IDAHO State Tax Commission
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INCOME TAX RULES COMMITTEE
AGENDA

The Committee convenes on Thursday, July 11, 2013, at 1:30 p.m. at:

Idaho State Tax Commission
Room 1CR5 / Plaza IV / 800 Park Ave / Boise, Idaho

1. Welcome & Introductions...*Committee Chair – Cynthia Adrian*

2. Negotiated Rules Discussion

Rule 033 (*Relating to HCR 32*) American Indians

Rule 201 (*Relating to HB 184*) Net Operating Loss Carrybacks and Carryovers – **Draft 4**

Rule 121 Adjustments to Taxable Income – Subtractions Available Only to Individuals – **Draft 1**

Rule 263 (*Relating to HB 139*) Idaho Source Income of Nonresident and Part-Year Resident Individuals – Distributive Share of S Corporation and Partnership Income – **Draft 3**

Rule 120 Adjustments to Taxable Income – Subtractions Available to All Taxpayers – **Draft 1**

Rule 254 Nonresident and Part-Year Resident Individuals – Subtractions Allowed in Computing Idaho Adjusted Income – **Draft 1**

Administration and Enforcement
Rule 705 (*Relating to HB 3*) Disclosure of Information – Identity Theft – **Draft 1**

3. **INCOME TAX RULES DISCUSSION DRAFTS**

Rule 040 Part-Year Resident – **Draft 5**
Rule 194 Health Insurance Costs and Long-Term Car Insurance – Examples of Limitations – **Draft 1**
Rule 855 Permanent Building Fund Tax – **Draft 4**
Rule 890 Notice of Adjustment of Federal Tax Liability – **Draft 1**

4. Next meeting date: August 7, 2013

For more information, please contact the Committee Chair, or the Rules Coordinator at sherry.cann@tax.idaho.gov or call 208.334.7544. All agendas and rules related documents are posted on our website under the appropriate committee.

201. {XE "NET OPERATING LOSS CARRYBACKS & CARRYOVERS"}NET OPERATING LOSS CARRYBACKS AND CARRYOVERS{ TC "201.NET OPERATING LOSS CARR
Section 63-3022(c), Idaho Code. (7-1-99)

01. {xe "Definitions for Purposes of Net Operating Loss Carrybacks & Carryovers"}Definitions for Purposes of Net Operating Loss Carrybacks and Carryovers. (3-20-97)

a. The term net operating loss deduction means the sum of the Idaho net operating losses carried to another taxable year and subtracted in computing Idaho taxable income.(3-20-97)

b. A net operating loss is absorbed when it has been fully subtracted from Idaho taxable income, as modified by Section 63-3021, Idaho Code. (4-5-00)

02. {xe "Adjustments to Net Operating Losses, Carrybacks & Carryovers"}Adjustments to Net Operating Losses. (3-20-97)

a. Adjustments to a net operating loss ~~shall~~ will be determined pursuant to the law applicable to the loss year. (3-20-97)

b. Adjustments to a net operating loss deduction may be made even though the loss year is closed due to the statute of limitations. (3-20-97)

03. {xe "Adjustments in Carryback & Carryover Years, Net Operating Loss"}Adjustments in Carryback and Carryover Years. (3-20-97)

a. Adjustments to income, including modifications pursuant to Section 63-3021, Idaho Code, in a carryback or carryover year ~~shall~~ will be made for purposes of determining, how much, if any, of the net operating loss may be carried over to subsequent years. (4-5-00)

b. Adjustments are made pursuant to the law applicable to the carryback or carryover year. (4-5-00)

c. Adjustments may be made even though the year is closed due to the statute of limitations. (3-20-97)

04. {xe "Net Operating Loss Carrybacks"}Net Operating Loss ~~Carrybacks~~ Application. (3-20-97)

a. The net operating loss carryback allowed for the entire carryback period ~~shall~~ will not exceed one hundred thousand dollars ($100,000) per taxpayer. Each corporation that has a net operating loss and is included in a unitary group is limited to a maximum carryback of one hundred thousand dollars ($100,000). (4-5-00)

b. The sum of net operating loss deductions must not exceed the amount of the net operating loss incurred. ( )

~~b~~.c Except as provided in Subsections 201.04.~~c~~d. and e., ~~the~~ a net operating loss ~~carryback shall~~ will be applied as follows: (~~4-5-00~~)

i. ~~For n~~Net operating losses incurred in taxable years beginning on and after January 1, 1990, but prior to January 1, 2000, ~~the net operating loss carryback is~~ are applied to the third preceding taxable year and if not absorbed, the difference is applied to the second preceding taxable year and if not absorbed, the difference is applied to the first preceding taxable year. The loss not absorbed in the carryback years is subtracted in the fifteen (15) succeeding taxable years, in order, until absorbed. (~~4-5-00~~)

ii. ~~For n~~Net operating losses incurred in taxable years beginning on and after January 1, 2000, but prior to January 1, 2013, ~~the net operating loss carryback is~~ are applied to the second preceding taxable year and if not absorbed, the difference is applied to the first preceding taxable year. The loss not absorbed in the carryback years is subtracted in the twenty (20) succeeding taxable years, in order, until absorbed. (~~4-5-00~~)

iii. Net operating losses incurred in taxable years beginning on and after January 1, 2013, are applied to the twenty (20) succeeding taxable years, in order, until absorbed. ( )

~~c~~**d**. For taxable years beginning prior to January 1, 2013, i~~I~~f the taxpayer makes a valid election to forego the carryback period as provided in Subsection 201.05, the provisions of Subsection 201.04.~~b~~ c. ~~shall~~ will not apply and the net operating loss carryover ~~shall~~ will be applied as follows: (~~5-3-03~~)

i. For net operating losses incurred in taxable years beginning on and after January 1, 1990, but prior to January 1, 2000, the net operating loss is subtracted in the fifteen (15) succeeding taxable years, in order, until the loss is absorbed. (4-5-00)

ii. For net operating losses incurred in taxable years beginning on and after January 1, 2000, but prior to January 1, 2013, the net operating loss is subtracted in the twenty (20) succeeding taxable years, in order, until the loss is absorbed. (~~4-5-00~~)

e. For net operating losses incurred in taxable years beginning on and after January 1, 2013, if an amended return carrying back the loss is filed within one (1) year of the end of the taxable year of the net operating loss, the net operating loss is applied to the second preceding taxable year and if not absorbed, the difference is applied to the first preceding taxable year. The loss not absorbed in the carryback years is subtracted in the twenty (20) succeeding taxable years, in order, until absorbed. ( )

05. Timing and Method of Electing to Forego Carryback For Years Beginning On or Before January 1, 2013. (~~3-30-01~~)

a. Net operating losses incurred in taxable years beginning prior to January 1, 2001. The election must be made by the due date of the loss year return, including extensions. Once the completed return is filed, the extension period expires. Unless otherwise provided in the Idaho return or in an Idaho form accompanying a return for the taxable year, the election referred to in this Subsection shall be made by attaching a statement to the taxpayer's income tax return for the taxable year of the loss. The statement must contain the following information: (3-30-01)

i. The name, address, and taxpayer's social security number or employer identification number; (3-20-97)

ii. A statement that the taxpayer makes the election pursuant to Section 63-3022(c)(1), Idaho Code, to forego the carryback provision; and (7-1-99)

iii. The amount of the net operating loss. (3-20-97)

b. Net operating losses incurred in taxable years beginning on or after January 1, 2001, but prior to January 1, 2013. The election must be made by the due date of the Idaho loss year return, including extensions. Once the completed Idaho return is filed, the extension period expires. The election ~~shall~~ will be made by either attaching a copy of the federal election to forego the federal net operating loss carryback to the Idaho income tax return for the taxable year of the loss or following the requirements of Subsection 201.05.a. (~~3-30-01~~)

c. If the election is made on an amended or original return filed subsequent to the time allowed in Subsections 201.05.a. and 201.05.b., it is considered untimely and the net operating loss ~~shall~~ will be applied as provided in Subsection 201.04.b. (3-30-01)

