

LEGISLATURE OF THE STATE OF IDAHO
Sixty-eighth Legislature First Regular Session - 2025

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 412

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO TAXATION; AMENDING SECTION 63-3022A, IDAHO CODE, AS AMENDED IN SECTION 2 OF HOUSE BILL NO. 40, AS ENACTED BY THE FIRST REGULAR SESSION OF THE SIXTY-EIGHTH IDAHO LEGISLATURE, TO REVISE PROVISIONS REGARDING THE DEDUCTION OF MILITARY RETIREMENT PAY FROM TAXABLE INCOME; AMENDING SECTION 63-3025, IDAHO CODE, AS AMENDED IN SECTION 4 OF HOUSE BILL NO. 40, AS ENACTED BY THE FIRST REGULAR SESSION OF THE SIXTY-EIGHTH IDAHO LEGISLATURE, TO REVISE PROVISIONS REGARDING THE TAX ON CORPORATE INCOME; AMENDING SECTION 63-3633, IDAHO CODE, TO REVISE A PROVISION REGARDING THE PERIOD OF LIMITATION UPON ASSESSMENT AND COLLECTION OF CERTAIN TAXES; AMENDING SECTION 63-3045, IDAHO CODE, TO REVISE PROVISIONS REGARDING THE ACCRUAL OF INTEREST; AMENDING SECTION 63-3068, IDAHO CODE, TO REVISE A PROVISION REGARDING THE PERIOD OF LIMITATION FOR THE COLLECTION OF TAX; AMENDING SECTION 63-3638, IDAHO CODE, TO REVISE PROVISIONS REGARDING CERTAIN SALES TAX DISTRIBUTIONS; AMENDING SECTION 57-811, IDAHO CODE, AS AMENDED IN SECTION 2 OF HOUSE BILL NO. 304, IF ENACTED BY THE FIRST REGULAR SESSION OF THE SIXTY-EIGHTH IDAHO LEGISLATURE, TO REVISE PROVISIONS REGARDING THE TRANSFER OF CERTAIN FUNDS; AMENDING SECTION 3 OF HOUSE BILL NO. 304, IF ENACTED BY THE FIRST REGULAR SESSION OF THE SIXTY-EIGHTH IDAHO LEGISLATURE, TO REVISE AN EFFECTIVE DATE; AND DECLARING AN EMERGENCY, PROVIDING RETROACTIVE APPLICATION, AND PROVIDING EFFECTIVE DATES.

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

SECTION 1. That Section 63-3022A, Idaho Code, as amended in Section 2 of House Bill No. 40, as enacted by the First Regular Session of the Sixty-eighth Idaho Legislature, be, and the same is hereby amended to read as follows:

63-3022A. DEDUCTION OF CERTAIN RETIREMENT BENEFITS. (1) An amount specified by subsection (2) of this section of the following retirement benefits may be deducted by an individual from taxable income:

(a) ~~if~~ If such individual has either attained age sixty-five (65) years or has attained age sixty-two (62) years and is classified as disabled:

~~(a)~~ (i) Retirement annuities paid to a retired employee or the unmarried widow or widower of a retired employee by the United States of America under the:

~~(i)~~ 1. Civil service retirement system; or

~~(ii)~~ 2. Foreign service retirement and disability system; or

~~(iii)~~ 3. Offset program of the civil service retirement system or foreign service retirement and disability system.

~~(b)~~ (ii) Retirement benefits paid from the firefighters' retirement fund of the state of Idaho to a retired firefighter or the unremarried widow or widower of a retired firefighter.

~~(c)~~ (iii) Retirement benefits paid to a retired Idaho city police officer:

~~(i)~~ 1. By a city or its agent in regard to a police retirement fund that no longer admits new members and on January 1, 2012, was administered by a city in this state; or

~~(ii)~~ 2. In regard to a police retirement fund that no longer admits new members and on January 1, 2012, was administered by the public employee retirement system of Idaho; or

~~(iii)~~ 3. By the public employee retirement system of Idaho to a retired police officer in regard to Idaho employment not included in the federal social security retirement system; or

~~(iv)~~ 4. An unremarried widow or widower of a person described in subparagraph (i), (ii) or (iii) of this paragraph 1., 2., or 3. of this subparagraph.

~~(d)~~ (b) Retirement benefits paid by the United States of America to a retired member of the military services of the United States, or the unremarried widow or widower of such member, ~~regardless of the age or disability classification of the retired member or of the unremarried widow or widower of such retired member, provided that a person receiving such retirement benefits who is not disabled and has not attained the age of sixty-two (62) years by the end of the tax year was who:~~

(i) Is classified as disabled, as defined in subsection (4) of this section;

(ii) Has attained the age of sixty-two (62) years by the end of the tax year; or

(iii) Was employed during the tax year and received sufficient income from such employment to be required to file a federal return under section 6012(a)(1) of the Internal Revenue Code.

(2) The amount of retirement benefits that may be deducted from taxable income shall be an amount not in excess of maximum retirement benefits under the social security act, as amended, on the date on which this act is passed and approved, including adjustments to be made based on consumer price index adjustments provided in section 215 of the social security act. The state tax commission shall ascertain benefit changes made in accordance with the social security act and publish the appropriate deduction amounts provided by this section reflecting such changes annually. Maximum retirement benefits under the social security act shall mean:

(a) In the case of a taxpayer who files a joint return with the taxpayer's spouse for the tax year, an amount equal to the maximum social security benefits payable for the tax year to a person attaining full retirement age in the tax year who has earned the maximum earnings creditable under social security for the years used in the computation of his benefits and whose spouse has no social security benefits except those payable on his record of earnings.

(b) In the case of a taxpayer who is not married, an amount equal to maximum social security benefits payable for the tax year to a person at-

1 taining full retirement age in the tax year who has earned the maximum
2 earnings creditable under social security for the years used in the com-
3 putation of his benefits.

4 (c) In the case of an unremarried widow or widower, an amount equal
5 to the maximum social security benefits payable for the tax year to a
6 widow or widower attaining full retirement age in the tax year who has
7 no social security benefits except those to which he or she is entitled
8 on his or her deceased spouse's record and whose spouse had received no
9 reduced retirement benefits prior to his or her death and whose spouse
10 had earned the maximum earnings creditable under social security for
11 the years used in the computation of his or her benefits under social
12 security.

