



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 2011 Idaho Legislature passed tax laws affecting personal property, mandatory gratuities, nonresident students, and more. Here are some of the highlights:

### INCOME TAX

**Hire a new employee, get a tax credit.** Businesses that hire new employees can get one of three levels of refundable income tax credits based on how they are rated by the Department of Labor for paying unemployment insurance taxes.

Positive-rated employers adding an employee will get a refundable tax credit equal to 6 percent of that new employee's gross annual wages. Standard-rated employers will get a refundable tax credit equal to 4 percent of the new employee's gross annual wages. Negative-rated employers will receive a refundable tax credit equal to 2 percent of the new employee's annual wages.

To qualify for the credit, the new employees must:

- Earn at least \$12 an hour for wages in counties with unemployment rates of 10 percent or more, or earn at least \$15 an hour in counties with unemployment of less than 10 percent.
- Be hired on or after April 15, 2011.
- Receive employer-provided health care benefits.

*Effective January 1, 2011*

**Idaho law conforms to part of federal Internal Revenue Code (IRC).** Idaho law conforms to the IRC as of January 1, 2011. This includes provisions in federal acts passed after February 17, 2009, and in 2010.



Idaho didn't adopt, however, the changes to IRC section 168(k), which extended and increased amounts allowed for bonus depreciation for property acquired and placed in service after 2009. These changes were included in the "Small Business Jobs Act of 2010," and the "Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010."

Those who claim depreciation on their federal return for assets placed in service after 2009 must report an adjustment on the Idaho return.

Bonus depreciation provisions in the federal acts not adopted by Idaho include:

- Extending the additional first-year depreciation deduction for assets acquired and placed in service during 2010 (or placed in service during 2011 for certain long-lived property and transportation property).
- Extending and expanding the additional first-year depreciation to 100 percent of the cost of qualified property placed in service after September 8, 2010, and before January 1, 2012

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### REQUEST AN ACCOUNT CHANGE ONLINE

Our website now features an online form that lets sales tax, sales tax-related, income tax withholding, and IFTA account holders request a change to their name, address, or business entity type. It also lets them cancel the account.

The form is available through the E-file page (scroll down to "Businesses" and click on "Address, name, or entity type change and cancellation requests"). You can also find it through the Businesses page (scroll down to "Related searches").

## NEW LAWS:WHAT YOU NEED TO KNOW

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(before January 1, 2013, for certain longer-lived and transportation property), and the 50 percent first-year additional depreciation deduction for qualified property placed in service after December 31, 2011, and before January 1, 2013 (after December 31, 2012, and before January 1, 2014, for certain longer-lived and transportation property).

Idaho also conforms to the IRC section 179 expense provisions. Taxpayers can claim the IRC section 179 expense on their Idaho return to the extent they claim the deduction on their federal income tax return.

*Effective January 1, 2010*

**Income tax reporting changed for pass-through entities with nonresidents.** Nonresidents who have Idaho taxable income in addition to the Idaho income from a pass-through entity can't elect to have the pass-through entity pay their tax. Also, the time for when a pass-through entity must withhold tax has changed to when the income is required to be reported on the taxpayer's individual return. Publicly traded partnerships aren't required to withhold income tax if certain conditions are met.

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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.

A pass-through entity includes a partnership, a limited liability company taxed as a partnership, an S Corporation, or a trust or estate.

*Effective January 1, 2011*

**Investment tax credit clarified.** The investment tax credit isn't allowed for investments in property for which a deduction has been allowed under section 168(k) or section 179 of the Internal Revenue Code in arriving at *Idaho* taxable income. The previous law didn't allow the credit if the deductions had been claimed in arriving at taxable income, which by definition is *federal* taxable income.

*Effective January 1, 2010*

## SALES & USE TAX

**Mandatory gratuities exempt from sales tax.** The sales price of a taxable meal doesn't include the mandatory gratuity or tip when it's paid to the service provider for a meal.

*Effective January 1, 2011*

**Nonresident students exempt from motor vehicle use tax.** Nonresident students don't have to pay use tax on vehicles used in Idaho for more than 90 days if the vehicle is titled in the student's home state, and the student is paying tuition or fees to an Idaho institution of higher learning.

*Effective January 1, 2011*

**Nonresident military members exempt from motor vehicle use tax.** Nonresident military members and their spouses don't have to pay use tax on personal vehicles used in Idaho for more

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### FOR MORE INFORMATION

Website: [tax.idaho.gov](http://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 St.  
Pocatello:  
611 Wilson St., Ste. 5  
Twin Falls:  
440 Falls Ave.

than 90 days if the vehicle was bought and registered in another state at least three months before it was brought into Idaho.

*Effective July 1, 2011*

**Media rebate extended.** The sales tax rebate for tangible personal property used by a media production company in a media production is extended for five more years and expires as of July 1, 2016.

*Effective July 1, 2011*

## PROPERTY TAX

**Personal property declarations aren't public records.** Personal property declarations, centrally assessed operator statements, trade secrets, and financial information marked by the taxpayer as proprietary are exempt from disclosure under the Idaho Public Records Act.

*Effective April 8, 2011*