

IDAHO SMALL EMPLOYER INVESTMENT TAX CREDIT

2016

Name(s) as shown on return

Social Security number or EIN

QUALIFYING FOR THE CREDIT

You may claim the small employer investment tax credit if you have certified on Form 89SE that you will meet the following tax incentive criteria at the project site during the project period:

1. Capital investment in new plant and building facilities of at least \$500,000,
2. Increased employment by at least 10 new employees who each earn at least \$19.23 per hour and receive health benefits, and
3. For new employment increases above the 10 new employees, the average wages of the additional new employees are at least \$15.50 per hour worked. See the instructions for who's included in this calculation.

If you haven't filed Form 89SE with the Tax Commission or have been notified that you don't qualify for the small employer incentives, you don't qualify for this credit. Complete Form 49 for any investments that qualify for the regular investment tax credit.

CREDIT AVAILABLE SUBJECT TO LIMITATION

1. Amount of qualified investments acquired during the tax year. Include a complete list of qualified investments	1	
2. Amount of investments for which you claimed the property tax exemption. Include Form 49E	2	
3. Subtract line 2 from line 1. This is the amount of qualified investments on which you may earn the small employer investment tax credit	3	
4. Credit earned. Multiply line 3 by 3.75%	4	
5. Pass-through share of credit from an S corporation, partnership, trust, or estate	5	
6. Credit received through unitary sharing. Include a schedule	6	
7. Carryover of small employer investment tax credit from prior years	7	
8. Carryover eliminated due to recapture in 2016. Enter the amount from Form 83R, line 13. Include Form 83R	8	
9. Credit distributed to shareholders, partners, or beneficiaries	9	
10. Credit shared with unitary affiliates	10	
11. Total credit available subject to limitations. Add lines 4 through 7 then subtract lines 8 through 10	11	

CREDIT LIMITATIONS

If you're claiming the credit for qualifying new employees, compute the limitation on Form 55, then complete lines 27 through 29 on this form.

If you aren't claiming the credit for qualifying new employees, complete lines 12 through 29.

12. Enter the Idaho income tax from your tax return	12	
13. Credit for income tax paid to other states	13	
14. Credit for contributions to Idaho educational entities	14	
15. Investment tax credit. Include Form 49	15	
16. Credit for contributions to Idaho youth and rehabilitation facilities	16	
17. Credit for production equipment using postconsumer waste	17	
18. Promoter-sponsored event credit	18	
19. Credit for Idaho research activities from Form 67, line 29	19	
20. Broadband equipment investment credit from form 68, line 18	20	
21. Reserved	21	
22. Add lines 13 through 21	22	
23. Tax available after other credits. Subtract line 22 from line 12	23	
24. 62.5% of tax. Multiply line 12 by 62.5%	24	
25. Credit allowable subject to limitation of tax. Enter the smaller of: a. the amount from line 11 or b. \$750,000	25	
26. Total credit allowed on current year tax return. Enter the smallest amount from lines 23, 24, or 25 here and on Form 44, Part I, line 7	26	

CREDIT CARRYOVER

27. Total credit available subject to limitations. Enter the amount from line 11	27	
28. Credit allowed. Enter the amount from line 26 or from Form 55, Part II, line 23	28	
29. Credit carryover to future years. Subtract line 28 from line 27. Enter the amount here and on Form 44, Part I, line 7	29	

Instructions for Idaho Form 83

GENERAL INSTRUCTIONS

Form 83 is used to calculate the Idaho small employer investment tax credit (SE-ITC) earned or allowed. Each member of a unitary group of corporations that earns or is allowed the credit must complete a separate Form 83.

The SE-ITC is allowed for property that qualifies for the 3% investment tax credit (ITC). If you're claiming the SE-ITC, you can't claim the ITC on the same property.

QUALIFYING TAXPAYERS

To qualify for the SE-ITC, you must certify by filing Form 89SE that you'll meet the tax incentive criteria at the project site during the project period. If you haven't filed Form 89SE with the Tax Commission, or you've been notified that you don't qualify for the small employer incentives, you can't claim this credit. If you don't qualify for the SE-ITC, you may be eligible to claim the ITC. See Idaho Form 49.

QUALIFYING PROPERTY

If you're a qualifying taxpayer, property that would qualify for the ITC qualifies for the SE-ITC. The property doesn't have to be located at the project site to qualify. However, it does have to be placed in service during the project period.

Property that qualifies for the ITC generally follows the definition of qualified property found in the Internal Revenue Code (IRC), Sections 46 and 48 as in effect prior to 1986. The property must have a useful life of three years or more and be property for which you are allowed the deduction for depreciation or amortization in place of depreciation. Qualifying property includes the following property used in a trade or business:

- Tangible personal property - machinery and equipment
- Other tangible property - property used as an integral part of manufacturing, production, extraction, or furnishing transportation, communications, or utility services, or research facilities and bulk storage facilities used in connection with those businesses
- Elevators and escalators
- Single purpose agricultural or horticultural structures
- Qualified timber property
- Petroleum storage facilities
- Qualified broadband equipment as approved by the Idaho Public Utilities Commission

Nonqualifying Property

Property that doesn't qualify includes:

- Buildings and their structural components (this property may qualify for the small employer real property improvement tax credit - see Idaho Form 84)
- Property used in lodging facilities that rent 50% or more of their lodging units for periods of 30 days or longer, such as apartment houses or rental homes. (Doesn't apply to hotels and motels that rent more than half their units for periods of less than 30 days.) Nonqualifying property includes property used in the living quarters, lobby furniture, office equipment, and laundry and swimming pool facilities, but excludes certain coin-operated machines
- The cost of property expensed under IRC section 179
- Property subject to 60-month amortization
- Used property not acquired by purchase
- Property that is either nondepreciable or has a useful life of less than three years

- The portion of property used for personal use
- Used property in excess of \$150,000
- Horses

Idaho Exceptions to IRC Sections 46 and 48

Idaho law specifically excludes the following property from qualifying for the Idaho ITC:

- Property not used in Idaho, and
- Vehicles under 8,000 pounds gross vehicle weight.