06. {xe "Order in Which Losses Are Applied in a Year, Net Operating Loss Carrybacks & Carryovers"}Order in Which Losses Are Applied in a Year. Loss carryovers are deducted before deducting any loss carrybacks applicable to the same taxable year. (3-20-97)

07. {xe "Documentation Required When Claiming a Net Operating Loss Deduction"}Documentation Required When Claiming a Net Operating Loss Deduction. A taxpayer claiming a net operating loss deduction for a taxable year must file with his return for that year a concise statement setting forth the amount of the net operating loss deduction claimed and all material and pertinent facts, including a detailed schedule showing the computation of the net operating loss and its carryback or carryover. (3-20-97)

08. {xe "Conversion of C Corporation to S Corporation, Net Operating Loss Carrybacks & Carryovers"}Conversion of C Corporation to S Corporation. A net operating loss carryback or carryover from a taxable year in which a corporation is a C corporation cannot be carried to a taxable year in which the corporation is an S corporation. However, an S corporation subject to the tax on built-in gains is allowed to deduct a net operating loss carryover from a taxable year in which the corporation was a C corporation against its net recognized built-in gain.(7-1-99)

121. {XE "ADJUSTMENTS TO TAXABLE INCOME -- SUBTRACTIONS AVAILABLE ONLY TO INDIVIDUALS"}ADJUSTMENTS TO TAXABLE INCOME -- SUBTRACTIONS AVAILABLE ONLY TO INDIVIDUALS (RULE 121).
Section 63-3022, Idaho Code. (3-20-97)

01. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Income Not Taxable by Idaho"}Income Not Taxable by Idaho. As provided in Section 63-3022(f), Idaho Code, subtract the amount of income that is exempt from Idaho income tax if included in taxable income. Income exempt from taxation by Idaho includes the following: (7-1-99)

a. Certain income earned by American Indians. See Rule 033 of these rules. (5-3-03)

b. Retirement payments received pursuant to the old Teachers' Retirement System. Prior to its repeal on July 1, 1967, the old Teachers' Retirement System was codified at Title 33, Chapter 13, Idaho Code. Teachers who were employed by the state of Idaho and who retired on or after January 1, 1966, generally do not qualify for this exemption. Teachers who were not state employees and who retired on or after January 1, 1968, do not qualify. Teachers receiving benefits pursuant to the Public Employees' Retirement System, Title 59, Chapter 13, Idaho Code, do not qualify for the exemption. No exemption is provided for amounts received from other states, school districts outside Idaho, or any other source if the proceeds do not relate to teaching performed in Idaho. (3-20-97)

02. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Military Compensation for Service Performed Outside Idaho"}Military Compensation for Service Performed Outside Idaho. As provided in Section 63-3022(h), Idaho Code, certain members of the United States Armed Forces may deduct from taxable income their military service pay received for military service performed outside Idaho. See Rule 032 of these rules. (3-30-01)

03. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Standard or Itemized Deduction"}Standard or Itemized Deduction. As provided in Section 63-3022(j), Idaho Code, deduct either the standard deduction amount as defined in Section 63, Internal Revenue Code, or the itemized deductions allowed by the Internal Revenue Code. If itemized deductions are limited pursuant to the Internal Revenue Code, they are also limited for Idaho income tax purposes. (3-30-01)

a. If state and local income or general sales taxes are included in itemized deductions for federal purposes pursuant to Section 164, Internal Revenue Code, they shall be added to taxable income. If itemized deductions are limited pursuant to Section 68, Internal Revenue Code, the amount of state and local income or general sales taxes added back shall be computed by dividing the amount of itemized deductions that are allowed to the taxpayer after all federal limitations by total itemized deductions before the Section 68 limitation. For taxable years beginning in or after 2007, this proration shall be calculated four (4) digits to the right of the decimal point. If the fifth digit is five (5) or greater, the fourth digit is rounded to the next higher number ($10,000/$15,000 = .66666 = .6667 = 66.67%). If the fifth digit is less than five (5), the fourth digit remains unchanged and any digits remaining to its right are dropped ($10,000/$30,000 = .33333 = .3333 = 33.33%). The percentage may not exceed one hundred percent (100%) nor be less than zero (0). The result is then applied to state and local income or general sales taxes to determine the Idaho state and local income and general sales tax addback. See Rule 105 of these rules. (4-2-08)

b. If an itemized deduction allowable for federal income tax purposes is reduced for the mortgage interest credit or the foreign tax credit, the amount that would have been allowed if the federal credit had not been claimed is allowed as an itemized deduction. (7-1-99)

c. For taxable years beginning on or after January 1, 2000, the standard deduction allowed on a married filing joint return shall be equal to two (2) times the basic standard deduction for a single individual. Add to this amount any additional standard deduction for the aged or blind allowed for federal income tax purposes. (3-30-01)

04. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Social Security & Railroad Retirement Benefits"}Social Security and Railroad Retirement Benefits. As provided in Section 63-3022(l), Idaho Code, subtract from taxable income the amount of social security and certain railroad retirement benefits included in gross income pursuant to Section 86, Internal Revenue Code. (3-30-01)

a. The term social security benefits includes United States social security benefits and Canadian social security pensions received by a United States resident that are treated as United States social security benefits for United States income tax purposes. (7-1-99)

b. The term certain railroad retirement benefits means the following amounts paid by the Railroad Retirement Board: (4-6-05)

i. Annuities, supplemental annuities, and disability annuities, including the Tier I social security equivalent benefits, and the Tier II pension amounts; (4-6-05)

ii. Railroad unemployment; and (4-6-05)

iii. Sickness benefits. (4-6-05)

05. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Self-Employed Worker's Compensation Insurance Premiums"}Self-Employed Worker's Compensation Insurance Premiums. As provided in Section 63-3022(m), Idaho Code, self-employed individuals may subtract from taxable income the premiums paid to secure worker's compensation insurance for coverage in Idaho if the premiums have not been previously deducted in computing taxable income. The term worker's compensation insurance means "workmen's compensation" as defined in Section 41-506(d), Idaho Code. Premiums paid to secure worker's compensation insurance coverage are those payments made in compliance with Section 72-301, Idaho Code. (3-30-01)

06. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Retirement Benefits"}Retirement Benefits. As provided in Section 63-3022A, Idaho Code, and Rule 130 of these rules, a deduction from taxable income is allowed for certain retirement benefits. (3-2

07. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Energy Efficiency Upgrades"}Energy Efficiency Upgrades. As provided in Section 63-3022B, Idaho Code, and Rule 140 of these rules, a deduction from taxable income is allowed for qualified expenses related to the installation of energy efficiency upgrades in the residence of the taxpayer built or subject to an outstanding building permit on or before 2002.

08. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Alternative Energy Devices"}Alternative Energy Devices. As provided in Section 63-3022C, Idaho Code, and Rule 150 of these rules, a deduction from taxable income is allowed for qualified expenses related to the acquisition of an alternative energy device used in an Idaho residence of the taxpayer. (4-4-13)

09. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Household & Dependent Care Services"}Household and Dependent Care Services. As provided in Section 63-3022D, Idaho Code, and Rule 160 of these rules, a deduction from taxable income is allowed for certain employment related expenses incurred for the care of qualifying individuals. (3-2

10. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Household Deduction for Elderly or Developmentally Disabled Dependents"}Household Deduction for Elderly or Developmentally Disabled Dependents. As provided in Section 63-3022E, Idaho Code, and Rule 165 of these rules, a deduction from taxable income is allowed for maintaining a household where an elderly or developmentally disabled family member resides. (3-20-97)

11. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Reparations to Displaced Japanese Americans"}Reparations to Displaced Japanese Americans. As provided in Section 63-3022G, Idaho Code, certain individuals are allowed a deduction for amounts included in taxable income relating to reparation payments from the United States Civil Liberties Public Education Fund. (3-20-97)

12. {xe "Adjustments To Taxable Income -- Subtractions Available Only

To Individuals: Capital Gains"}Capital Gains. As provided in Section 63-3022H, Idaho Code, and Rules 170 through 173 of these rules, a deduction from taxable income may be allowed for net capital gains recognized from the sale of qualified Idaho property.(2-27-12)

13. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Adoption Expenses"}Adoption Expenses. As provided in Section 63-3022I, Idaho Code, and Rule 185 of these rules, a deduction from taxable income is allowed for certain expenses incurred when adopting a child. (3-20-97)

14. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Idaho Medical Savings Account"}Idaho Medical Savings Account. As provided in Section 63-3022K, Idaho Code, and Rule 190 of these rules, a deduction from taxable income is allowed for qualifying contributions to and interest earned on an Idaho medical savings account. (4-5-00)

15. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Idaho College Savings Program"}Idaho College Savings Program. As provided in Section 63-3022(n), Idaho Code, a deduction from taxable income is allowed for qualifying contributions to a college savings program. (3-15-02)

16. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Health Insurance Costs"}Health Insurance Costs. A deduction from taxable income is allowed for the amounts paid by the taxpayer during the taxable year for insurance that constitutes medical care, as defined in Section 63-3022P, Idaho Code, for the taxpayer, the spouse or dependents of the taxpayer not otherwise deducted or accounted for by the taxpayer for Idaho income tax purposes. See Rule 193 of these rules.(5-3-03)

17. {xe "Adjustments To Taxable Income -- Subtractions Available Only To Individuals: Unused Net Operating Losses of Estates & Trusts"}Unused Net Operating Losses of Estates and Trusts. An unused net operating loss carryover remaining on termination of an estate or trust is allowed to the beneficiaries succeeding to the property of the estate or trust. The carryover amount is the same in the hands of the beneficiaries as in the hands of the estate or trust. For taxable years beginning on and after January 1, 2000, but prior to January 1, 2013, ~~T~~the first one hundred thousand dollars ($100,000) of loss sustained in any taxable year of an estate or trust must first be carried back by the estate or trust unless an election has been made as provided by Section 63-3022(c), Idaho Code, to forego the carryback. The first taxable year of the beneficiaries to which the net operating loss is to be carried is the taxable year of the beneficiary in which the estate or trust terminates. No part of a net operating loss incurred by an estate or trust can be carried back by a beneficiary, even if the estate or trust had no preceding taxable years eligible for a carryback. For purposes of determining the number of years to which a loss may be carried over by a beneficiary, the last taxable year of the estate or trust and the first taxable year of the beneficiary to which a loss is carried over each constitute a taxable year. For taxable years beginning on and after January 1, 2013, the first one hundred thousand ($100,000) of loss sustained in any taxable year of an estate or trust may be carried back by the estate or trust if an amended return carrying the loss back is filed within one (1) year of the end of the taxable year of the net operating loss that results in such carryback. (~~2-27-12~~)

263. {XE "IDAHO SOURCE INCOME OF NONRESIDENT AND PART-YEAR RESIDENT INDIVIDUALS -- DISTRIBUTIVE SHARE OF S CORPORATION & PARTNERSHIP INCOME"}IDAHO SOURCE INCOME OF NONRESIDENT AND PART-YEAR RESIDENT INDIVIDUALS -- DISTRIBUTIVE SHARE OF S CORPORATION AND PARTNERSHIP INCOME (RULE 263).
Section 63-3026A(3), Idaho Code. (3-20-97)

01. {xe "Idaho Source Income Of Nonresident And Part-Year Resident Individuals -- Distributive Share Of S Corporation & Partnership Income: In General"}In General. The taxable amount of a shareholder's pro rata share or a partner's distributive share of business income, gains, losses, and other pass-through items from an S corporation or partnership operating both within and without Idaho is determined by multiplying each pass-through item by the Idaho apportionment factor of the business. The Idaho apportionment factor is determined pursuant to Section 63-3027, Idaho Code, and related rules.
(3-20-97)

02. {xe "Idaho Source Income Of Nonresident And Part-Year Resident Individuals -- Distributive Share Of S Corporation & Partnership Income: Nonbusiness Income"}Nonbusiness Income. Pass-through items of identifiable nonbusiness income, gains, or losses of an S corporation or partnership constitute Idaho source income to the shareholder or partner if allocable to Idaho pursuant to the principles set forth in Section 63-3027, Idaho Code. (3-20-97)

03. {xe "Idaho Source Income Of Nonresident And Part-Year Resident Individuals -- Distributive Share Of S Corporation & Partnership Income: Pass-Through Items"}Pass-Through Items. Whether a pass-through item of income or loss is business or nonbusiness income is determined at the pass-through entity level. Pass-through items of business income or loss may include: (3-20-97)

a. Ordinary income or loss from trade or business activities; (3-20-97)

b. Net income or loss from rental real estate activities; (3-20-97)

c. Net income or loss from other rental activities; (3-20-97)

d. Interest income; (3-20-97)

e. Dividends; (3-20-97)

f. Royalties; (3-20-97)

g. Capital gain or loss; (3-20-97)

h. Other portfolio income or loss; (3-20-97)

i. Gain or loss recognized pursuant to Section 1231, Internal Revenue Code. (3-20-97)

04. Guaranteed Payments Treated As Compensation. (_______)

a. Guaranteed payments to an individual partner up to the amount shown in paragraph b. in any calendar year is sourced as compensation for services. If a nonresident partner performs services on behalf of the partnership within and without Idaho, the amount included in Idaho compensation is determined as provided in Rule 270 of these rules.

b. The 2013 amount is two hundred fifty thousand dollars ($250,000) and will be adjusted annually. (___

