

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 653

BY WAYS AND MEANS COMMITTEE

AN ACT

RELATING TO ADJUSTMENTS TO TAXABLE INCOME; AMENDING SECTION 63-3022, IDAHO CODE, TO PROVIDE A DEDUCTION FOR CERTAIN HEALTH CARE AND MEDICAL SERVICES COSTS WITH LIMITATIONS; AND PROVIDING AN EFFECTIVE DATE.

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

SECTION 1. That Section 63-3022, Idaho Code, be, and the same is hereby amended to read as follows:

63-3022. ADJUSTMENTS TO TAXABLE INCOME. The additions and subtractions set forth in this section, and in sections 63-3022A through 63-3022R, Idaho Code, are to be applied to the extent allowed in computing Idaho taxable income:

(a) Add any state and local taxes, as defined in section 164 of the Internal Revenue Code that are measured by net income, or for which a credit is allowable under section 63-3029, Idaho Code, and paid or accrued during the taxable year adjusted for state or local tax refunds used in arriving at taxable income.

(b) Add the net operating loss deduction used in arriving at taxable income.

(c) (1) A net operating loss for any taxable year commencing on and after January 1, 2000, but before January 1, 2013, shall be a net operating loss carryback not to exceed a total of one hundred thousand dollars (\$100,000) to the two (2) immediately preceding taxable years. At the election of the taxpayer, the two (2) year carryback may be foregone and the loss subtracted from income received in taxable years arising in the next twenty (20) years succeeding the taxable year in which the loss arises in order until exhausted. The election shall be made as under section 172(b)(3) of the Internal Revenue Code. An election under this subsection must be in the manner prescribed in the rules of the state tax commission and once made is irrevocable for the year in which it is made.

(2) A net operating loss for any taxable year commencing on or after January 1, 2013, shall be a net operating loss carryback not to exceed a total of one hundred thousand dollars (\$100,000) to the two (2) immediately preceding taxable years only if an amended return carrying the loss back is filed within one (1) year of the end of the taxable year of the net operating loss that results in such carryback.

(3) Any portion of the net operating loss not subtracted from income in the two (2) preceding years may be subtracted from income in the next twenty (20) years succeeding the taxable year in which the loss arises in order until exhausted. The sum of the deductions may not exceed the amount of the net operating loss deduction incurred.

(4) Net operating losses incurred by a corporation during a year in which such corporation did not transact business in Idaho or was not

1 included in a group of corporations combined under subsection (t) of
2 section 63-3027, Idaho Code, may not be subtracted. However, if at
3 least one (1) corporation within a group of corporations combined under
4 subsection (t) of section 63-3027, Idaho Code, was transacting business
5 in Idaho during the taxable year in which the loss was incurred, then the
6 net operating loss may be subtracted. Net operating losses incurred by
7 a person, other than a corporation, in activities not taxable by Idaho
8 may not be subtracted.

9 (5) The term "income" as used in this subsection (c) means Idaho taxable
10 income as defined in this chapter as modified by section 63-3021(b) (2),
11 (3) and (4), Idaho Code.

12 (d) In the case of a corporation, add the amount deducted under the pro-
13 visions of sections 243(a) and (c), 244, 245 and 246A of the Internal Revenue
14 Code (relating to dividends received by corporations) as limited by section
15 246(b) (1) of said code.

16 (e) In the case of a corporation, subtract an amount determined under
17 section 78 of the Internal Revenue Code to be taxable as dividends.

18 (f) Subtract the amount of any income received or accrued during the
19 taxable year which is exempt from taxation by this state, under the provi-
20 sions of any other law of this state or a law of the United States, if not pre-
21 viously subtracted in arriving at taxable income.

22 (g) For the purpose of determining the Idaho taxable income of the bene-
23 ficiary of a trust or of an estate:

24 (1) Distributable net income as defined for federal tax purposes shall
25 be corrected for the other adjustments required by this section.

26 (2) Net operating losses attributable to a beneficiary of a trust or es-
27 tate under section 642 of the Internal Revenue Code shall be a deduction
28 for the beneficiary to the extent that income from the trust or estate
29 would be attributable to this state under the provisions of this chap-
30 ter.

