STATE OF IDAHO

TAX UPDATE

VOLUME EIGHTEEN - NUMBER ONE JUNE 2006

This issue of *Tax Update* deals with changes in the tax law and other topics. If you have questions about this material or if you need more information, contact the Idaho State Tax Commission.

INCOME TAX CREDITS, CHECK-OFF BOX ADDED

Several new organizations have been added to the list of entities under the Credit for Contributions to Idaho Youth and Rehabilitation Facilities. Taxpayers who make donations to these entities may be eligible to receive an income tax credit for their contributions. The organizations, and the effective date of the law change in each case, include:

- Idaho Drug Free Youth, Inc. or its foundation (July 1, 2006)
- Shepherd's Home, Inc. or its foundation (Jan. 1, 2006)
- Learning Lab, Inc. (Jan. 1, 2006)
- Project Safe Place (Jan. 1, 2006)
- Project P.A.T.C.H. (Planned Assistance for Troubled Children) (Jan. 1, 2006)

An income tax credit also will be available for expenses incurred by a taxpayer for live organ donation. The credit is limited to actual costs or $5,000, whichever is lower, and unused credit can be carried forward for five tax years. The credit applies to tax years beginning on or after Jan. 1, 2007.

Idaho income tax forms will include a new check-off box for taxpayers who want to donate a refund or tax overpayment to the American Red Cross of Greater Idaho Fund. The law creating the Fund and check-off is effective July 1, 2006.

SALES TAX EXEMPTIONS ADDED

Several new organizations will qualify for a sales tax exemption on their purchases (not sales) starting July 1, 2006. They include:

- Nonprofit museums.
- Nonprofit organizations offering free dental clinic services to children.
- Advocates for Survivors of Domestic Violence and Sexual Assault, Inc.

In addition, the following purchases and services will also be exempt from sales tax as of the due dates listed:

- Admissions to museums (July 1, 2006).
- Donations to Advocates for Survivors of Domestic Violence and Sexual Assault, Inc. (July 1, 2006).
- Purchases of glider kits when the glider kit is used to assemble a glider kit vehicle, which will be *immediately* registered under the international registration plan or similar pro rata registration system (July 1, 2006).
- Purchases of supplies used directly in the production of heating materials. These qualify for the production and logging sales tax exemptions (July 1, 2006).
- Fees for using facilities at nonprofit shooting ranges or competitions (retroactive to July 1, 2002).*
- Membership dues charged by nonprofit hunting or shooting sports organizations (retroactive to July 1, 2002).*

*To apply for a refund of sales tax paid after July 1, 2002, on the fees and membership dues listed above, the nonprofit organizations must first reimburse the tax to their customers. They can then apply to the Tax Commission for a rebate using Form TCR Sales Tax Refund Claim (available on our Web site).

EMPLOYERS:
The Tax Commission won't be issuing a new withholding guide for 2006 because the withholding tables haven't changed this year.

CHANGES TO TAX ACCOUNT ADMINISTRATION

A new law will change the way the Tax Commission administers tax accounts for businesses as of July 1, 2006. House Bill 459 authorizes the Tax Commission to revoke or suspend cigarette wholesaler permits, motor fuel distributor licenses, or employer withholding accounts when the holder's business no longer requires the account or when the holder is violating the law governing these taxes. The Tax Commission can also automatically expire these accounts when there is no business activity for 12 consecutive months. And it can impose a $100-a-day civil penalty for doing business without a required permit, license, or account. The new law follows the sales tax law, which allows the Tax Commission to revoke, suspend, or cancel seller's permits.

If you're registered with the Tax Commission but haven't had any business activity for 12 consecutive months or your business no longer requires the account, you can cancel it by marking the "cancel account" box on your tax return. You can also send us a written request to cancel your account. If you're a seller, please send us your seller's permit. Besides clearing up our records, canceling your account prevents you from having to submit tax returns reporting no activity.

FOR MORE INFORMATION

Web site: tax.idaho.gov
Phone (Boise area): 334-7660
Phone (toll free): (800) 972-7660
Hearing impaired: (800) 377-3529

TAX COMMISSION OFFICES

Boise:
800 Park Blvd., Plaza IV
Coeur d'Alene:
1910 Northwest Blvd., Ste. 100
Idaho Falls:
150 Shoup Ave., Ste. 16
Lewiston:
1118 F Street
Pocatello:
611 Wilson St., Ste. 5
Twin Falls:
1038 Blue Lakes Blvd. N, Ste. C

SELLER'S PERMIT PENALTY CHANGES

After July 1, the Tax Commission will change the way it imposes penalties for doing business without a seller's permit.

House Bill 458 changes the $100-a-day penalty from a misdemeanor to a civil penalty. Since the offense is no longer a criminal matter that requires the intervention of a local prosecutor, the Tax Commission can now impose the penalty on its own—similar to other penalties.

The new law also affects who can be charged with the penalty for doing business without a seller's permit. In the future, the penalty will be directed to the person with the management responsibility for ensuring that sales taxes are paid. Previously, any officer of a business could be held responsible.

NEW DIRECT SHIPPER PERMIT FOR WINERIES

Wineries and wine retailers that ship wine directly to Idaho residents must get a direct shipper permit from the Idaho State Police as of July 1. To qualify for a permit, wineries must be registered with the Tax Commission to pay wine tax and collect sales tax on the wine they will ship to Idaho consumers. The permit costs $50 the first year and $25 to renew it annually. It allows wineries to sell and ship up to 24 cases a year to each resident.

The State Police and Tax Commission are using the Tax Commission's form BWA, Idaho Beer and Wine Permit Application (available on our Web site) as a joint application for the wine and shipper permits. To register to collect sales tax, wineries must complete the Idaho Business Registration form (available on our Web site) or register online at:

business.idaho.gov.

Wineries that already have a wine permit can apply for the shipper permit by filing an amended form BWA. The Tax Commission will forward the application to the State Police. The Tax Commission will send wineries more information with their wine tax returns in June.

Unless otherwise noted, information in *Tax Update* applies only to Idaho taxes. This newsletter is designed to provide general information only, and is not intended to offer comprehensive explanations of Idaho tax laws and rules. Specific questions should be addressed to the nearest Tax Commission office.

Costs associated with this publication are available from the Idaho State Tax Commission in accordance with Idaho Code section 60-202.

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