045. {xe "Idaho Source Income Of Nonresident And Part-Year Resident Individuals -- Distributive Share Of S Corporation & Partnership Income: Distributions"}Distributions. (~~2-27-12~~)

a. Partnerships. The amount of distributions received by a partner that is from Idaho sources is determined by multiplying the taxable amount of distributions pursuant to Section 731, Internal Revenue Code, by the Idaho apportionment factor of the partnership. (2-27-12)

b. S Corporations. The amount of distributions received by a shareholder that is from Idaho sources is determined by multiplying the taxable amount of distributions pursuant to Section 1368, Internal Revenue Code, by the Idaho apportionment factor of the S corporation. (2-27-12)

c. The Idaho apportionment factor for purposes of Paragraphs 263.05.a. and 263.05.b. of this rule is determined pursuant to Section 63-3027, Idaho Code, and related rules. (2-27-12)

120. {XE "ADJUSTMENTS TO TAXABLE INCOME -- SUBTRACTIONS AVAILABLE TO ALL TAXPAYERS"}ADJUSTMENTS TO TAXABLE INCOME -- SUBTRACTIONS AVAILABLE TO ALL TAXPAYERS (RULE 120).
Section 63-3022, Idaho Code. The following items are allowable subtractions to all taxpayers in computing Idaho taxable income. (2-27-12)

01. {xe "Adjustments To Taxable Income -- Subtractions Available To All Taxpayers: State & Local Income Tax Refunds"}State and Local Income Tax Refunds. State and local income tax refunds included in taxable income may be subtracted, unless the refunds have already been subtracted pursuant to Section 63-3022(a), Idaho Code. (2-27-12)

02. {xe "Adjustments To Taxable Income -- Subtractions Available To All Taxpayers: Idaho Net Operating Loss"}Idaho Net Operating Loss. As provided in Section 63-3022(c), Idaho Code, an Idaho net operating loss deduction described in Section 63-3021, Idaho Code, and allowed by Section 63-3022(c), Idaho Code, and Rules 200 through 210 of these rules may be subtracted. An S corporation or a partnership that incurs a loss is not entitled to claim a net operating loss deduction. The loss is passed through to the shareholders and partners who may deduct the loss. (2-27-12)

03. {xe "Adjustments To Taxable Income -- Subtractions Available To All Taxpayers: Income Not Taxable by Idaho"}Income Not Taxable by Idaho. As provided in Section 63-3022(f), Idaho Code, income that is exempt from Idaho income taxation by a law of the state of Idaho or of the United States may be subtracted if that income is included in taxable income and has not been previously subtracted. Income exempt from taxation by Idaho includes the following: (2-2

a. Interest income from obligations issued by the United States Government. Gain recognized from the sale of United States Government obligations is not exempt from Idaho tax and, therefore, may not be subtracted from taxable income. For the interest expense offset, see Rule 115 of these rules. (7-1-99)

b. Idaho lottery prizes exempt by Section 67-7439, Idaho Code. For prizes awarded on lottery tickets purchased in Idaho after January 1, 1998, a subtraction is allowed for each lottery prize that is less than six hundred dollars ($600). If a prize equals or exceeds six hundred dollars ($600), no subtraction is allowed. The full amount of the prize is included in income. (4-5-00)

c. Certain income from loss recoveries. See Rule 195 of these rules. (   )

04. {xe "Adjustments To Taxable Income -- Subtractions Available To All Taxpayers: Technological Equipment Donation"}Technological Equipment Donation. As provided by Section 63-3022J, Idaho Code, and Rule 180 of these rules, the lower of cost or fair market value of technological equipment donated to qualifying institutions may be subtracted~~.~~ , limited to the Idaho taxable income of the taxpayer. ~~(2-27-12)~~

05. {xe "Adjustments To Taxable Income -- Subtractions Available To All Taxpayers: Long-Term Care Insurance"}Long-Term Care Insurance. As provided in Section 63-3022Q, Idaho Code, a deduction from taxable income is allowed for the amount of the premiums paid during the taxable year for qualifying long-term care insurance for the benefit of the taxpayer, a dependent of the taxpayer or an employee of the taxpayer to the extent the premiums have not otherwise been deducted or accounted for by the taxpayer for Idaho income tax purposes. See Rule 193 of these rules. (2-27-12)

06. {xe "Adjustments To Taxable Income -- Subtractions Available To All Taxpayers: Special First-Year Depreciation Allowance"}Special First-Year Depreciation Allowance. As provided by Section 63-3022O, Idaho Code, if a taxpayer claims the special first-year depreciation allowance on property acquired before 2008 or after 2009 pursuant to Section 168(k), Internal Revenue Code, the adjusted basis of that property and the depreciation deduction allowed for Idaho income tax purposes must be computed without regard to the special first-year depreciation allowance. The adjustments required by this subsection do not apply to property acquired after 2007 or before 2010. (2-27-12)

a. Depreciation. The amount of depreciation computed for Idaho income tax purposes that exceeds the amount of depreciation computed for federal income tax purposes may be subtracted. (2-27-12)

b. Gains and losses. During the recovery period, the adjusted basis of depreciable property computed for federal income tax purposes will be less than the adjusted basis for Idaho income tax purposes as a result of claiming the special first-year depreciation allowance. If a loss qualifies as a capital loss for federal income tax purposes, the federal capital loss limitations and carryback and carryover provisions apply in computing the Idaho capital loss allowed. (2-27-12)

i. If a sale or exchange of property results in a gain for both federal and Idaho income tax purposes, a subtraction is allowed for the difference between the federal and Idaho gains computed prior to any applicable Idaho capital gains deduction. (2-27-12)

ii. If a sale or exchange of property results in a gain for federal income tax purposes and an ordinary loss for Idaho income tax purposes, the federal gain and the Idaho loss must be added together and the total may be subtracted. For example, if a taxpayer has a federal gain of five thousand dollars ($5,000) and an Idaho loss of four thousand dollars ($4,000), the amount subtracted would be nine thousand dollars ($9,000). (2-27-12)

iii. If a sale or exchange of property results in an ordinary loss for both federal and Idaho income tax purposes, the difference between the federal and Idaho losses may be subtracted. For example, if a taxpayer has a federal loss of three hundred dollars ($300) and an Idaho loss of five hundred dollars ($500), the amount subtracted would be two hundred dollars ($200). (2-27-12)

iv. If a sale or exchange of property results in a capital loss for both federal and Idaho income tax purposes, apply the capital loss limitations and subtract the difference between the federal and Idaho deductible capital losses. For example, if a taxpayer has a federal capital loss of six thousand dollars ($6,000) and an Idaho capital loss of eight thousand dollars ($8,000), both the federal and Idaho capital losses are limited to a deductible capital loss of three thousand dollars ($3,000). In this case, no subtraction is required for the year of the sale. In the next year, assume the taxpayer had a capital gain for both federal and Idaho purposes of two thousand dollars ($2,000). The capital loss carryovers added to the capital gain results in a federal deductible capital loss of one thousand dollars ($1,000) and an Idaho deductible capital loss of three thousand dollars ($3,000). The taxpayer would subtract the difference between the federal and Idaho deductible losses or two thousand dollars ($2,000) in computing Idaho taxable income. (3-20-04)

07. {xe "Adjustments To Taxable Income -- Subtractions Available To All Taxpayers: Income Restored Under Federal Claim of Right"}Income Restored Under Federal Claim of Right. As provided by Section 63-3022F, Idaho Code, if a taxpayer included an item in Idaho taxable income in a prior taxable year and was later required to restore the item because it was established after the close of the prior taxable year that the taxpayer did not have an unrestricted right to such item or to a portion of the item, such taxpayer is allowed a deduction in determining Idaho taxable income if the taxpayer has not otherwise deducted such item in computing his taxable income. The deduction is allowed to the extent such deduction would have been allowed to the taxpayer under Section 1341, Internal Revenue Code, had the taxpayer claimed the deduction instead of the recalculation of federal tax, but only to the extent the item was included in Idaho taxable income in the prior taxable year. (2-27-12)

