

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 59

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO INCOME TAXES; AMENDING SECTION 63-3029B, IDAHO CODE, TO REVISE  
2 PROVISIONS REGARDING THE INCOME TAX CREDIT FOR CAPITAL INVESTMENT AND  
3 TO MAKE TECHNICAL CORRECTIONS; AND DECLARING AN EMERGENCY AND PROVIDING  
4 RETROACTIVE APPLICATION.  
5

6 Be It Enacted by the Legislature of the State of Idaho:

7 SECTION 1. That Section 63-3029B, Idaho Code, be, and the same is hereby  
8 amended to read as follows:

9 63-3029B. INCOME TAX CREDIT FOR CAPITAL INVESTMENT. (1) At the elec-  
10 tion of the taxpayer, there shall be allowed, subject to the applicable limi-  
11 tations provided herein as a credit against the income tax imposed by chapter  
12 30, title 63, Idaho Code, an amount equal to the sum of:

13 (a) The tax credit carryovers; and

14 (b) The tax credit for the taxable year.

15 (2) The maximum allowable amount of the credit for the current taxable  
16 year shall be three percent (3%) of the amount of qualified investments made  
17 during the taxable year.

18 (3) As used in this section, "qualified investment" means certain prop-  
19 erty ~~which~~ that:

20 (a) (i) Is eligible for the federal investment tax credit, as de-  
21 fined in sections 46(c) and 48 of the Internal Revenue Code, sub-  
22 ject to the limitations provided for certain regulated companies  
23 in section 46(f) of the Internal Revenue Code, and is not a motor  
24 vehicle under eight thousand (8,000) pounds gross weight; or

25 (ii) Is qualified broadband equipment, as defined in section  
26 63-3029I, Idaho Code; ~~and~~

27 (b) Is acquired, constructed, reconstructed, erected or placed into  
28 service after December 31, 1981; and

29 (c) Has a situs in Idaho, as determined ~~under~~ pursuant to subsection (9)  
30 of this section.

31 (4) (a) For qualified investments placed in service in 2003 and there-  
32 after, a taxpayer, other than a person whose rate of charge or rate of  
33 return, or both, is regulated or limited according to federal or state  
34 law, may elect, in lieu of the credit provided by this section, a two (2)  
35 year exemption from all taxes on personal property on the qualified in-  
36 vestment. The exemption from personal property tax shall apply to the  
37 year the election is filed as provided in this section and the immedi-  
38 ately following year. The election provided by this paragraph is avail-  
39 able only to a taxpayer whose Idaho taxable income, before application  
40 of net operating losses carried back or forward, in the second preceding  
41 taxable year in which the investment is placed in service is negative.

1 (b) The election shall be made in the form prescribed by the state tax  
 2 commission and shall include a specific description and location of  
 3 all qualified investments placed into service and located in the ju-  
 4 risdiction of the assessing authority, a designation of the specific  
 5 assets for which the exemption is claimed, and such other information  
 6 as the state tax commission may require. The election must be made  
 7 by including the election form with the listing of personal property  
 8 required by section 63-302, Idaho Code, or, in the case of operating  
 9 property assessed under chapter 4, title 63, Idaho Code, with the op-  
 10 erator's statement required by section 63-404, Idaho Code. Once made,  
 11 the election is irrevocable. If no election is made, the election is not  
 12 otherwise available. A copy of the election form must also be attached  
 13 to the original income tax return due for the taxable year in which the  
 14 claim was made.

15 (c) The state tax commission and the various county assessors are au-  
 16 thorized to exchange information as necessary to properly coordinate  
 17 the exemption provided in this subsection. Information disclosed to  
 18 county officials under this subsection may be used only to determine the  
 19 validity or amount of a taxpayer's entitlement to the exemption pro-  
 20 vided in this section, and is not otherwise subject to public disclosure  
 21 as provided in section 74-107, Idaho Code.