Property Used Both In and Outside Idaho

If property is used both in and outside Idaho, compute the qualified investment for all such property using one of the following methods:

1. Percentage-of-Use Method - Multiply the investment in each asset by a fraction where Idaho use is the numerator and total use is the denominator. Usage can be measured by machine hours, mileage, or any other method that accurately reflects the usage.
2. Property Factor Numerator Method - Use the amount included in the Idaho property numerator for each property.

CARRYOVER PERIODS

SE-ITC that was earned but not used against tax may be carried forward for 14 tax years. For purposes of the carryover period, a short tax year counts as one tax year.

ELECTION TO CLAIM TWO-YEAR PROPERTY TAX EXEMPTION AND FORGO INVESTMENT TAX CREDIT

If you placed personal property in service that qualifies for the ITC, you may elect to exempt this property from your property tax. You aren't eligible for the election if your rate of charge or rate of return is regulated or limited by federal or state law. The exemption from the property tax is for two years. After the two years, you must pay any applicable property tax. You can't claim the SE-ITC for any property that you elect to exempt from property tax.

The election is available if you had negative Idaho taxable income in the second preceding tax year from the tax year in which the property was placed in service. Negative Idaho taxable income must have been computed without regard to any carryover or carryback of net operating losses.

The election must be made on Form 49E and filed with the operator's statement or personal property declaration. A copy of the election form must be attached to the original income tax return(s) for the tax year(s) in which the property was placed in service.

RECAPTURE

You must compute recapture if you sell or otherwise dispose of the property or it ceases to qualify for the SE-ITC before it has been in service for five full years.

Also, you must compute recapture if you claimed the SE-ITC in an earlier year and didn't meet the tax incentive criteria you certified to on Idaho Form 89SE.

File Form 83R if you claimed the SE-ITC. File Form 49R if you claimed the ITC or Form 49ER if you claimed the property tax exemption.

SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.

CREDIT AVAILABLE SUBJECT TO LIMITATION

Line 1. Include a list of all property you acquired during the tax year that qualifies for the SE-ITC. The list should identify what each item of property is, your basis in the item, whether the item is new or used, and the date placed in service. Don't include any property placed in service before the date the project period began.

Line 2. Enter the amount of qualified investments for which you claimed the property tax exemption. This exemption is allowed in place of earning the SE-ITC. Include applicable Form(s) 49E.

Line 5. Enter the amount of the SE-ITC that's being passed through by S corporations, partnerships, trusts, or estates in which you have an interest. This amount is reported on Form ID K-1, Part D, line 9.

Line 6. If you're a member of a unitary group, enter the amount of credit you received from another member of the unitary group.

Line 7. Enter the carryover computed on your 2015 Form 83, line 29.

Line 9. If you're an S corporation, partnership, trust, or estate, enter the amount of credit that passed through to shareholders, partners, or beneficiaries.

Line 10. If you're a member of a unitary group, enter the amount of credit you earned that you elect to share with other members of your unitary group. Before you can share your credit, you must use the credit up to the allowable limitation of your tax liability.

Corporations claiming the SE-ITC must provide a calculation of the credit earned and used by each member of the combined group. The schedule must clearly identify shared credit and the computation of any credit carryovers.

CREDIT LIMITATIONS

If you're claiming against tax the Idaho credit for qualifying new employees, skip lines 12 through 26 and compute the limitations on Form 55, Idaho Credit for Qualifying New Employees, Part II, Credit Limitations. Return to Form 83, line 27 to compute the credit carryover.

The SE-ITC is limited to the smaller of \$750,000, 62.5% of the tax liability, or the Idaho income tax after allowing all other tax credits that may be claimed before the SE-ITC.

The following credits must be applied to the tax before the SE-ITC:

1. Credit for income tax paid to other states
2. Credit for contributions to Idaho educational entities
3. Investment tax credit
4. Credit for contributions to Idaho youth and rehabilitation facilities
5. Credit for production equipment using postconsumer waste
6. Promoter-sponsored event credit
7. Credit for qualifying new employees
8. Credit for Idaho research activities
9. Broadband equipment investment credit

Line 12. Enter the amount of your Idaho income tax. This is the computed tax before subtracting any credits or adding the permanent building fund tax or any other taxes.

Line 13. Enter the credit for income tax paid to other states from Form 39R or Form 39NR. This credit is available only to individuals, trusts, or estates.

Line 26. Enter the smallest amount from lines 23, 24, or 25 on line 26. Enter this amount on Form 44, Part I, line 7 in the Credit Allowed column.

CREDIT CARRYOVER

Line 29. The amount of credit available that exceeds the total credit allowed on the current year tax return may be carried forward up to 14 tax years. Enter this amount on Form 44, Part I, line 7 in the Carryover column.