

## STATEMENT OF PURPOSE

RS29298 / H0563

This bill relates to the taxation of multistate business income in Idaho. Over the past few decades, most states have moved towards taxing multistate income based on both market-based and single-sales factor approaches.

Idaho currently taxes multistate income for sales other than tangible property (ie., intangible property and services) using a "cost-of-performance" method. Cost-of-performance assigns the sales revenue to the location having the greater proportion of services performed. Market-based sourcing assigns the sales revenue to the location receiving or benefiting from the services. Changing to "market-based" sourcing for these activities will create uniformity with other states. Note that Idaho currently applies market-based sourcing to the sale of tangible property which is already uniform to other states.

Idaho currently taxes multistate income using a three-factor method to apportion business income, which includes: 1) Property; 2) Payroll; and 3) Double-weighted sales. Changing to a single-sales factor to apportion income will simplify the process and also create uniformity with other states.

As other states have moved away from cost-of-performance as well as three-factor apportionment methodologies, instances of double taxation for Idaho-based companies, and instances of out-of-state companies doing business in Idaho without paying income taxes have become more and more prevalent. This bill resolves these two problems, provides for a more-favorable tax environment for Idaho, and simplifies the taxation of multistate income for both taxpayers and the State Tax Commission.

## FISCAL NOTE

Approximately neutral. Generally, Idaho-based businesses with multistate operations will have a reduced tax liability and out-of-state businesses selling into Idaho will have an increased tax liability.

### Contact:

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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).**