

STATEMENT OF PURPOSE

RS29635 / H0713

This legislation replaces HB510 and makes technical corrections to legislation enacted in 2021 that provided state and local tax deductions (SALT) for income taxes paid by an Affected Business Entity (ABE) on behalf of its pass-through owners. The 2021 legislation, HB317, was a SALT workaround that allowed ABEs to elect to pay state income taxes on behalf of their owners, making those tax payments fully deductible at the federal level just like businesses that are not pass-through entities. Like HB510, this bill also makes the election available to more taxpayers by including fiscal year taxpayers and ABEs with owners that are trusts or estates. It differs from HB510 in that it allows tiered pass-through entities (entities in which other pass-through entities are owners) to use the election. It also clarifies language used in HB510 that allowed ABEs with owners who do not have Idaho income tax liability to qualify for the election without charging those members a tax they do not owe. Finally, it eliminates the unintended multiple imposition of the permanent building fund excise tax erroneously caused by HB510, so a taxpayer pays it only once.

FISCAL NOTE

This bill will have no fiscal impact to the state General Fund, local units of government, or state tax revenue as it only changes how a taxpayer reports paying state income tax for the purposes of a federal income tax deduction.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).