254. {XE "NONRESIDENT & PART-YEAR RESIDENT INDIVIDUALS -- SUBTRACTIONS ALLOWED IN COMPUTING IDAHO ADJUSTED INCOME"}NONRESIDENT AND PART-YEAR RESIDENT INDIVIDUALS -- SUBTRACTIONS ALLOWED IN COMPUTING IDAHO ADJUSTED INCOME (RULE 254).
Section 63-3026A(6), Idaho Code. The following items are allowable subtractions in computing the Idaho adjusted income of nonresident and part-year resident individuals. (2-27-12)

01. Idaho {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Idaho Net Operating Loss"}Net Operating Loss. An Idaho net operating loss deduction described in Section 63-3021, Idaho Code, and allowed by Section 63-3022(c), Idaho Code, and Rules 200 through 210 of these rules, may be subtracted to the extent the loss was incurred while the taxpayer was residing in or domiciled in Idaho or to the extent the loss was from activity taking place in Idaho. A net operating loss incurred from an activity not taxable by Idaho may not be subtracted. (2-27-12)

02. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: State & Local Income Tax Refunds"}State and Local Income Tax Refunds. State and local income tax refunds included in Idaho total income may be subtracted unless the refunds have already been subtracted pursuant to Section 63-3022(a), Idaho Code. (2-27-12)

03. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Income Not Taxable by Idaho"}Income Not Taxable by Idaho. As provided in Section 63-3022(f), Idaho Code, income that is exempt from Idaho income taxation by a law of the state of Idaho or of the United States may be subtracted if that income is included in Idaho total income and has not been previously subtracted. Income exempt from taxation by Idaho includes the following: (2-27-12)

a. Interest income from obligations issued by the United States Government. Gain recognized from the sale of United States Government obligations is not exempt from Idaho tax and, therefore, may not be subtracted from taxable income. For the interest expense offset, see Rule 115 of these rules. (7-1-99)

b. Idaho lottery prizes exempt by Section 67-7439, Idaho Code. For prizes awarded on lottery tickets purchased in Idaho after January 1, 1998, a subtraction is allowed for each lottery prize that is less than six hundred dollars ($600). If a prize equals or exceeds six hundred dollars ($600), no subtraction is allowed. The full amount of the prize is included in income. (4-5-00)

c. Certain income earned by American Indians. An enrolled member of a federally recognized Indian tribe who lives on his tribe’s federally recognized Indian reservation is not taxable on income derived within that reservation. See Rule 033 of these rules. (2-27-12)

d. Certain income earned by transportation employees covered by Title 49, Sections 11502, 14503 or 40116, United States Code. See Rule 045 of these rules. (7-1-99)

e. Certain income from loss recoveries. See Rule 195 of these rules. ( )

04. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Military Pay"}Military Pay. Qualified military pay included in Idaho total income earned for military service performed outside Idaho may be subtracted. Qualified military pay means all compensation paid by the United States for services performed while on active duty as a full-time member of the United States Armed Forces which full-time duty is or will be continuous and uninterrupted for one hundred twenty (120) consecutive days or more. A nonresident does not include his military pay in Idaho total income and, therefore, makes no adjustment. See Rule 032 of these rules for information regarding the residency status of members of the United States Armed Forces. (2-27-12)

05. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Social Security & Railroad Retirement Benefits"}Social Security and Railroad Retirement Benefits. Social security benefits and benefits paid by the Railroad Retirement Board that are taxable pursuant to the Internal Revenue Code may be subtracted to the extent the benefits are included in Idaho total income. See Subsections 121.04.a. and 121.04.b. of these rules. (2-27-12)

06. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Household & Dependent Care Expenses"}Household and Dependent Care Expenses. The allowable portion of household and dependent care expenses that meets the requirements of Section 63-3022D, Idaho Code, may be subtracted if incurred to enable the taxpayer to be gainfully employed in Idaho. To determine the allowable portion of household and dependent care expenses, a percentage is calculated by dividing Idaho earned income by total earned income. The qualified expenses are multiplied by the percentage. Earned income is defined in Section 32(c)(2), Internal Revenue Code. (2-27-12)

07. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Insulation & Alternative Energy Device Expenses"}Insulation and Alternative Energy Device Expenses. Expenses related to the installation of insulation or alternative energy devices that meet the requirements of Section 63-3022B or 63-3022C, Idaho Code, may be subtracted. (2-27-12)

08. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Deduction for Dependents Sixty-Five or Older or with Developmental Disabilities"}Deduction for Dependents Sixty-

Five or Older or with Developmental Disabilities. One thousand dollars ($1,000) may be subtracted for each person who meets the requirements of Section 63-3022E, Idaho Code. The deduction may be claimed for no more than three (3) qualifying dependents. If a dependent has not lived in the maintained household for the entire taxable year, the allowable deduction is eighty-three dollars ($83) for each month the dependent resided in the maintained household during the taxable year. For purposes of this rule, a fraction of a month exceeding fifteen (15) days is treated as a full month. (2-27-12)

09. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Adoption Expenses"}Adoption Expenses. The allowable portion of adoption expenses that meets the requirements of Section 63-3022I, Idaho Code, may be subtracted. To determine the allowable portion, calculate a percentage is calculated by dividing Idaho total income by total income. The deduction allowable pursuant to Section 63-3022I, Idaho Code, is multiplied by the percentage. (2-27-12)

10. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Capital Gains Deduction"}Capital Gains Deduction. The Idaho capital gains deduction allowed by Section 63-3022H, Idaho Code, may be subtracted. (2-27-12)

11. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Idaho Medical Savings Account"}Idaho Medical Savings Account. (7-1-98)

a. The qualifying amount of contributions to an Idaho medical savings account that meets the requirements of Section 63-3022K, Idaho Code, may be subtracted. (2-27-12)

b. Interest earned on an Idaho medical savings account may be subtracted to the extent included in Idaho total income. (2-27-12)

12. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Technological Equipment Donation"}Technological Equipment Donation. As provided by Section 63-3022J, Idaho Code, and Rule 180 of these rules, the lower of cost or fair market value of technological equipment donated to qualifying institutions may be subtracted~~.~~, limited to the Idaho taxable income of the taxpayer. ~~(2-27-12)~~

13. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Worker's Compensation Insurance"}Worker's Compensation Insurance. As allowed by Section 63-3022(m), Idaho Code, a self-employed individual may subtract the premiums paid for worker's compensation for coverage in Idaho to the extent not previously subtracted in computing Idaho taxable income. (3-30-01)

14. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Idaho College Savings Program"}Idaho College Savings Program. The qualifying amount of contributions to a college savings program that meets the requirements of Section 63-3022(n), Idaho Code, may be subtracted. (2-27-12)

15. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Retirement Benefits"}Retirement Benefits. As provided in Section 63-3022A, Idaho Code, and Rule 130 of these rules, a deduction from taxable income is allowed for certain retirement benefits. To determine the allowable portion of the deduction for certain retirement benefits, a percentage is calculated by dividing the qualified retirement benefits included in Idaho gross income by the qualified retirement benefits included in federal gross income. The deduction allowable pursuant to Section 63-3022A, Idaho Code, and Rule 130 of these rules, is multiplied by the percentage.
(2-27-12)

16. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Health Insurance Costs"}Health Insurance Costs. The allowable portion of the amounts paid by the taxpayer during the taxable year for insurance that constitutes medical care as defined in Section 63-3022P, Idaho Code, for the taxpayer, spouse or dependents of the taxpayer not otherwise deducted or accounted for by the taxpayer for Idaho income tax purposes may be subtracted. To determine the allowable portion of the amounts paid for medical care insurance, a percentage is calculated by dividing Idaho total income by total income. The deduction allowable pursuant to Section 63-3022P, Idaho Code, is multiplied by the percentage. See Rule 193 of these rules. (2-27-12)

17. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Long-Term Care Insurance"}Long-Term Care Insurance. As provided in Section 63-3022Q, Idaho Code, a deduction from taxable income is allowed for the allowable portion of premiums paid during the taxable year for qualifying long-term care insurance for the benefit of the taxpayer, a dependent of the taxpayer or an employee of the taxpayer that have not otherwise been deducted or accounted for by the taxpayer for Idaho income tax purposes. To determine the allowable portion, a percentage is calculated by dividing Idaho total income by total income. The deduction allowable pursuant to Section 63-3022Q, Idaho Code, is multiplied by the percentage. See Rule 193 of these rules. (2-27-12)

18. {xe "Nonresident & Part-Year Resident Individuals -- Subtractions Allowed In Computing Idaho Adjusted Income: Special First-Year Depreciation Allowance"}Special First-Year Depreciation Allowance. As provided by Section 63-3022O, Idaho Code, if a taxpayer claims the special first-year depreciation allowance on property acquired before 2008 or after 2009 pursuant to Section 168(k), Internal Revenue

Code, the adjusted basis of that property and the depreciation deduction allowed for Idaho income tax purposes must be computed without regard to the special first-year depreciation allowance. The adjustments required by this subsection do not apply to property acquired after 2007 or before 2010. (2-27-12)

a. Depreciation. The amount of depreciation computed for Idaho income tax purposes that exceeds the amount of depreciation computed for federal income tax purposes may be subtracted. (2-27-12)

b. Gains and losses. During the recovery period, the adjusted basis of depreciable property computed for federal income tax purposes will be less than the adjusted basis for Idaho income tax purposes as a result of claiming the special first-year depreciation allowance. If a loss qualifies as a capital loss for federal income tax purposes, the federal capital loss limitations and carryback and carryover provisions apply in computing the Idaho capital loss allowed.
(2-27-12)

i. If a sale or exchange of property results in a gain for both federal and Idaho income tax purposes, a subtraction is allowed for the difference between the federal and Idaho gains computed prior to any applicable Idaho capital gains deduction. (2-27-12)

ii. If a sale or exchange of property results in a gain for federal income tax purposes and an ordinary loss for Idaho income tax purposes, the federal gain and the Idaho loss must be added together and the total may be subtracted. For example, if a taxpayer has a federal gain of five thousand dollars ($5,000) and an Idaho loss of four thousand dollars ($4,000), the amount subtracted would be nine thousand dollars ($9,000). (2-27-12)

iii. If a sale or exchange of property results in an ordinary loss for both federal and Idaho income tax purposes, the difference between the federal and Idaho losses may be subtracted. For example, if a taxpayer has a federal loss of three hundred dollars ($300) and an Idaho loss of five hundred dollars ($500), the amount subtracted would be two hundred dollars ($200). (2-27-12)

iv. If a sale or exchange of property results in a capital loss for both federal and Idaho income tax purposes, apply the capital loss limitations and subtract the difference between the federal and Idaho deductible capital losses. For example, if a taxpayer has a federal capital loss of six thousand dollars ($6,000) and an Idaho capital loss of eight thousand dollars ($8,000), both the federal and Idaho capital losses are limited to a deductible capital loss of three thousand dollars ($3,000). In this case, no subtraction is required for the year of the sale. In the next year, assume the taxpayer had a capital gain for both federal and Idaho purposes of two thousand dollars ($2,000). The capital loss carryovers added to the capital gain results in a federal deductible capital loss of one thousand dollars ($1,000) and an Idaho deductible capital loss of three thousand dollars ($3,000). The taxpayer would subtract the difference between the federal and

Idaho deductible losses or two thousand dollars ($2,000) in computing Idaho taxable income. (3-20-04)

705. {XE "IDAHO CAPITAL GAINS DEDUCTION -- PASS-THROUGH ENTITIES"}{ TC "173.IDAHO CAPITAL GAINS DEDUCTION -- PASS-THROUGH ENTITIES" \F C \L "1" }DISCLOSURE OF INFORMATION – IDENTITY THEFT (RULE 705).
Section 63-3077F, Idaho Code.

01. In General. The Tax Commission may disclose to a victim of identity theft the name and address of an individual using the victim's social security number or other tax identification number.
If the victim of identity theft is a minor, the Tax Commission may disclose the information to the parent or legal guardian. If the victim is deceased, the Tax Commission may disclose the information to the surviving spouse or executor of the estate.

02. Written Authorization to Disclose Information.

a. The Tax Commission may disclose the name and address to the victim upon receipt of a valid written information request.

b. The written request must contain:

i. The victim's name, address, and social security number or other tax identification number;

ii. The tax year affected;

iii. The signature of the victim or legal representative;

iv. Copies of the victim's driver's license and social security card or passport, if applicable.

v. If the victim is a minor, a copy of the birth certificate along with the driver's license or passport of the parent or legal guardian.

vi. If the victim is deceased, a copy of the legal document authorizing the executor of the estate along with the executor's driver's license or passport.

040. {XE "PART-YEAR RESIDENT"}PART-YEAR RESIDENT (RULE 040).
Section 63-3013A, Idaho Code. (3-20-97)

01. {xe "Part-Year Resident: In General"}In General. A part-year Idaho resident is any individual who resides in or is domiciled in Idaho for only part of the taxable year. (3-20-97)

a. An individual who has a place of abode in Idaho and is present in Idaho for other than a temporary or transitory purpose is deemed to reside in Idaho. (3-20-97)

b. For the rules relating to the determination of an individual's domicile, see Subsection 030.02 of these rules. (7-1-98)

02. {xe "Part-Year Resident: Temporary or Transitory Purpose"}Temporary or Transitory Purpose. For purposes of this rule, an individual is not residing in Idaho if he is present in Idaho only for a temporary or transitory purpose. Likewise, an individual is not residing outside Idaho merely by his temporary or transitory absence from Idaho. (3-20-97)

a. The length of time in Idaho is only one factor in determining whether an individual is present for other than a temporary or transitory purpose. Other factors to be considered include business activity or employment conducted in Idaho, banking and other financial dealings taking place in Idaho, and family and social ties in Idaho. In general, an individual is present for other than a temporary or transitory purpose if his stay is related to a significant business, employment or financial purpose or the individual maintains significant family or social ties in Idaho.