13 (d) Maximum retirement benefits shall, in every case, take into con-
14 sideration and be adjusted to reflect adjustments that would be made to
15 such amounts had they been received as social security benefits as the
16 result of the receipt of earnings in excess of earnings limitations.
17 The terms in this paragraph are those defined in the social security
18 act.

19 (e) Taxpayers not described in paragraphs (a), (b), (c), and (d) of this
20 subsection may not deduct any amount of retirement benefits under this
21 section. This includes retirement benefits paid by the federal employ-
22 ees retirement system or foreign service pension system.

23 (3) The total deduction under this section may not exceed the total
24 amount of retirement benefits or annuities that are described in subsection
25 (1) of this section and that are included in the taxpayer's gross income in
26 the tax year. If the taxpayer or the taxpayer's spouse receives retirement
27 benefits under the federal railroad retirement act or the federal social
28 security act in the tax year, then the amount of any retirement annuities
29 computed under subsection (2) of this section shall be reduced by the amount
30 of such federal railroad retirement act and federal social security act re-
31 tirement benefits received by either the taxpayer or the taxpayer's spouse,
32 and the lesser of the amount so computed or the total amount of retirement
33 benefits or annuities that are described in subsection (1) of this section
34 and that are included in the taxpayer's gross income shall constitute the
35 allowable deduction. Furthermore, the allowable deduction as calculated
36 under this section may be subject to additional limitations under section
37 63-3026A(6), Idaho Code, and the rules promulgated thereunder.

38 (4) As used in this section, the word "disabled" shall mean an indi-
39 vidual who is a disabled person described in section 63-701, Idaho Code, or
40 an individual who qualifies as a person with a "permanent disability" under
41 section 49-117(7) (b) (iv), Idaho Code.

42 SECTION 2. That Section 63-3025, Idaho Code, as amended in Section 4
43 of House Bill No. 40, as enacted by the First Regular Session of the Sixty-
44 eighth Idaho Legislature, be, and the same is hereby amended to read as fol-
45 lows:

46 63-3025. TAX ON CORPORATE INCOME. (1) For each taxable year, a tax is
47 hereby imposed on the Idaho taxable income of a corporation, other than an
48 S corporation, that transacts or is authorized to transact business in this

1 state or has income attributable to this state. The tax rate imposed by this
 2 section shall be as follows:

3 (a) For each taxable year, commencing on and after January 1, 2001, the
 4 tax imposed by this section shall be equal to seven and six-tenths per-
 5 cent (7.6%) of Idaho taxable income.

6 (b) For each taxable year, commencing on and after January 1, 2012, the
 7 tax imposed by this section is changed and shall be equal to seven and
 8 four-tenths percent (7.4%) of Idaho taxable income.

9 (c) For each taxable year, commencing on and after January 1, 2018, the
 10 tax imposed by this section is changed and shall be equal to six and nine
 11 hundred twenty-five thousandths percent (6.925%) of Idaho taxable in-
 12 come.

13 (d) For each taxable year, commencing on and after January 1, 2021,
 14 the tax imposed by this section is changed and shall be equal to six and
 15 five-tenths percent (6.5%) of Idaho taxable income.

16 (e) For each taxable year, commencing on and after January 1, 2022, the
 17 tax imposed by this section is changed and shall be equal to six percent
 18 (6%) of Idaho taxable income.

19 (f) For each taxable year, commencing on and after January 1, 2023, the
 20 tax imposed by this section is changed and shall be equal to five and
 21 eight-tenths percent (5.8%) of Idaho taxable income.

22 (g) For each taxable year, commencing on and after January 1, 2024, the
 23 tax imposed by this section is changed and shall be equal to five and six
 24 hundred ninety-five thousandths percent (5.695%) of Idaho taxable in-
 25 come.

26 (h) ~~The tax~~ For each taxable year, commencing on and after January 1,
 27 2025, the tax imposed by this section is changed and shall be equal to
 28 five and three-tenths percent (5.3%) of Idaho taxable income.

29 (2) In the case of an S corporation that is required to file a return un-
 30 der section 63-3030, Idaho Code, a tax is hereby imposed at the rate provided
 31 in subsection (1) of this section upon both:

32 (a) Net recognized built-in gain attributable to this state. The
 33 amount of net recognized built-in gain attributable to this state shall
 34 be computed in accordance with section 1374 of the Internal Revenue
 35 Code subject to the apportionment and allocation provisions of section
 36 63-3027, Idaho Code; and

37 (b) Excess net passive income attributable to this state. The amount of
 38 excess net passive income attributable to this state shall be computed
 39 in accordance with section 1375 of the Internal Revenue Code subject to
 40 the apportionment and allocation provisions of section 63-3027, Idaho
 41 Code.

42 (3) The tax imposed by subsection (1) or (2) of this section shall not be
 43 less than twenty dollars (\$20.00); provided that the twenty-dollar (\$20.00)
 44 minimum payment shall not be collected from nonproductive mining corpora-
 45 tions.

46 (4) The tax imposed by this section shall not apply to corporations
 47 taxed pursuant to the provisions of section 63-3025A, Idaho Code.

48 SECTION 3. That Section 63-3633, Idaho Code, be, and the same is hereby
 49 amended to read as follows:

1 63-3633. PERIOD OF LIMITATION UPON ASSESSMENT AND COLLECTION. Except
2 as otherwise provided in this section:

3 (a) The amount of taxes imposed by this chapter shall be assessed within
4 three (3) years after the due date of the return or the date the return was
5 filed, whichever is the later, and no proceeding in court without assessment
6 for the collection of such taxes shall be begun after the expiration of such
7 period; provided, however, if an assessment has been made within the pre-
8 scribed time, such tax may be collected by levy or by a proceeding in court
9 within a period of six (6) years after assessment of the tax and, provided
10 further, that this shall not be in derogation of any of the remedies else-
11 where herein provided. The running of the period of limitations provided
12 by this section shall be suspended for the period during which the state tax
13 commission is prohibited from making the assessment or from collecting by
14 levy or a proceeding in court, and for thirty (30) days thereafter.

