

Income/Franchise:

Idaho: New Law Addresses Application of 2021 Bonus Depreciation Changes and New PTE Tax

H.B. 714, signed by gov. 3/24/22. New law includes provisions reaffirming Idaho's policy under legislation enacted last year clarifying that certain bonus depreciation taken on a federal income tax return but not allowed on an Idaho income tax return does *not* create "income" to be added back under Idaho law [see H.B. 276 (2021) for more details on this legislation addressing "phantom income" arising from certain federal income tax passive loss or similar limitations], and now provides that such policy applies to all taxpayers that have timely filed original returns consistent with this policy retroactive to January 1, 2016 rather than just as of January 1, 2021.

URL: <https://legislature.idaho.gov/sessioninfo/2022/legislation/H0714/>

URL: <https://legislature.idaho.gov/sessioninfo/2021/legislation/H0276/>

H.B. 713, signed by gov. 3/23/22. New law makes some technical corrections to and revises legislation enacted last year [see H.B. 317 (2021) and previously issued Multistate Tax Alert for more details on this 2021 legislation] that permits certain passthrough entities (PTEs) to elect to pay Idaho income tax at the entity level beginning as of January 1, 2021 by:

URL: <https://legislature.idaho.gov/sessioninfo/2022/legislation/H0713/>

URL: <https://legislature.idaho.gov/sessioninfo/2021/legislation/H0317/>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-idaho-enacts-pass-through-entity-level-tax-election.pdf>

- Defining "affected business entity income," which excludes income, gain, loss, or deduction apportioned to an exempt entity that is a member;
- Allowing the PTE election to be made with an original or amended return filed by the original due date of the return;
- Requiring electing entities to pay Idaho's permanent building fund tax for each member that is not an Idaho resident;
- Providing a credit for members that are passthrough entities for their pro rate share of the tax paid; and
- Explaining the apportionment of the credit for a trust or estate member that distributes income to its beneficiaries.

Please contact us with any questions.

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