IDAHO

2012

Partnership Income Tax

Instructions for:

Form 65
Partnership Return of Income

Form 44
Idaho Business Income Tax Credits and Credit Recapture

Form 42
Idaho Apportionment and Combined Reporting Adjustments

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 FORM 65

- A partnership transacting business in Idaho
- A limited liability company treated as a partnership for federal income tax purposes and transacting business in Idaho

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 the Idaho income tax return. All Schedules K-1 and Idaho Forms ID K-1 must be included with the 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
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, 2013. 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.

GENERAL INFORMATION

AMENDED RETURNS
If you discover an error on your return after it is filed, use Form 65 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 include an explanation of why the return is being amended.

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 65, 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 partnership for federal income tax purposes, it will be treated as a partnership for Idaho income tax purposes.

E-FILE YOUR RETURN
The Tax Commission, with the IRS, provides electronic filing of federal and state partnership returns of income. 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.

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 on this page. 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.

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

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
A penalty will be imposed against a partnership that is required to file, but fails to file, an Idaho return. The penalty is $10 times the number of persons who are partners during any part of the tax year for each month the return isn't filed, up to five months.

GENERAL INFORMATION

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 TAX
A partnership is required to pay the PBF for each nonresident individual partner who meets the Idaho filing requirement and has the partnership 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.

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 partnership.

TAX DUE FOR NONRESIDENT INDIVIDUAL PARTNERS
A nonresident individual partner may have the partnership pay the tax on his income from that partnership. This income includes the individual's share of income, loss, and deduction.

Not all deductions allowed on an individual return are allowed when a partnership pays the tax for an individual partner. For example, partnerships aren't allowed deductions for carryovers or carrybacks of net operating losses, capital losses or personal exemptions.

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

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

The following instructions apply to partnerships that operate in Idaho and another state or country (multistate/multinational taxpayers). These instructions also apply to partnerships that are members of a partnership operating in Idaho and another state or country.

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.

Apportionment Formula. The apportionment formula consists of three factors: property, payroll, and sales. These three 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

GENERAL INFORMATION

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 partnership has no employees anywhere, the number of factors is reduced by one.

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.

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.

FORM 65 SPECIFIC INSTRUCTIONS

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

The partnership must provide each partner with an Idaho Form ID K-1. This form shows the partner's distributive share of Idaho additions, subtractions, and credit information. For partners who aren't individuals, the Form ID K-1 also provides apportionment factor numerator and denominator amounts that will be needed to complete their Idaho income tax return. Form ID K-1 also identifies the distributive share of gross income to help determine Idaho filing requirements of individual partners. All Forms ID K-1 and a complete copy of federal Form 1065, including all federal Schedules K-1, must be included with the Idaho Form 65.

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 the partnership's business name, address, and federal employer identification number (don't include the dash) in the space provided.

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 1-10
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 FORM PTE-12
Check the "Yes" box if the partnership included Form PTE-12 with its return to report withholding of Idaho income tax on nonresident individual partners.

1a. Check the "Yes" box if the partnership 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 FINAL RETURN
If this is the partnership's final return for Idaho, check the box that explains the reason. Enter the date the partnership dissolved or withdrew from Idaho.

Question 4 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 5 OWNERSHIP CHANGE
Check the "Yes" box if a partner terminated his interest in the partnership or if a new partner acquired an interest in the partnership.

Question 6 INVESTMENT TAX CREDIT (ITC)
Enter the amount from Form 49, Part I, line 2. This is the Idaho ITC the partnership earned for the tax year.

Question 7 BROADBAND EQUIPMENT INVESTMENT CREDIT
Enter the amount from Form 68, line 2. This is the broadband equipment investment credit the partnership earned for the tax year.

Question 8 CREDIT FOR IDAHO RESEARCH ACTIVITIES
Enter the amount from Form 67, line 16. This is the credit for Idaho research activities the partnership earned for the tax year.