22 (d) In the event that an investment in regard to which the election un-  
 23 der this subsection was made is determined by the state tax commission:

24 (i) To not be a qualified investment, ~~or~~;

25 (ii) To have ceased to qualify during the recapture period; or

26 (iii) To be otherwise not qualified for the election; or

27 the taxpayer shall be subject to recapture of the property tax benefit.

28 (e) The benefit to be recaptured in ~~subsection (4) paragraph~~ (d) of this  
 29 ~~subsection~~ shall be computed in the manner required in subsection (7) of  
 30 this section, and such recapture amount shall be subject to assessment  
 31 in the same manner as a deficiency in tax under this chapter. For pur-  
 32 poses of calculating the recapture, the property tax benefit shall be:

33 (i) In the case of locally assessed property located in a single  
 34 county or nonapportioned centrally assessed property, the market  
 35 value of exempted property times the average property tax levy  
 36 for that county in the year or years for which the exemption was  
 37 claimed; or

38 (ii) In the case of other centrally assessed property and property  
 39 located in more than one (1) county, the market value of exempted  
 40 property times the average urban property tax levy of the state  
 41 as determined by the state tax commission in each of the years for  
 42 which the exemption was claimed.

43 (f) In the event that a recapture of the exemption is required under  
 44 this subsection ~~(4)~~, the person claiming the exemption shall report the  
 45 event to the state tax commission in the manner the state tax commission  
 46 may by rule require. The report shall be due no later than the due date  
 47 of that person's income tax return under this chapter for the taxable  
 48 year in which the event occurs. The recapture amount is due and payable  
 49 with the report. Any amount of recapture not paid is a deficiency within  
 50 the meaning of section 63-3044, Idaho Code.

1 (g) All moneys collected by the state tax commission pursuant to this  
2 subsection, which amounts are continuously appropriated for this pur-  
3 pose, shall be deposited with the state treasurer and placed in the  
4 state refund account, as provided by section 63-3067, Idaho Code, to be  
5 remitted to the county within which the property was located that was  
6 not a qualified investment or ceased to qualify during the recapture  
7 period. The county shall distribute this remittance to all appropriate  
8 taxing districts based on the proportion each appropriate taxing dis-  
9 trict's levy is to the total of all the levies of the taxing districts  
10 for the tax code area where the property was located for each year the  
11 exemption was granted. If any taxing district is dissolved or disincor-  
12 porated, the proportionate share of the remittance to be distributed to  
13 that taxing district shall be deposited in the county current expense  
14 fund.

15 (h) For purposes of the limitation provided by section 63-802, Idaho  
16 Code, moneys received pursuant to this subsection shall be treated as  
17 property tax revenue by taxing districts.

18 (5) Notwithstanding the provisions of subsections (1) and (2) of this  
19 section, the amount of the credit allowed shall not exceed fifty percent  
20 (50%) of the tax liability of the taxpayer. The tax liability of the taxpayer  
21 shall be the tax after deducting the credit allowed by section 63-3029, Idaho  
22 Code.

23 (6) If the sum of credit carryovers from the credit allowed by subsec-  
24 tion (2) of this section and the amount of credit for the taxable year from  
25 the credit allowed by subsection (2) of this section exceed the limitation  
26 imposed by subsection (5) of this section for the current taxable year, the  
27 excess attributable to the current taxable year's credit shall be an invest-  
28 ment credit carryover to the fourteen (14) succeeding taxable years ~~so~~ as  
29 long as the qualified investment property for which the unused credit was  
30 granted otherwise remains a qualified investment as determined under sub-  
31 section (3) of this section in each of the taxable years during the recapture  
32 period. In the case of a group of corporations filing a combined report under  
33 section 63-3027, Idaho Code, or sections 63-3027B through 63-3027E, Idaho  
34 Code, credit earned by one (1) member of the group but not used by that mem-  
35 ber may be used by another member of the group, subject to the provisions of  
36 subsection (5) of this section, instead of carried over. The entire amount  
37 of unused credit shall be carried forward to the earliest of the succeeding  
38 years, wherein the oldest available unused credit shall be used first. For a  
39 combined group of corporations, credit carried forward may be claimed by any  
40 member of the group, unless the member who earned the credit is no longer in-  
41 cluded in the combined group.