15 (b) In the case of a false or fraudulent return with the intent to evade
16 tax, or a willful attempt in any manner to defeat or evade tax, the tax may
17 be assessed, or a proceeding in court for collection of such tax may be begun
18 without assessment, at any time.

19 (c) In the case of taxes owed by a person who has failed to file a re-
20 turn as provided in section 63-3623, Idaho Code, the amount of taxes imposed
21 in this chapter shall be assessed within seven (7) years of the time the re-
22 turn upon which the tax asserted to be due should have been filed unless the
23 person had a reasonable belief that no taxes imposed by this chapter were due
24 or payable, in which case within three (3) years of the time the return upon
25 which the taxes asserted to be due should have been filed.

26 (d) The periods of limitation upon assessment and collection provided
27 in this section shall not apply:

28 (1) In cases where the facts disclose a false or fraudulent act with the
29 intent to evade tax, or

30 (2) To taxes collected by a retailer, seller or any other person who has
31 failed to pay over such taxes to the state tax commission.

32 (e) In the case of taxes due during the lifetime of a decedent, or by his
33 estate during the period of administration, a notice of deficiency shall be
34 issued, a claim shall be made, the tax shall be assessed, or any proceeding
35 in court without assessment for the collection of such tax shall be begun,
36 within twelve (12) months after written request for prompt action is filed
37 with the state tax commission by the executor, administrator, or other fidu-
38 ciary representing the estate of such decedent. This subsection shall not
39 apply if the return for which the request for prompt action relates has not
40 been filed with the state tax commission.

41 (f) No assessment of a deficiency with respect to the tax imposed by
42 this chapter, and no distraint or proceedings in court for its collection
43 shall be made, begun, or prosecuted until a notice under section 63-3629,
44 Idaho Code, has been mailed to the taxpayer, nor until all appeal rights re-
45 lating to the deficiency have become final.

46 (g) Where, before the expiration of the time prescribed in this section
47 for the assessment of any tax imposed by this act, both the state tax commis-
48 sion or its delegate or deputy and the taxpayer have consented in writing to
49 its assessment after such time, the tax may be assessed at any time prior to
50 the expiration of the period agreed upon. The period so agreed upon may be

1 extended by subsequent agreements in writing made before the expiration of
2 the period previously agreed upon.

3 SECTION 4. That Section 63-3045, Idaho Code, be, and the same is hereby
4 amended to read as follows:

5 63-3045. NOTICE OF REDETERMINATION OR DEFICIENCY -- INTEREST.

6 (1) (a) If, in the case of any taxpayer, the state tax commission de-
7 termines that there is a deficiency in respect of the tax imposed by
8 this title, the state tax commission shall, immediately upon discovery
9 thereof, send notice of such deficiency to the taxpayer by first class
10 mail or by other commercial delivery service providing proof of deliv-
11 ery, whichever is the most cost-efficient. The notice shall be sent
12 to the taxpayer's last address known to the state tax commission. The
13 notice of deficiency shall be accompanied by an explanation of the spe-
14 cific reason for the determination and an explanation of the taxpayer's
15 right to appeal. Within sixty-three (63) days after such notice is
16 mailed, the taxpayer may, at his option, file a protest in writing with
17 the state tax commission and obtain redetermination of the deficiency.

18 (b) If the taxpayer files a protest with the state tax commission within
19 the period set forth in paragraph (a) of this subsection, and such
20 protest does not comply with the rules of the state tax commission and
21 is therefore inadequate to perfect the taxpayer's right to a redetermi-
22 nation of the deficiency determination, then the state tax commission
23 shall notify the taxpayer, in the same manner as set forth in paragraph
24 (a) of this subsection, of such inadequacies, setting forth in said
25 notice the corrective action to be taken by the taxpayer to perfect his
26 protest. The taxpayer shall thereafter have twenty-eight (28) days
27 from the date of said notice to perfect his protest.

28 (c) No assessment of a deficiency in respect to the tax imposed by this
29 chapter, and no distraint or proceedings in court for its collection,
30 shall be made, begun, or prosecuted until such notice has been mailed
31 to the taxpayer, nor until all appeal rights relating to the deficiency
32 have become final.

33 (2) (a) Following a perfected protest, the taxpayer has the right to
34 an independent administrative redetermination of the originating di-
35 vision's determination before the state tax commission, including a
36 hearing. The purpose of the hearing is to discuss the deficiency de-
37 termination and the taxpayer's protest with a commissioner or duly
38 authorized representative of the commission. The meeting shall be
39 held informally and evidence shall be freely admitted regardless of the
40 rules of evidence.

41 (b) Tax commission staff assigned to the administrative redetermi-
42 nation may not engage in communications relating to the taxpayer's
43 protest with employees of the originating division without first
44 providing the taxpayer the opportunity to participate, except for ques-
45 tions that involve ministerial, administrative or procedural matters
46 that do not address the substance of the issues or positions taken in the
47 case or as otherwise allowed under title 63, Idaho Code, and the rules
48 promulgated thereunder. The state tax commission shall promulgate
49 rules governing communications with the originating division to ensure

1 an independent review process. The provisions of this subsection do
 2 not create a substantive right affecting the taxpayer's tax liability
 3 or the state tax commission's ability to determine, assess or collect
 4 that tax liability, including statutory interest and any penalties, if
 5 applicable.

6 (3) Any hearing conducted under the provisions of this section may
 7 be conducted, in whole or in part, by telephone, television, or other
 8 electronic means if each participant in the hearing has an opportunity to
 9 participate in the entire proceeding while it is taking place.

10 (4) A taxpayer has the right to be represented by, or be accompanied by,
 11 any person of his choice in any proceeding before the tax commission. If the
 12 taxpayer is not present at a proceeding, the representative of that taxpayer
 13 must be designated in writing by the taxpayer as shall be prescribed in ad-
 14 ministrative rules or in any manner acceptable to the tax commission.

15 (5) Following a perfected protest, the taxpayer may submit additional
 16 evidence or documentation during the redetermination process subject to the
 17 provisions of section 63-3045B(3) (a), Idaho Code.