Question 9 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 10 PROPERTY TAX EXEMPTION
Check the "Yes" box if the partnership elected the property tax exemption on personal property that qualifies for the investment tax credit. Include a copy of your Form 49E.

FORM 65

INCOME

LINE 14 PORTFOLIO INCOME
Enter your net portfolio income or loss from Form 1065, Schedule K, lines 5, 6a, 7, 8, and 9a.

LINE 15 OTHER ITEMS
Enter your other items from Form 1065, Schedule K. Include any other income, loss, or deductions required to be reported separately to partners from the federal Form 1065, Schedule K.

ADDITIONS

LINE 17 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 18 STATE, MUNICIPAL, AND LOCAL NET INCOME 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 a schedule of all taxes deducted on the federal return.

LINE 19 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 more than the Idaho depreciation (including gains and losses), include the difference as an addition on this line; otherwise, enter the difference on line 30.

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

LINE 20 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 22 INTEREST FROM IDAHO MUNICIPAL SECURITIES
Enter interest income from securities issued by the state of Idaho and its political subdivisions if included on line 17.

LINE 23 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 portfolio income, line 14. 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 24 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 26 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 can't reduce Idaho taxable income to less than zero. Any unused deduction can't be carried to another year.

LINE 27 ALLOCATED INCOME
Enter the amount of nonbusiness income. A schedule detailing the source of the income and explaining why the income was classified as nonbusiness must be included.

LINE 28 NONBUSINESS EXPENSE OFFSET
Expenses included in computing federal income that are related to the production of allocated nonbusiness income listed on line 27 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 24 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 28 _____

LINE 30 BONUS DEPRECIATION
If you claimed federal bonus depreciation for property placed in service 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 19.

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

LINE 31 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 partnerships when paying the tax for partners. Include a schedule identifying each deduction.

LINE 35 APPORTIONMENT FACTOR
If all the activity is in Idaho, enter 100%. If the partnership has multistate/multinational operations, enter the apportionment factor from Form 42, Part I, line 21. Include Form 42.

LINE 37 INCOME ALLOCATED TO IDAHO
Enter the amount of nonbusiness income allocated to Idaho less the nonbusiness expense offset from line 28 that applies to this income. A schedule detailing the source of the income allocated to Idaho must be included.

LINE 38 PARTNERSHIP INCOME OF PARTNERS EXEMPT FROM BACKUP WITHHOLDING
Enter the partnership income of partners whose Idaho distributable income is less than $1,000.

LINE 39 INCOME REPORTABLE BY PARTNERS
Determine the amounts from lines 36 and 37 that are reportable by resident and part-year resident individuals, partnerships, corporations, trusts, estates, 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.

If lines 36 and 37 include separately stated items from lines 13, 20, and 31, include the amounts reported by the partners on line 39.

CREDITS

Except for the Hire One Act credit, credits earned by the partnership are passed through to each partner based on that partner's distributive share of partnership profits. When a partnership has a fiscal year end other than that of the partner, the credit passes through in the same period that the partnership income or loss is reported by the partner for federal tax purposes.

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

If an individual partner has his share of the income taxed on the partnership's return, the tax may be offset by that partner's distributive share of credits. Credits applied to this tax are computed based on the credit limitations applicable to partnerships. For example, if a partnership pays the tax for three individual partners, the amount of credit for contributions to educational institutions is the lesser of the following amounts:

- 50% of the three partners' share of the amount donated,
- 50% of the tax computed for the three partners, or
- $500

Credits allowed to a partner that aren't used to offset his tax can't be used to offset the tax computed for other partners. The following credits, however, are available to be transferred to another taxpayer rather than used by the partner 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 42 CREDIT FOR CONTRIBUTIONS TO IDAHO EDUCATIONAL ENTITIES
Donations made by a partnership to a qualified educational entity may qualify for a tax credit. Donations of goods or services don't qualify.

If the partnership is paying the tax for one or more partners, determine each partner's distributive share of the following amounts and enter the total of these amounts on line 42.