42 (7) Any recapture of the credit allowed by subsection (2) of this sec-  
43 tion on property disposed of or ceasing to qualify, prior to the close of  
44 the recapture period, shall be determined according to the applicable recap-  
45 ture provisions of the Internal Revenue Code. In the case of a unitary group  
46 of corporations, the increase in tax due to the recapture of investment tax  
47 credit must be reported by the member of the group who earned the credit re-  
48 gardless of which member claimed the credit against tax.

49 (8) For the purpose of determining whether property placed in service  
50 is a "qualified investment" as defined in subsection (3) of this section, the

1 provisions of section 49 of the Internal Revenue Code shall be disregarded.  
 2 "Qualified investment" shall not include any amount for which a deduction is  
 3 allowed under section 168(k) or section 179 of the Internal Revenue Code in  
 4 computing Idaho taxable income.

5 (9) For purposes of this section, property has a situs in Idaho during a  
 6 taxable year if it is used in Idaho at any time during the taxable year. Prop-  
 7 erty not used in Idaho during a taxable year does not have a situs in Idaho  
 8 in the taxable year during which the property is not used in Idaho or in any  
 9 subsequent taxable year. The Idaho situs of property must be established by  
 10 records maintained by the taxpayer ~~which~~ that are created reasonably contem-  
 11 poraneously with the use of the property.

12 (10) In the case of property used both in and outside Idaho, the tax-  
 13 payer, electing to claim the credit provided in this section, must elect to  
 14 compute the qualified investment in property with a situs in Idaho for all  
 15 such investments first qualifying during that year in one (1), but only one  
 16 (1), of the following ways:

17 (a) The amount of each qualified investment in a specific asset shall  
 18 be separately computed based on the percentage of the actual use of the  
 19 property in Idaho by using a measure of the use, such as total miles or  
 20 total machine hours, that most accurately reflects the beneficial use  
 21 during the taxable year in which it is first acquired, constructed, re-  
 22 constructed, erected, or placed into service; provided, that the as-  
 23 set is placed in service more than ninety (90) days before the end of  
 24 the taxable year. In the case of assets acquired, constructed, recon-  
 25 structed, erected, or placed into service within ninety (90) days prior  
 26 to the end of the taxable year in which the investment first qualifies,  
 27 the measure of the use of that asset within Idaho for that year shall be  
 28 based ~~upon~~ on the percentage of use in Idaho during the first ninety (90)  
 29 days of use of the asset; or

30 (b) The investment in qualified property used both inside and out-  
 31 side Idaho during the taxable year in which it is first acquired,  
 32 constructed, reconstructed, erected, or placed into service shall be  
 33 multiplied by the percent of the investment that would be included in  
 34 the numerator of the Idaho property factor determined pursuant to sec-  
 35 tion 63-3027, Idaho Code, for the same year; provided that the asset is  
 36 placed in service more than ninety (90) days before the end of the tax-  
 37 able year. In the case of assets acquired, constructed, reconstructed,  
 38 erected, or placed into service within ninety (90) days prior to the end  
 39 of the taxable year in which the investment first qualifies, the invest-  
 40 ment in qualified property used both inside and outside Idaho shall be  
 41 multiplied by the percent of the investment that would be included in  
 42 the numerator of the Idaho property factor determined pursuant to sec-  
 43 tion 63-3027, Idaho Code, during the first ninety (90) days of use of the  
 44 asset.

45 (11) References to sections 46, 48 and 49 of the "Internal Revenue Code"  
 46 mean those sections as they existed in the Internal Revenue Code of 1986  
 47 prior to November 5, 1990.

48 SECTION 2. An emergency existing therefor, which emergency is hereby  
 49 declared to exist, this act shall be in full force and effect on and after its  
 50 passage and approval, and retroactively to January 1, 2023.