18 (6) If the taxpayer does not file a protest with the state tax commis-
 19 sion within the time prescribed in subsection (1) (a) of this section, the de-
 20 ficiency shall be assessed and shall become due and payable upon notice and
 21 demand from the state tax commission.

22 (7) (a) Interest shall apply to deficiencies in tax and refunds of tax.
 23 Interest shall not apply to any penalty or to unpaid accrued interest.
 24 Interest relating to deficiencies or refunds accruing after the origi-
 25 nal due date of the return, but not including extensions of the due date,
 26 shall be computed on the net of any underpayments and overpayments of a
 27 tax liability required to be shown as due on the same return. Interest
 28 on deficiencies shall not accrue for any period beginning on the date on
 29 which the state tax commission ~~sends written notice that an audit is be-~~
 30 ~~ing initiated~~ identifies a return for possible audit until the date of
 31 the issuance of a notice of deficiency determination. Nor shall inter-
 32 est on deficiencies accrue for any period between the issuance of a no-
 33 tice of deficiency determination that is subject to a perfected protest
 34 and the final determination of the deficiency by the state tax commis-
 35 sion following the state tax commission's disposition of the protest.

36 (b) Interest upon any deficiency shall be assessed at the same time as
 37 the deficiency, shall be due and payable upon notice and demand from
 38 the state tax commission and shall be collected as a part of the tax at
 39 the rate per annum determined under the provisions of paragraph (c) of
 40 this subsection from the date prescribed for the payment of the tax.
 41 In the event any of the deficiency is reduced by reason of a carryback
 42 of a net operating loss or a capital loss carryback, such reduction in
 43 deficiency shall not affect the computation of interest under this sub-
 44 section for the period ending with the last day of the taxable year in
 45 which the net operating loss or capital loss arises.

46 (c) The rate of interest accruing during any calendar year, or portion
 47 thereof, upon any deficiency, or payable upon an overpayment or re-
 48 fund, shall be two percent (2%) plus the rate determined under section
 49 1274(d), Internal Revenue Code, by the secretary of the treasury of the
 50 United States as the midterm federal rate as it applies on September 15

1 of the immediately preceding calendar year rounded to the nearest whole
2 number.

3 (8) When the time provisions contained in this section conflict with
4 the provisions of section 63-4208, Idaho Code, relating to the assessment of
5 taxes on illegal possession of controlled substances, the provisions of sec-
6 tion 63-4208, Idaho Code, shall prevail.

7 SECTION 5. That Section 63-3068, Idaho Code, be, and the same is hereby
8 amended to read as follows:

9 63-3068. PERIOD OF LIMITATIONS FOR ISSUING A NOTICE OF DEFICIENCY AND
10 COLLECTION OF TAX. (a) Except as otherwise provided in this section, a notice
11 of deficiency, as provided in section 63-3045, Idaho Code, for the tax im-
12 posed in this chapter shall be issued within three (3) years from either the
13 due date of the return, without regard to extensions, or from the date the re-
14 turn was filed, whichever is later.

15 (b) If an assessment has been made as provided in this chapter, then
16 such tax shall be collected either by levy, or by a proceeding brought in
17 court, within a period of twelve (12) years from the date of entry of the
18 record of assessment required by section 63-3045A, Idaho Code, of the tax and
19 provided, further, that this shall not be in derogation of any of the reme-
20 dies elsewhere provided in this chapter.

21 (c) In the case of a fraudulent return or a false return with the intent
22 to evade the tax imposed in this chapter, or a willful attempt in any manner
23 to defeat or evade the tax imposed in this chapter, a notice of deficiency may
24 be issued, the tax may be assessed, or a proceeding in court for collection of
25 such tax may be begun without assessment, at any time.

26 (d) In the case of a failure to file a return, for any reason, a notice
27 of deficiency may be issued, the tax imposed in this chapter may be assessed,
28 or a proceeding in court for collection of such tax may be begun without as-
29 sessment, at any time, unless the taxpayer had a reasonable belief that no
30 return was required to be filed under this chapter, in which case any defi-
31 ciency, assessment, or proceeding for collection of such tax shall be com-
32 menced within three (3) years of the time the return was due.

33 (e) In the case of income received during the lifetime of a decedent,
34 or by his estate during the period of administration, a notice of deficiency
35 shall be issued, a claim shall be made, the tax shall be assessed or any pro-
36 ceeding in court without assessment for the collection of such tax shall be
37 begun, within twelve (12) months after written request for prompt action is
38 filed with the state tax commission by the executor, administrator, or other
39 fiduciary representing the estate of such decedent. This subsection shall
40 not apply if the return for which the request for prompt action relates has
41 not been filed with the state tax commission.

42 (f) When Idaho taxable income or tax credits for any taxable year have
43 been adjusted as a result of a final federal determination, the period of
44 limitation for issuing a notice of deficiency shall be reopened and shall not
45 expire until the later of one (1) year from the date of delivery of the fi-
46 nal federal determination to the state tax commission by the taxpayer, three
47 (3) years from the due date of the return, without regard to extensions, or
48 three (3) years from the date the return was filed. For purposes of this sub-
49 section the term "final federal determination" shall mean the final resolu-

tion of all issues which were adjusted by the internal revenue service. When the final federal determination is submitted, the taxpayer shall also submit copies of all schedules and written explanations provided by the internal revenue service. Upon the expiration of the period of limitations as provided in subsections (a) and (m) of this section, only those specific items of income, deductions, gains, losses, or credits which were adjusted in the final federal determination shall be subject to adjustment for purposes of recomputing Idaho income, deductions, gains, losses, credits, and the effect of such adjustments on Idaho allocations and apportionments.

(g) If an adjustment, which was made within the period of limitations as provided in this section, affects the amount of tax credit, net operating loss, or capital loss, claimed in a taxable year other than the tax year in which the adjustment is made, then adjustments to the credit, net operating loss, or capital loss claimed in such other tax year may be made and a resulting notice of deficiency may be issued even though such notice of deficiency would otherwise be barred under the provisions of this section.