31 (h) In the case of an individual who is on active duty as a full-time
32 officer, enlistee or draftee, with the armed forces of the United States,
33 which full-time duty is or will be continuous and uninterrupted for one hun-
34 dred twenty (120) consecutive days or more, deduct compensation paid by the
35 armed forces of the United States for services performed outside this state.
36 The deduction is allowed only to the extent such income is included in tax-
37 able income.

38 (i) In the case of a corporation, including any corporation included
39 in a group of corporations combined under subsection (t) of section 63-3027,
40 Idaho Code, add any capital loss or passive loss deducted which loss was in-
41 curred during any year in which such corporation did not transact business in
42 Idaho. However, do not add any capital loss deducted if a corporation, in-
43 cluding any corporation in a group of corporations combined under subsection
44 (t) of section 63-3027, Idaho Code, was transacting business in Idaho dur-
45 ing the taxable year in which the loss was incurred. In the case of persons
46 other than corporations, add any capital loss or passive loss deducted which
47 was incurred in activities not taxable by Idaho at the time such loss was in-
48 curred. In computing the income taxable to an S corporation or partnership
49 under this section, deduction shall not be allowed for a carryover or carry-
50 back of a net operating loss provided for in subsection (c) of this section

1 or a capital loss or passive loss provided for in section 1212 of the Internal
2 Revenue Code.

3 (j) In the case of an individual, there shall be allowed as a deduction
4 from gross income either (1) or (2) at the option of the taxpayer:

5 (1) The standard deduction as defined in section 63, Internal Revenue
6 Code.

7 (2) Itemized deductions as defined in section 63 of the Internal Rev-
8 enue Code except state or local taxes measured by net income and general
9 sales taxes as either is defined in section 164 of the Internal Revenue
10 Code.

11 (k) Add the taxable amount of any lump sum distribution excluded from
12 gross income for federal income tax purposes under the ten (10) year averag-
13 ing method. The taxable amount will include the ordinary income portion and
14 the amount eligible for the capital gain election.

15 (l) Deduct any amounts included in gross income under the provisions of
16 section 86 of the Internal Revenue Code relating to certain social security
17 and railroad benefits.

18 (m) In the case of a self-employed individual, deduct the actual cost
19 of premiums paid to secure worker's compensation insurance for coverage in
20 Idaho, if such cost has not been deducted in arriving at taxable income.

21 (n) In the case of an individual, deduct the amount contributed to a
22 college savings program pursuant to chapter 54, title 33, Idaho Code, but not
23 more than four thousand dollars (\$4,000) per tax year. If the contribution
24 is made on or before April 15, 2001, it may be deducted for tax year 2000 and
25 an individual can make another contribution and claim the deduction accord-
26 ing to the limits provided in this subsection during 2001 for tax year 2001,
27 as long as the contribution is made on or before December 31, 2001.

28 (o) In the case of an individual, add the amount of a nonqualified with-
29 drawal from an individual trust account or savings account established pur-
30 suant to chapter 54, title 33, Idaho Code, less any amount of such nonqual-
31 ified withdrawal included in the individual's federal gross income pursuant
32 to section 529 of the Internal Revenue Code.

33 (p) In the case of an individual, add the amount of a withdrawal from an
34 individual trust account or savings account established pursuant to chapter
35 54, title 33, Idaho Code, transferred to a qualified tuition program, as de-
36 fined in section 529 of the Internal Revenue Code, that is operated by a state
37 other than Idaho. The addition provided in this subsection is limited to the
38 amount of the contributions to the Idaho individual trust account or savings
39 account by the account owner that were deducted on the account owner's income
40 tax return for the year of the transfer and the prior taxable year.

41 (q) In the case of an individual, deduct the amount paid for prescrip-
42 tion drugs or products, health care and medical services deductible under
43 section 213 Internal Revenue Code that were not reimbursed by health insur-
44 ance, other third party payor or allowed as an itemized deduction as pro-
45 vided in subsection (j) of this section after taking into account the seven
46 and one-half percent (7.5%) or ten percent (10%) threshold for medical ex-
47 penditures. Amounts deductible pursuant to this subsection include, but are not
48 limited to, doctor's visits, hospital stays, co-pays, deductibles, physi-
49 cal therapy services, chiropractic services or any other health profession

1 licensed pursuant to title 54, Idaho Code, but do not include payments for
2 over-the-counter drugs or therapies.

3 SECTION 2. This act shall be in full force and effect on and after Jan-
4 uary 1, 2015.