b. An individual is present in Idaho only for a temporary or transitory purpose if he does not engage in any activity or conduct in Idaho other than that of a vacationer, seasonal visitor, tourist, or guest. (3-20-97)

c. Presence in Idaho for ninety (90) days or more during a taxable year is presumed to be for other than a temporary or transitory purpose. To overcome the presumption, the individual must show that his presence was consistent with that of a vacationer, seasonal visitor, tourist or guest. (3-20-97)

03. {xe "Part-Year Resident: Place of Abode"}Place of Abode. An individual who owns a home in Idaho will not be treated as having a place of abode at that residence if the individual does not have the right to immediately occupy that residence. This definition does not apply for purposes of the federal foreign income exclusion and only applies for purposes of Sections 63-3013, and 63-3013A, Idaho Code.(~~7-1-98~~)

a. Example. An individual who is not domiciled in Idaho owns a home in Idaho that is leased to a third party for the entire taxable year. Since the individual does not have the right to immediately occupy the home, it is not treated as that individual's abode for purposes of determining his residency status. (7-1-98)

b. Example. An individual who is not domiciled in Idaho owns a home in Idaho that is offered for rent. For the first three (3) months of the taxable year the home is not rented and remains vacant. During the final nine (9) months of the taxable year the home is leased to a third party. The individual will be treated as having a place of abode in Idaho during the first three (3) months of the taxable year since the individual had the right to immediately occupy the home. If the individual is present in Idaho during the first three (3) months of the taxable year for other than a temporary or transitory purpose, that individual will be deemed to reside in Idaho. (7-1-98)

194. {XE "HEALTH INSURANCE COSTS & LONG-TERM CARE INSURANCE -- EXAMPLES OF LIMITATIONS"}HEALTH INSURANCE COSTS AND LONG-TERM CARE INSURANCE -- EXAMPLES OF LIMITATIONS (RULE 194).
Sections 63-3022P and 63-3022Q, Idaho Code. (5-8-09)

01. {xe "Health Insurance Costs & Long-Term Care Insurance -- Examples Of Limitations: Examples of Limitations When Costs are Otherwise Deducted or Accounted For"}Examples of Limitations When Costs are Otherwise Deducted or Accounted For. If a taxpayer elects to itemize deductions for Idaho purposes and his medical expenses exceed the ~~seven and one-half percent (7.5%)~~ federal adjusted gross income limitation, the amount that is deducted as an itemized deduction shall first apply to health insurance costs, next to long-term care insurance, and last to other medical expenses. If the premiums exceed the amount deducted as an itemized deduction, the Idaho deductions for health insurance costs and long-term care insurance may be allowed if the premiums were not otherwise deducted or accounted for. If the taxpayer does not elect to itemize deductions for Idaho purposes, or if the taxpayer is unable to deduct medical expenses as an itemized deduction due to the ~~seven and one-half percent (7.5%)~~ federal adjusted gross income limitation, the full amount of health insurance costs and premiums paid for long-term care insurance (fifty-percent (50%) of the premiums for taxable years beginning prior to 2004), not otherwise deducted or accounted for, qualify for the Idaho deduction. Amounts used for calculating the limitations shall not be less than zero (0). (~~5-8-09~~)

02. {xe "Health Insurance Costs & Long-Term Care Insurance -- Examples Of Limitations: Example with Seven & One-Half Percent of Federal Adjusted Gross Income Equal to Zero"}Example with ~~Seven and One-Half Percent (7.5%)~~ Applicable Percentage of Federal Adjusted Gross Income Equal to Zero (0).

HEALTH INSURANCE AND LONG-TERM CARE INSURANCE DEDUCTION LIMITATIONS	
1. Health insurance expenses claimed on federal Schedule A	$10,000
2. Long-term care insurance expenses claimed on federal Schedule A	$4,000
3. Other medical expenses claimed on federal Schedule A	$2,000
4. Total medical expenses claimed on federal Schedule A	$16,000
5. ~~7.5%~~ Applicable percentage of federal adjusted gross income	$0
6. Medical expense deduction allowed on federal Schedule A (line 4 less line 5)	$16,000
HEALTH INSURANCE	
7. Total amount paid for health insurance	$10,100
8. Portion of health insurance expenses allowed on federal Schedule A (lesser of line 1 or line 6)	$10,000
9. Health insurance expenses deducted elsewhere on the federal return	$100
10. Health insurance deduction allowed for Idaho (line 7 less lines 8 and 9)	$0

LONG-TERM CARE INSURANCE	
11. Total amount paid for long-term care insurance	$4,050
12. Medical expense deduction not allocated to health insurance (line 6 less line 1)	$6,000
13. Portion of long-term care insurance deduction allowed on federal Schedule A (lesser of line 2 or line 12)	$4,000
14. Long-term care insurance deducted elsewhere on the federal return	$50
15. Long-term care insurance deduction allowed for Idaho (line 11 less lines 13 and 14)	$0

(~~5-8-09~~)

03. Example with ~~Seven and One-Half Percent (7.5%)~~ Applicable Percentage of Federal Adjusted Gross Income Equal to Three Thousand Dollars ($3,000).

HEALTH INSURANCE AND LONG-TERM CARE INSURANCE DEDUCTION LIMITATIONS	
1. Health insurance expenses claimed on federal Schedule A	$10,000
2. Long-term care insurance expenses claimed on federal Schedule A	$4,000
3. Other medical expenses claimed on federal Schedule A	$2,000
4. Total medical expenses claimed on federal Schedule A	$16,000
5. ~~7.5%~~ Applicable percentage of federal adjusted gross income	$3,000
6. Medical expense deduction allowed on federal Schedule A (line 4 less line 5)	$13,000
HEALTH INSURANCE	
7. Total amount paid for health insurance	$10,100
8. Portion of health insurance expenses allowed on federal Schedule A (lesser of line 1 or line 6)	$10,000
9. Health insurance expenses deducted elsewhere on the federal return	$100
10. Health insurance deduction allowed for Idaho (line 7 less lines 8 and 9)	$0
LONG-TERM CARE INSURANCE	
11. Total amount paid for long-term care insurance	$4,050
12. Medical expense deduction not allocated to health insurance (line 6 less line 1)	$3,000

13. Portion of long-term care insurance deduction allowed on federal Schedule A (lesser of line 2 or line 12)	$3,000
14. Long-term care insurance deducted elsewhere on the federal return	$50
15. Long-term care insurance deduction allowed for Idaho (line 11 less lines 13 and 14)	$1,000

(~~5-8-09~~)

04. {xe "Health Insurance Costs & Long-Term Care Insurance -- Examples Of Limitations: Example with Seven and One-Half Percent (7.5%) of Federal Adjusted Gross Income Equal to Six Thousand Dollars"}Example with ~~Seven and One-Half Percent (7.5%)~~ Applicable Percentage of Federal Adjusted Gross Income Equal to Six Thousand Dollars ($6,000).