(h) Notwithstanding any other provisions of this section, when an amended Idaho return is filed within the period of limitations as provided in subsections (a) and (m) of this section, the period of limitations for issuing a notice of deficiency shall be three (3) years from the date the amended return was filed. However, upon the expiration of the period of limitations as provided in subsections (a) and (m) of this section, only those specific items of income, deductions, gains, losses, or credits, which were adjusted in the amended Idaho return shall be subject to adjustment for purposes of recomputing Idaho income, deductions, gains, losses, credits, and the effect of such adjustments on Idaho allocations and apportionments.

(i) If a taxpayer has filed an amended federal return, and no corresponding Idaho amended return has been filed with the state tax commission, then the period of limitations for issuing a notice of deficiency shall be reopened and shall not expire until three (3) years from the date of delivery to the tax commission by the taxpayer of the amended federal return. However, upon the expiration of the period of limitations as provided in subsections (a) and (m) of this section, then only those specific items of income, deductions, gains, losses, or credits, which were adjusted in the amended federal return shall be subject to adjustment for purposes of recomputing Idaho income, deductions, gains, losses, credits, and the effect of such adjustments on Idaho allocations and apportionments.

(j) Notwithstanding any other provisions of this section, a notice of deficiency, related to items on the return of any pass-through entity, as defined in this section, which other taxpayers are required by law to report, shall be issued to such other taxpayers within the later of three (3) years from the due date of the other taxpayers' return, without regard to extensions, three (3) years from the date the other taxpayers' returns were filed, or three (3) years from the date of filing of the pass-through entity's return. If the pass-through entity files an amended return, notices of deficiency may be issued to the other taxpayers within three (3) years from the date the amended return for the pass-through entity was filed with the state tax commission. If the pass-through entity files an amended return with the internal revenue service, or the internal revenue service issues a final determination to the pass-through entity, then the period of limitations for

1 issuing a notice of deficiency to the other taxpayers shall be reopened and
 2 shall not expire until three (3) years from the date of delivery to the tax
 3 commission by the pass-through entity of the amended federal return or the
 4 later of one (1) year from the date of delivery to the state tax commission by
 5 the pass-through entity of the final federal determination, three (3) years
 6 from the due date of the pass-through entity's return, without regard to ex-
 7 tensions, or three (3) years from the date the pass-through entity's return
 8 was filed.

9 (k) For purposes of this section, "pass-through entity" means a part-
 10 nership, S corporation, trust, limited liability company or any other en-
 11 tity whose items of income, deductions, gains, losses and credits must be re-
 12 ported by other taxpayer(s). For further purposes of this section, the term
 13 "other taxpayer" shall include, by way of unlimiting example, such taxpayers
 14 as partners, shareholders, beneficiaries, joint venturers or investors.

15 (l) In the case of a duplicate return filed under section 63-217(1) (b),
 16 Idaho Code, the limitation under this section shall be the later of one (1)
 17 year from the filing of the duplicate return or the date otherwise applicable
 18 under this section.

19 (m) Prior to the expiration of the time prescribed in this section for
 20 the issuance of a notice of deficiency for the tax imposed in this chapter,
 21 both the state tax commission, its delegate or deputy, and the taxpayer may
 22 consent in writing to extend the period of time within which a notice of defi-
 23 ciency may be issued. The period so agreed upon may be extended by subsequent
 24 agreements in writing made before the expiration of the period previously
 25 agreed upon. When a pass-through entity extends the period of limitations
 26 in accordance with this subsection, the period of limitations for the other
 27 taxpayers is automatically extended for the same period for the purpose of
 28 issuing a notice of deficiency to the other taxpayers reflecting the adjust-
 29 ments to the pass-through entity's return.

30 (n) The expiration of the period of limitations as provided in this sec-
 31 tion shall be suspended for the time period during which the state tax com-
 32 mission is prohibited from issuing a notice of deficiency, making the as-
 33 sessment, or from collecting by levy or a proceeding in court, and for thirty
 34 (30) days thereafter.

35 (o) For the purposes of this section, "return" includes a notice of de-
 36 ficiency determination issued by the state tax commission when no return was
 37 filed by the taxpayer. Such a return is deemed filed on the date the taxes de-
 38 termined by the state tax commission are assessed.

39 SECTION 6. That Section 63-3638, Idaho Code, be, and the same is hereby
 40 amended to read as follows:

41 63-3638. SALES TAX -- DISTRIBUTION. All moneys collected under this
 42 chapter, except as may otherwise be required in sections 63-3203, 63-3620F,
 43 and 63-3709, Idaho Code, shall be distributed by the state tax commission as
 44 follows:

45 (1) An amount of money shall be distributed to the state refund account
 46 sufficient to pay current refund claims. All refunds authorized under this
 47 chapter by the state tax commission shall be paid through the state refund
 48 account, and those moneys are continuously appropriated.

1 (2) Five million dollars (\$5,000,000) per year is continuously appro-
2 priated and shall be distributed to the permanent building fund, provided by
3 section 57-1108, Idaho Code.

4 (3) Four million eight hundred thousand dollars (\$4,800,000) per year
5 is continuously appropriated and shall be distributed to the water pollution
6 control fund established by section 39-3628, Idaho Code.

7 (4) An amount equal to the sum required to be certified by the chair-
8 man of the Idaho housing and finance association to the state tax commis-
9 sion pursuant to section 67-6211, Idaho Code, in each year is continuously
10 appropriated and shall be paid to any capital reserve fund established by
11 the Idaho housing and finance association pursuant to section 67-6211, Idaho
12 Code. Such amounts, if any, as may be appropriated hereunder to the capital
13 reserve fund of the Idaho housing and finance association shall be repaid for
14 distribution under the provisions of this section, subject to the provisions
15 of section 67-6215, Idaho Code, by the Idaho housing and finance associa-
16 tion, as soon as possible, from any moneys available therefor and in excess
17 of the amounts the association determines will keep it self-supporting.

18 (5) An amount equal to the sum required by the provisions of sections
19 63-709 and 63-717, Idaho Code, after allowance for the amount appropriated
20 by section 63-718(3), Idaho Code, is continuously appropriated and shall be
21 paid as provided by sections 63-709 and 63-717, Idaho Code.