- If the partnership claimed the credit for qualifying new employees, the applicable distributive 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,
  - 50% of the tax on line 41, or
  - $500

Don't enter the total credit earned by the partnership if the partnership isn't paying the tax for all the partners.

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 43 CREDIT FOR CONTRIBUTIONS TO IDAHO YOUTH AND REHABILITATION FACILITIES
Donations made by a partnership 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 partnership is paying the tax for one or more partners, determine each partner's distributive share of the following amounts and enter the total of these amounts on line 43.

- If the partnership claimed the credit for qualifying new employees, the applicable distributive 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,
    - 20% of the tax on line 41,
    - $100, or
    - The tax on line 41 less the amounts on line 42 and Form 44, Part I, line 1

Don't enter the total credit earned by the partnership if the partnership isn't paying the tax for all partners.

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 44 TOTAL BUSINESS INCOME TAX CREDITS
If the partnership is paying the tax for one or more partners, determine each partner's distributive 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 44. Don't enter the total credit earned by the partnership if the partnership isn't paying the tax for all partners. See page 9 for Form 44 specific instructions. Include Form 44.

OTHER TAXES

LINE 47 PERMANENT BUILDING FUND (PBF) TAX
Partnerships that report taxable income on line 40 are required to pay the $10 PBF tax for each nonresident individual partner that has the partnership pay the tax on his income from the partnership. A nonresident individual partner is required to file if his share of the partnership's Idaho gross income is more than $2,500.

LINE 48 TOTAL TAX FROM RECAPTURE OF INCOME TAX CREDITS
If the partnership is paying the tax for one or more partners, include on line 48 those partners' distributive share of the total tax from recapture of income tax credits from Form 44, Part II, line 7. See page10 for specific instructions. Include Form 44.

LINE 49 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 49. Include Form 75.

LINE 50 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 50.

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 51 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 53 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 55 ESTIMATED TAX PAYMENTS
Enter the total amount of payments made and the amount applied from your 2011 return.

LINE 56 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 57 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 60 PENALTY AND INTEREST
Penalty: If the partnership 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 partnership 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 partnership 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 partnership 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 63 REFUND
If you are filing an original return, you may receive all or part of the overpayment listed on line 62 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 62, you must enter zero on line 64.

LINE 64 ESTIMATED TAX
If you are filing an original return, you may apply all or part of the overpayment listed on line 62 as a credit against your 2013 estimated tax. The amount you list on this line plus the amount on line 63 must equal the overpayment listed on line 62. If you listed the total overpayment as the amount you want refunded to you on line 63, 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 65 through 68 only if you are filing this return as an amended return.

LINE 65 TOTAL DUE OR OVERPAYMENT ON THIS RETURN
If the total due shown on line 61 is greater than zero, enter this amount on line 65. The amount from line 61 should be entered as a positive amount.

If line 61 is zero, enter the amount of overpayment from line 62 on line 65. The amount from line 62 should be entered as a negative amount.

INSTRUCTIONS FOR FORM 44
IDAHO BUSINESS INCOME TAX CREDIT 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.

If the partnership is paying the tax for one or more partners, those partners' distributive share of the total business credits and tax from recapture of income tax credits will be carried to the Form 65. Don't include the total credit or tax from recapture if the partnership isn't paying the tax for all the partners.

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.

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.

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 post-consumer 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 doesn't 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
- The tax on line 41 less the amounts on lines 42 and 43, 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
- The tax on line 41 less the amounts on lines 42 and 43, 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 credit allowed 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 tax 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 another partnership, the taxpayer must take into account the activity of the partnership 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 partnership's property, payroll, and sales numbers from Form ID K-1 in the amounts reported on Form 42.

Partnerships don't use Part II.

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.

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 taxpayer 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; or
- 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. The Tax Commission website has a link to these regulations 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 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.

FORM 42

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 11, 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 11.

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%).

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.

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.