HEALTH INSURANCE AND LONG-TERM CARE INSURANCE DEDUCTION LIMITATIONS	
1. Health insurance expenses claimed on federal Schedule A	$10,000
2. Long-term care insurance expenses claimed on federal Schedule A	$4,000
3. Other medical expenses claimed on federal Schedule A	$2,000
4. Total medical expenses claimed on federal Schedule A	$16,000
5. ~~7.5%~~Applicable percentage of federal adjusted gross income	$6,000
6. Medical expense deduction allowed on federal Schedule A (line 4 less line 5)	$10,000
HEALTH INSURANCE	
7. Total amount paid for health insurance	$10,100
8. Portion of health insurance expenses allowed on federal Schedule A (lesser of line 1 or line 6)	$10,000
9. Health insurance expenses deducted elsewhere on the federal return	$100
10. Health insurance deduction allowed for Idaho (line 7 less lines 8 and 9)	$0
LONG-TERM CARE INSURANCE	
11. Total amount paid for long-term care insurance	$4,050
12. Medical expense deduction not allocated to health insurance (line 6 less line 1)	$0
13. Portion of long-term care insurance deduction allowed on federal Schedule A (lesser of line 2 or line 12)	$0

14.	Long-term care insurance deducted elsewhere on the federal return	$50
15.	Long-term care insurance deduction allowed for Idaho (line 11 less lines 13 and 14)	$4,000

(~~5-8-09~~)

05. {xe "Health Insurance Costs & Long-Term Care Insurance -- Examples Of Limitations: Example with Seven and One-Half Percent (7.5%) of Federal Adjusted Gross Income Equal to Fourteen Thousand Dollars"}Example with ~~Seven and One-Half Percent (7.5%)~~ Applicable Percentage of Federal Adjusted Gross Income Equal to Fourteen Thousand Dollars ($14,000).

HEALTH INSURANCE AND LONG-TERM CARE INSURANCE DEDUCTION LIMITATIONS		
1.	Health insurance expenses claimed on federal Schedule A	$10,000
2.	Long-term care insurance expenses claimed on federal Schedule A	$4,000
3.	Other medical expenses claimed on federal Schedule A	$2,000
4.	Total medical expenses claimed on federal Schedule A	$16,000
5.	~~7.5%~~ Applicable percentage of federal adjusted gross income	$14,000
6.	Medical expense deduction allowed on federal Schedule A (line 4 less line 5)	$2,000
HEALTH INSURANCE		
7.	Total amount paid for health insurance	$10,100
8.	Portion of health insurance expenses allowed on federal Schedule A (lesser of line 1 or line 6)	$2,000
9.	Health insurance expenses deducted elsewhere on the federal return	$100
10.	Health insurance deduction allowed for Idaho (line 7 less lines 8 and 9)	$8,000
LONG-TERM CARE INSURANCE		
11.	Total amount paid for long-term care insurance	$4,050
12.	Medical expense deduction not allocated to health insurance (line 6 less line 1)	$0
13.	Portion of long-term care insurance deduction allowed on federal Schedule A (lesser of line 2 or line 12)	$0
14.	Long-term care insurance deducted elsewhere on the federal return	$50
15.	Long-term care insurance deduction allowed for Idaho (line 11 less lines 13 and 14)	$4,000

(~~5-8-09~~)

06. Applicable Percentage. For taxable years beginning January 1, 2013, the percentage is 7.5% if the taxpayer or spouse is age 65 or older. The percentage for taxpayers under the age of 65 is 10%.

855. PERMANENT BUILDING FUND TAX (RULE 855).
Sections 63-3082 through 63-3087, Idaho Code. (3-20-97)

01. In General. The permanent building fund tax is an excise tax of ten dollars ($10) reportable on each income tax return required to be filed unless specifically exempt. The proceeds of this tax are credited to the Permanent Building Fund pursuant to Section 57-1110, Idaho Code. (3-20-97)

02. Pass-Through Entities. The permanent building fund tax does not apply to ~~partnerships, estates, trusts or S corporations~~ a pass-through entity if all the income or loss of the entity is distributed to or otherwise reported on the income tax return of another taxpayer. A ~~partnership, estate, trust or S corporation~~ pass-through entity that has Idaho taxable income or loss ~~shall~~ must pay the permanent building fund tax. For information on when an entity is required to pay the permanent building fund tax for an individual ~~who makes the election~~ under Section 63-3022L, Idaho Code, see Subsection 855.06 of this rule. (~~5-8-09~~)

03. Corporations Included in a Group Return. The permanent building fund tax applies to each member of a unitary group transacting business in Idaho, authorized to transact business in Idaho, or having income attributable to Idaho and included in a group return, except as provided in Subsection 855.05 of this rule. (3-30-07)

04. Inactive or Nameholder Corporations. An inactive or nameholder corporation that files Form 41 to pay the twenty dollar ($20) minimum tax ~~shall~~ must pay the permanent building fund tax. (~~3-20-97~~)

05. Taxpayers Protected Under Public Law 86-272. The permanent building fund tax ~~shall~~ does not apply to a taxpayer whose Idaho business activities fall under the protection of Public Law 86-272, since the taxpayer is exempt from the tax imposed under the Idaho Income Tax Act and is not required to file an income tax return. (~~3-30-07~~)

06. Entities That Pay the Tax for Individuals ~~Making the Election~~ Under Section 63-3022L, Idaho Code. When a~~n~~ ~~individual officer, director, shareholder, partner, member, or beneficiary makes the election under Section 63-3022L, Idaho Code, to have the corporation, partnership, trust, or estate~~ pass-through entity pays ~~his~~ the Idaho income tax on a composite return for an individual shareholder, partner, member, or beneficiary on his share of income from the entity, the entity ~~shall~~ must pay the permanent building fund tax for each ~~qualifying~~ individual ~~making the election~~ filing as part of the composite return. When a pass-through entity pays backup withholding for individuals, the permanent building fund tax will be paid by each individual when they file their return. If an individual ~~is making the election for~~ has tax paid by more than one (1) entity for a taxable year, each entity ~~shall be~~ is required to pay the permanent building fund tax for the individual. Proration of the permanent building fund tax is not allowed for an individual who has ~~made multiple elections~~ tax paid by multiple entities for a taxable year. ~~(5-8-09)~~

890. NOTICE OF ADJUSTMENT OF FEDERAL TAX LIABILITY (RULE 890).
Section 63-3069, Idaho Code. (3-20-97)

01. Final Determination. The term final determination as used in Section 63-3069, Idaho Code means final federal determination as defined in Section 63-3068(f) and 63-3072(d), Idaho Code. (~~3-20-97~~)

a. The term "final resolution of all issues which were adjusted by the Internal Revenue Service" means the date on which tax relating to all of the issues included in an Internal Revenue Service examination were assessed pursuant to Section 6203 of the Internal Revenue Code. (   )

b. A taxpayer may request in writing or enter into a written agreement with the Tax Commission to process a federal audit adjustment resulting from an Internal Revenue Service examination which has been assessed in accordance with Section 6203 of the Internal Revenue Code prior to the final federal determination date; provided however, the taxpayer provides the Tax Commission with documentation of the assessment from the Internal Revenue Service such as federal Form 23C or its equivalent. (   )

02. Written Notice. (3-20-97)

a. Written notice shall include copies of all Revenue Agents' reports, and any other documents and schedules required to clarify the adjustments to taxable income. If the final determination results in a refund of state taxes, an amended Idaho income tax return must accompany the written notice to be a valid claim for refund. (3-20-97)

b. Written notice included with an income tax return for a year or years other than the year subject to the federal adjustment shall not constitute the required notification. (3-20-97)

03. Immediate Notification. The Tax Commission may impose negligence penalties on any additional tax due if the taxpayer has not provided the written notice within sixty (60) days of the final determination. (3-20-97)