22 (6) An amount required by the provisions of chapter 53, title 33, Idaho
23 Code.

24 (7) An amount required by the provisions of chapter 87, title 67, Idaho
25 Code.

26 (8) For fiscal year 2011 and each fiscal year thereafter, four million
27 one hundred thousand dollars (\$4,100,000), of which two million two hundred
28 thousand dollars (\$2,200,000) shall be distributed to each of the forty-four
29 (44) counties in equal amounts and one million nine hundred thousand dol-
30 lars (\$1,900,000) shall be distributed to the forty-four (44) counties in
31 the proportion that the population of the county bears to the population of
32 the state. For fiscal year 2012 and for each fiscal year thereafter, the
33 amount distributed pursuant to this subsection shall be adjusted annually
34 by the state tax commission in accordance with the consumer price index for
35 all urban consumers (CPI-U) as published by the U.S. department of labor,
36 bureau of labor statistics, but in no fiscal year shall the total amount
37 allocated for counties under this subsection be less than four million one
38 hundred thousand dollars (\$4,100,000). Any increase resulting from the ad-
39 justment required in this section shall be distributed to each county in the
40 proportion that the population of the county bears to the population of the
41 state. Each county shall establish a special election fund to which shall
42 be deposited all revenues received from the distribution pursuant to this
43 subsection. All such revenues shall be used exclusively to defray the costs
44 associated with conducting elections as required of county clerks by the
45 provisions of section 34-1401, Idaho Code.

46 (9) One dollar (\$1.00) on each application for certificate of title
47 or initial application for registration of a motor vehicle, snowmobile,
48 all-terrain vehicle or other vehicle processed by the county assessor or the
49 Idaho transportation department, excepting those applications in which any
50 sales or use taxes due have been previously collected by a retailer, shall be

1 a fee for the services of the assessor of the county or the Idaho transporta-
 2 tion department in collecting such taxes and shall be paid into the current
 3 expense fund of the county or state highway account established in section
 4 40-702, Idaho Code.

5 (10) Eleven and five-tenths percent (11.5%) of revenues collected un-
 6 der this chapter, following any distributions required by sections 63-3203,
 7 63-3620F, and 63-3709, Idaho Code, and by subsection (1) of this section, is
 8 continuously appropriated and shall be distributed to the revenue-sharing
 9 account, which is hereby created in the state treasury, and the moneys in the
 10 revenue-sharing account will be paid in installments each calendar quarter
 11 by the state tax commission as follows:

12 (a) Forty-five and two-tenths percent (45.2%) shall be paid to the var-
 13 ious cities as follows:

14 (i) The revenue-sharing amount calculated by the state tax com-
 15 mission for the various cities for each quarter of fiscal year 2020
 16 shall be the base amount for current quarterly revenue distribu-
 17 tion amounts. The state tax commission shall calculate the per
 18 capita distribution for each city resulting from the previous fis-
 19 cal year's distributions.

20 (ii) If there is no change in the amount of the revenue-sharing
 21 account from the same quarter of the previous fiscal year, then the
 22 various cities shall receive the same amount received for the same
 23 quarter of the previous fiscal year.

24 (iii) If the balance of the revenue-sharing account for the cur-
 25 rent quarter is greater than the balance of the revenue-sharing
 26 account for the same quarter of the previous fiscal year, then:

27 1. If the distributions made to the cities during the same
 28 quarter of the previous fiscal year were below the base
 29 amount established in fiscal year 2020, then the various
 30 cities shall first receive a proportional increase up to the
 31 base amount for each city and up to a one-percent (1%) in-
 32 crease over such base amount. Any remaining moneys shall be
 33 distributed to cities with a below-average per capita dis-
 34 tribution in the proportion that the population of that city
 35 bears to the population of all cities with below-average per
 36 capita distributions within the state.

37 2. If the distributions made to the cities during the same
 38 quarter of the previous fiscal year were at or above the
 39 base amount established in fiscal year 2020, then the cities
 40 shall receive the same distribution they received during the
 41 same quarter of the previous fiscal year plus a proportional
 42 increase up to one percent (1%). Any remaining moneys shall
 43 be distributed to the cities with a below-average per capita
 44 distribution in the proportion that the population of that
 45 city bears to the population of all cities with a below-aver-
 46 age per capita distribution within the state.

47 (iv) If the balance of the revenue-sharing account for the cur-
 48 rent quarter is less than the balance of the revenue-sharing ac-
 49 count for the same quarter of the previous fiscal year, then the
 50 cities shall first receive a proportional reduction down to the

base amount established in fiscal year 2020. If further reductions are necessary, the cities shall receive reductions based on the proportion that each city's population bears to the population of all cities within the state.

(b) Forty-seven and one-tenth percent (47.1%) shall be paid to the various counties as follows:

(i) Fifty-nine and eight-tenths percent (59.8%) of the amount to be distributed under this paragraph (b) of this subsection shall be distributed as follows:

1. One million three hundred twenty thousand dollars (\$1,320,000) annually shall be distributed one forty-fourth (1/44) to each of the various counties; and

2. The balance of such amount shall be paid to the various counties, and each county shall be entitled to an amount in the proportion that the population of that county bears to the population of the state; and

(ii) Forty and two-tenths percent (40.2%) of the amount to be distributed under this paragraph (b) of this subsection shall be distributed as follows:

1. Each county that received a payment under the provisions of section 63-3638(e), Idaho Code, as that subsection existed immediately prior to July 1, 2000, during the fourth quarter of calendar year 1999, shall be entitled to a like amount during succeeding calendar quarters.

2. If the dollar amount of money available under this subsection (10) (b) (ii) in any quarter does not equal the amount paid in the fourth quarter of calendar year 1999, each county's payment shall be reduced proportionately.

3. If the dollar amount of money available under this subsection (10) (b) (ii) in any quarter exceeds the amount paid in the fourth quarter of calendar year 1999, each county shall be entitled to a proportionately increased payment, but such increase shall not exceed one hundred five percent (105%) of the total payment made in the fourth quarter of calendar year 1999.

