



If you have questions about the articles in this issue of *Tax Update*, or if you need more information, contact the Idaho State Tax Commission.

WHAT YOU NEED TO KNOW ABOUT NEW TAX LAWS

The 2012 Idaho Legislature passed tax laws affecting income tax rates, pass-through entities, property tax exemptions, and more. Here are some of the highlights:

INCOME TAX

Income tax rates lowered. This bill reduces the individual income tax rate for Idaho taxable income over \$7,500 to 7.4 percent and reduces the corporate income tax rate to 7.4 percent.

Effective January 1, 2012

Eligibility changed for energy efficiency deduction. This bill revises the eligibility criteria for taking a state income tax deduction for installing energy efficiency upgrade measures in existing residences built before January 1, 2002. (The change moves the eligibility date from residences built before 1976 to those built before 2002.)

Effective January 1, 2012

Idaho allows teacher expense deduction. This bill allows a deduction for classroom supplies and other expenses not to exceed \$250 for elementary and secondary teachers otherwise allowable under Section 62 (a)(2)(D) of the Internal Revenue Code.

Effective January 1, 2012

Clarification for pass-through entities. This bill details the two options available to pass-through entities:

- The pass-through entity may file a composite return for nonresidents and pay the tax due on the income allocated to that nonresident. The nonresident then would not have a requirement to file an Idaho return if there is no other reportable income to Idaho, or would file an Idaho nonresident return if there is other reportable Idaho income, reporting the allocated

income (and any other Idaho income) and claiming the tax paid as a credit.

- The entity can do backup withholding under Idaho Code section 63-3036B.

Effective January 1, 2012

PROPERTY TAX

Application process and approval procedures revised for property tax exemption applications. This bill revises the approval process for applications for property tax exemptions. It amends Idaho Code section 63-602 to: (1) require all applications be submitted annually at a certain time, and permit exceptions from application for exemptions such as household goods, and (2) provide for approval or disapproval and a procedure for appeal.

Effective July 1, 2012

Site improvement exemption. This bill provides a new property tax exemption for site

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ONLINE WITHHOLDING TABLES UPDATED

The Tax Commission has updated the state's withholding tables online, in response to the recent passage of Idaho legislation that lowered the top income tax rate for individuals. House Bill 563 reduced the top individual income tax rate from 7.8 percent to 7.4 percent. Although this change went into effect January 1, 2012, you don't need to adjust the withholding for payroll before this update.

The adjusted withholding tables are available in the Tax Commission's online UPDATED *Guide to Idaho Income Tax Withholding* at tax.idaho.gov (choose the first link under "Most Popular Forms" on the home page). For more information, call the Tax Commission at (800) 972-7660 toll free or 334-7660 in the Boise area.

NEW LAWS:WHAT YOU NEED TO KNOW

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improvements associated with land held by the developer for sale, but otherwise without buildings or other improvements. The exemption had to be applied for with the county assessor and commissioners by May 1, 2012, but, in future years, applications are due by April 15. (See [news release](#) issued April 16, 2012.)

Effective January 1, 2012

OTHER

Electronic payments authorized by processor. This bill clarifies the authority of the State Tax Commission to accept payment of taxes by means of an electronic payment processor.

Effective July 1, 2012

Negotiated rulemaking added to Tax Commission website. This bill provides statutory procedures for negotiated rulemaking, and provides for notices of rulemaking to be placed on an agency's website.

Effective April 15, 2012

LOOKING FOR A SPEAKER?

If your group needs a guest speaker, we'd love to hear from you. The Tax Commission is reaching out to organizations throughout Idaho, offering to make presentations on Internet

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

sales tax, our two-year vision plan, and a variety of other topics. If you're interested in scheduling our commissioners or staff for an event like this, please contact Liz Rodosovich, Public Information Officer, at (208) 334-7505 or liz.rodosovich@tax.idaho.gov.

TAX COMMISSION HAS YOUTUBE CHANNEL

"[How to get your payment applied correctly](#)" is the third video on the Tax Commission's [YouTube channel](#). The two-minute video helps individuals make their tax payments correctly and get credit for the payments they make. Future video plans for the Tax Commission's YouTube channel include guides for filling out a return correctly, common errors to avoid, and the benefits of electronic filing. Stay tuned!

OUR VISION: TWO GOALS IN TWO YEARS

The Tax Commission recently launched a two-year campaign to improve public confidence in the agency, as well as boost

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FOR MORE INFORMATION

Website: tax.idaho.gov
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TAX COMMISSION OFFICES

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employee pride. We've already made great strides on both fronts, renewing our efforts to do community outreach and involving employees more in issues that matter most to them. Tax Commission Chairman David Langhorst said, "Our challenge is to make the Tax Commission the most respected agency in state government, and to create the kind of environment that makes employees proud to work toward our mission of service to the citizens of Idaho."

