

STATEMENT OF PURPOSE

RS28325 / H0058

This bill relates to income taxes. It is the annual bill to update references to the Internal Revenue Code (IRC). The bill conforms the Idaho income tax code to changes made to the IRC that affect the 2020 taxable year. The Idaho income tax code uses federal taxable income as a starting point for both businesses and individuals. Our tax forms use federal adjusted gross income as a starting point. Idaho uses a static conformity to a specific date, currently January 1, 2020. This bill updates Idaho Code section 63-3004, to January 1, 2021.

FISCAL NOTE

The fiscal impact of conforming to the Internal Revenue Code as of January 1, 2021, is approximately \$26,159,900 (weighted average of the estimated range).

The weighted average estimate for 2022 is \$26,033,400. Those amounts are due to the tax changes in the recent CARES Act and the December Stimulus Bill.

The individual changes in the Cares Act that reduce federal taxes are:

1. Temporary waiver of required minimum distribution rules

Range FY 2021--\$9,534,400 to \$12,719,200

Range FY 2022--\$991,100 to \$1,322,200

2. Relaxation of the limits on charitable contributions and allowing some deduction whether or not you itemize

Range FY 2021--\$1,315,000 to \$1,736,900

Range FY 2022--\$5,077,800 to \$6,618,800

3. Increase on the limitation of operating business interest

Range FY 2021--\$8,590,900 to \$9,233,000

Range FY 2022--\$5,886,500 to \$6,326,600

Weighted average impact

FY 2021--\$20,856,500

FY 2022--\$12,726,200

The individual changes in the December Stimulus Bill that reduce federal taxes are:

1. Permanent reduction of the medical expense deduction from 10% to 7.5%

Range FY 2021--\$445,300 to \$594,400

Range FY 2022--\$1,773,100 to \$2,365,400

2. Employer deduction of employee student loan payments.

Range FY 2021--\$385,150 to \$513,800

Range FY 2022--\$574,600 to \$766,500

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3. Change in depreciation of residential property from 39 yrs. to 30 yrs.
Range FY 2021--\$1,092,600 to \$1,457,500
Range FY 2022--\$532,400 to \$710,217
4. Full deductibility of business meals.
Range FY 2021--\$1,136,580 to \$1,516,250
Range FY 2022--\$2,872,900 to \$3,832,500
5. Increases and extensions of charitable contribution limits.
Range FY 2021--\$1,161,590 to \$1,549,800
Range FY 2022--\$4,300,350 to \$5,736,800
6. Various other extensions of expiring deductions.
Range FY 2021--\$251,690 to \$335,760
Range FY 2022--\$987,400 to \$1,317,250

Weighted average impact

FY 2021--\$5,303,400
FY 2022--\$13,307,200

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