4. If the dollar amount of money available under this subsection (10) (b) (ii) in any quarter exceeds one hundred five percent (105%) of the total payment made in the fourth quarter of calendar year 1999, any amount over and above such one hundred five percent (105%) shall be paid to the various counties in the proportion that the population of the county bears to the population of the state; and

(c) Seven and seven-tenths percent (7.7%) of the amount appropriated in this subsection shall be paid to the several counties for distribution to special purpose taxing districts as follows:

(i) Each such district that received a payment under the provisions of section 63-3638(e), Idaho Code, as such subsection existed immediately prior to July 1, 2000, during the fourth quarter of calendar year 1999, shall be entitled to a like amount during succeeding calendar quarters.

(ii) If the dollar amount of money available under this subsection (10) (c) in any quarter does not equal the amount paid in the fourth quarter of calendar year 1999, each special purpose taxing district's payment shall be reduced proportionately.

(iii) If the dollar amount of money available under this subsection (10) (c) in any quarter exceeds the amount distributed under paragraph (c) (i) of this subsection, each special purpose taxing district shall be entitled to a share of the excess based on the proportion each such district's current property tax budget bears to the sum of the current property tax budgets of all such districts in the state. Each year, starting with the distribution for the quarter ending December 31, the state tax commission shall calculate this distribution based on the district's current property tax budgets, including any unrecovered forgone amounts as determined under section 63-802(1) (e), Idaho Code. When a special purpose taxing district is situated in more than one (1) county, the state tax commission shall determine the portion attributable to the special purpose taxing district from each county in which it is situated.

(iv) If special purpose taxing districts are consolidated, the resulting district is entitled to a base amount equal to the sum of the base amounts received in the last calendar quarter by each district prior to the consolidation.

(v) If a special purpose taxing district is dissolved or discontinued, the state tax commission shall continuously distribute to the board of county commissioners an amount equal to the last quarter's distribution prior to dissolution or disincorporation. The board of county commissioners shall determine any redistribution of moneys so received.

(vi) Taxing districts formed after January 1, 2001, are not entitled to a payment under the provisions of this paragraph (c) of this subsection.

(vii) For purposes of this paragraph (c) of this subsection, a special purpose taxing district is any taxing district that is not a city, a county, or a school district.

(viii) Special purpose taxing districts shall use funds received under the provisions of this subsection only for the purposes for which the special purpose taxing districts were formed.

(11) Amounts calculated in accordance with section 2, chapter 356, laws of 2001, for annual distribution to counties and other taxing districts beginning in October 2001 for replacement of property tax on farm machinery and equipment exempted pursuant to section 63-602EE, Idaho Code. For nonschool districts, the state tax commission shall distribute one-fourth (1/4) of this amount certified quarterly to each county. For school districts, the state tax commission shall distribute one-fourth (1/4) of the amount certified quarterly to each school district. For nonschool districts, the county auditor shall distribute such amounts to each district within thirty (30) calendar days from receipt of moneys from the state tax commission. Moneys received by each taxing district for replacement shall be utilized in the same manner and in the same proportions as revenues from property

1 taxation. The moneys remitted to the county treasurer for replacement of
2 property exempt from taxation pursuant to section 63-602EE, Idaho Code, may
3 be considered by the counties and other taxing districts and budgeted at the
4 same time, in the same manner, and in the same year as revenues from taxation
5 on personal property, which these moneys replace. If taxing districts are
6 consolidated, the resulting district is entitled to an amount equal to the
7 sum of the amounts received in the last calendar quarter by each district
8 pursuant to this subsection prior to the consolidation. If a taxing district
9 is dissolved or disincorporated, the state tax commission shall continu-
10 ously distribute to the board of county commissioners an amount equal to the
11 last quarter's distribution prior to dissolution or disincorporation. The
12 board of county commissioners shall determine any redistribution of moneys
13 so received. If a taxing district annexes territory, the distribution of
14 moneys received pursuant to this subsection shall be unaffected. Taxing
15 districts formed after January 1, 2001, are not entitled to a payment under
16 the provisions of this subsection. School districts shall receive an amount
17 determined by multiplying the sum of the year 2000 school district levy mi-
18 nus .004 times the market value on December 31, 2000, in the district of the
19 property exempt from taxation pursuant to section 63-602EE, Idaho Code, pro-
20 vided that the result of these calculations shall not be less than zero (0).
21 The result of these school district calculations shall be further increased
22 by six percent (6%). For purposes of the limitation provided by section
23 63-802, Idaho Code, moneys received pursuant to this section as property tax
24 replacement for property exempt from taxation pursuant to section 63-602EE,
25 Idaho Code, shall be treated as property tax revenues.

26 (12) Amounts necessary to pay refunds as provided in section 63-3641,
27 Idaho Code, to a developer of a retail complex shall be remitted to the demon-
28 stration pilot project fund created in section 63-3641, Idaho Code.

29 (13) Amounts calculated in accordance with section 63-602KK(4), Idaho
30 Code, for annual distribution to counties and other taxing districts for
31 replacement of property tax on personal property tax exemptions pursuant
32 to section 63-602KK(2), Idaho Code, which amounts are continuously ap-
33 propriated unless the legislature enacts a different appropriation for a
34 particular fiscal year. For purposes of the limitation provided by section
35 63-802, Idaho Code, moneys received pursuant to this section as property tax
36 replacement for property exempt from taxation pursuant to section 63-602KK,
37 Idaho Code, shall be treated as property tax revenues. If taxing districts
38 are consolidated, the resulting district is entitled to an amount equal to
39 the sum of the amounts that were received in the last calendar year by each
40 district pursuant to this subsection prior to the consolidation. If a taxing
41 district or revenue allocation area annexes territory, the distribution of
42 moneys received pursuant to this subsection shall be unaffected. Taxing
43 districts and revenue allocation areas formed after January 1, 2022, are not
44 entitled to a payment under the provisions of this subsection.

