years.

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

Post-consumer waste or post-industrial waste includes only glass, paper, or plastic that have been, or would have been, disposed of as solid waste. It does not include radioactive or hazardous waste.

Attach a schedule showing your computations, listing the qualified

equipment, identifying the post-consumer or post-industrial waste products, and identifying the newly manufactured products.

### LINE 6 NATURAL RESOURCES CONSERVATION CREDIT

If you filed an Application for Natural Resources Conservation Income Tax Credit for Tax Year 2002, enter the amount approved on that application by the Natural Resources Conservation Income Tax Credit Committee. The maximum tax credit allowed cannot exceed \$2,000. You may not claim a credit if you did not file an application or if the credit you requested was not approved.

### LINE 7 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.

### LINE 8 CREDIT FOR QUALIFYING NEW EMPLOYEES

Idaho allows a credit for qualifying new employees of a trust or estate involved in the producing, assembling, fabricating, manufacturing, or processing of natural resource products.

Report the allowed credit computed on line 27, Part II, Form 55. Attach Form 55.

### LINE 9 CREDIT FOR IDAHO RESEARCH ACTIVITIES

If you incurred expenses for research conducted in Idaho, you may have earned the credit for Idaho research activities.

Report the allowed credit computed on line 28 or line 32, Form 67. Attach Form 67.

### LINE 10 BROADBAND EQUIPMENT INVESTMENT CREDIT

If the estate or trust acquired qualified broadband equipment to use in its 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.

Report the allowed credit computed on line 16 or line 20, Form 68. Attach Form 68.

### LINE 11 INCENTIVE INVESTMENT TAX CREDIT CARRYOVER

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 in 2002.

Report the allowed credit computed on line 15 or line 19, Form 69. Attach Form 69.

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## Idaho Fiduciary Tax Computation Schedule

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If Idaho taxable income is:	The tax is:
Less than or equal to \$1,087 .....	1.6% of Idaho taxable income, line 9
Over \$1,087 but not over \$ 2,173 .....	\$17.38 plus 3.6% of excess over \$1,087
Over \$2,173 but not over \$ 3,260 .....	\$56.50 plus 4.1% of excess over \$2,173
Over \$3,260 but not over \$ 4,346 .....	\$101.04 plus 5.1% of excess over \$3,260
Over \$4,346 but not over \$ 5,433 .....	\$156.46 plus 6.1% of excess over \$4,346
Over \$5,433 but not over \$ 8,149 .....	\$222.73 plus 7.1% of excess over \$5,433
Over \$8,149 but not over \$21,730 .....	\$415.59 plus 7.4% of excess over \$8,149
\$21,730 or more .....	\$1,420.60 plus 7.8% of excess over \$21,730

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These instructions do not 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.