45 (14) For fiscal year 2023 only, a sum of thirty-four million dollars
46 (\$34,000,000) shall be distributed each year by the state tax commission to
47 the forty-four (44) counties in the proportion that the expenditures of each
48 county for indigent defense services during county fiscal year 2021, exclud-
49 ing any state funding or grants, bear to the expenditures of all counties
50 in the state for indigent defense services during county fiscal year 2021,

1 excluding any state funding or grants. No later than July 1, 2022, the state
 2 public defense commission shall certify to the state tax commission each
 3 county's proportionate share of all counties' indigent defense expenses in
 4 county fiscal year 2021, excluding any state funding or grants.

5 (15) For fiscal year 2024 and each fiscal year thereafter, two and
 6 twenty-five hundredths percent (2.25%) of revenues collected under this
 7 chapter, following any distributions required by sections 63-3203,
 8 63-3620F, and 63-3709, Idaho Code, and by subsections (1), (10), and (16)
 9 of this section, is continuously appropriated and shall be distributed an-
 10 nually to the homeowner property tax relief account established in section
 11 63-724, Idaho Code.

12 (16) Four and five-tenths percent (4.5%) of revenues collected under
 13 this chapter, following any distributions required by sections 63-3620F and
 14 63-3709, Idaho Code, and by subsections (1) and (10) of this section, but no
 15 less than eighty million dollars (\$80,000,000) and no more than one hundred
 16 forty million dollars (\$140,000,000), shall be distributed as follows:

17 (a) Eighty million dollars (\$80,000,000) is continuously appropriated
 18 and shall be distributed to the transportation expansion and congestion
 19 mitigation fund established in section 40-720, Idaho Code; and

20 (b) The remaining moneys in excess of eighty million dollars
 21 (\$80,000,000) provided for in this subsection is continuously ap-
 22 propriated and shall be apportioned to local units of government for
 23 local highway projects in the same percentages provided for in section
 24 40-709(1) through (3), Idaho Code. Local units of government may pool
 25 funds allocated to them pursuant to this paragraph for local highway
 26 projects.

27 (17) Beginning in fiscal year 2024 and each fiscal year thereafter,
 28 three hundred thirty million dollars (\$330,000,000) shall be distributed
 29 annually to the ~~public school income fund created in section 33-903, Idaho~~
 30 ~~Code, general fund specifically for the public schools educational support~~
 31 program, and eighty million dollars (\$80,000,000) shall be distributed an-
 32 nually to the in-demand careers fund established in section 72-1206, Idaho
 33 Code. The state tax commission shall make such transfers in quarterly in-
 34 stallments.

35 (18) For fiscal year 2024 and each fiscal year thereafter, three
 36 and twenty-five hundredths percent (3.25%) of revenues collected under
 37 this chapter, following any distributions required by sections 63-3203,
 38 63-3620F, and 63-3709, Idaho Code, and by subsections (1), (10), and (16) of
 39 this section, is continuously appropriated and shall be distributed annu-
 40 ally to the school district facilities fund established pursuant to section
 41 33-911, Idaho Code.

42 (19) One hundred twenty-five million dollars (\$125,000,000) collected
 43 under this chapter, following any distributions required by sections
 44 63-3620F and 63-3709, Idaho Code, and by subsections (1), (10), (15), (16),
 45 and (18) of this section is continuously appropriated and shall be dis-
 46 tributed to the school modernization facilities fund established in section
 47 33-912, Idaho Code. The state tax commission shall make such transfers in
 48 quarterly installments.

1 (20) Any moneys remaining over and above those necessary to meet and
 2 reserve for payments under other subsections of this section shall be dis-
 3 tributed to the general fund.

4 SECTION 7. That Section 57-811, Idaho Code, as amended in Section 2 of
 5 House Bill No. 304, if enacted by the First Regular Session of the Sixty-
 6 eighth Idaho Legislature, be, and the same is hereby amended to read as fol-
 7 lows:

8 57-811. TAX RELIEF FUND. (1) There is hereby created in the state trea-
 9 sury the tax relief fund to which shall be credited all moneys remitted from
 10 sections 63-3620F and 63-3638, Idaho Code, from federal grants, donations,
 11 or any other source. Moneys in the fund are intended to fund future tax re-
 12 lief statutes enacted by the legislature and may be expended pursuant to ap-
 13 propriation. All interest earned on the investment of idle moneys in the
 14 fund shall be returned to the fund.

15 (2) For each fiscal year, the state controller shall transfer fifty
 16 million dollars (\$50,000,000) to the school district facilities fund es-
 17 tablished pursuant to section 33-911, Idaho Code. At the end of each
 18 fiscal year, the state controller shall transfer twenty percent (20%) of
 19 annual distributions to the tax relief fund, ~~plus fifty million dollars~~
 20 ~~(\$50,000,000), to the school district facilities fund established pursuant~~
 21 ~~to section 33-911, Idaho Code.~~

22 (3) At the end of each fiscal year, the state controller shall trans-
 23 fer thirty-nine million dollars (\$39,000,000) from the tax relief fund to
 24 the state public defense fund established pursuant to section 57-827, Idaho
 25 Code.

26 (4) ~~At the end of~~ For each fiscal year, the state controller shall
 27 transfer fifty million dollars (\$50,000,000) to the homeowner property tax
 28 relief account established pursuant to section 63-724, Idaho Code.

29 (5) After the state controller makes all transfers in subsections (1),
 30 (2), (3), and (4) of this section, the state controller shall transfer the
 31 remaining balance of the tax relief fund or two hundred thirty-six million
 32 dollars (\$236,000,000), whichever is less, to the general fund.

33 SECTION 8. That Section 3 of House Bill No. 304, if enacted by the First
 34 Regular Session of the Sixty-eighth Idaho Legislature, be, and the same is
 35 hereby amended to read as follows:

36 SECTION 3. An emergency existing therefor, which emergency is
 37 hereby declared to exist, this act shall be in full force and effect
 38 on and after ~~its passage and approval~~ July 1, 2025.

39 SECTION 9. An emergency existing therefor, which emergency is hereby
 40 declared to exist, Sections 1 and 2 of this act shall be in full force and ef-
 41 fect on and after passage and approval, and retroactively to January 1, 2025;
 42 Section 8 of this act shall be in full force and effect on and after passage
 43 and approval; and Sections 3, 4, 5, 6, and 7 of this act shall be in full force
 44 and effect on and after July 1, 2025.