

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 22

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO INCOME TAXATION; AMENDING SECTION 63-3035, IDAHO CODE, TO REVISE
2 THE REPORTING AND PAYING PERIODS FOR IDAHO INCOME TAX WITHHELD BY CER-
3 TAIN EMPLOYERS; PROVIDING AN EFFECTIVE DATE AND PROVIDING APPLICATION.
4

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

6 SECTION 1. That Section 63-3035, Idaho Code, be, and the same is hereby
7 amended to read as follows:

8 63-3035. STATE WITHHOLDING TAX ON PERCENTAGE BASIS -- WITHHOLDING,
9 COLLECTION AND PAYMENT OF TAX. (a) Every employer who is required under the
10 provisions of the Internal Revenue Code to withhold, collect and pay income
11 tax on wages or salaries paid by such employer to any employee (other than
12 employees specified in Internal Revenue Code section 3401(a)(2)) shall, at
13 the time of such payment of wages, salary, bonus or other emolument to such
14 employee, deduct and retain therefrom an amount substantially equivalent to
15 the tax reasonably calculated by the state tax commission to be due from the
16 employee under this chapter. The state tax commission shall prepare tables
17 showing amounts to be withheld, and shall supply same to each employer sub-
18 ject to this section. In the event that an employer can demonstrate adminis-
19 trative inconvenience in complying with the exact requirements set forth in
20 these tables, he may, with the consent of the state tax commission and upon
21 application to it, use a different method which will produce substantially
22 the same amount of taxes withheld. Every employer making payments of wages
23 or salaries earned in Idaho, regardless of the place where such payment is
24 made:

25 (1) Shall be liable to the state of Idaho for the payment of the tax re-
26 quired to be deducted and withheld under this section and shall not be
27 liable to any individual for the amount deducted from his wages and paid
28 over in compliance or intended compliance with this section;

29 (2) Must pay to the state tax commission monthly on or before the 20th
30 day of the succeeding month, or at such other times as the state tax com-
31 mission may allow, an amount of tax which, under the provisions of this
32 chapter, he is required to deduct and withhold;

33 (3) Shall register with the state tax commission, in the manner pre-
34 scribed by it, to establish an employer's withholding account number.
35 The account number will be used to report all amounts withheld, for the
36 annual reconciliation required in this section, and for such other pur-
37 poses relating to withholding as the state tax commission may require;
38 and

39 (4) Must, notwithstanding the provisions of paragraphs (1) and (2) of
40 this subsection, if the amount of withholding of such employer for the
41 preceding twelve (12) month period equals or exceeds two hundred forty
42 thousand dollars (\$240,000) per annum or an average of twenty thousand

1 dollars (\$20,000) per month per annum, pay to the state tax commission
2 on the basis of two (2) withholding periods which begin on the 16th day
3 of the month and end on the 15th day of the following month, and payment
4 shall be made not later than five (5) days after the end of the withhold-
5 ing period. The first of which shall begin on the first day of the month
6 and end on the fifteenth day of the same month and payment shall be made
7 not later than the twentieth day of the same month. The second period
8 shall begin on the sixteenth day of the same month and end on the last day
9 of the same month, and payment shall be made not later than the fifth day
10 of the following month.

11 (5) If a payment required pursuant to subsection (a) (2) or (a) (4) of
12 this section is not made or is made delinquently or if made is not equal
13 to the withholding required under this section the state tax commission
14 may treat the failure as a failure to file a return and may take admin-
15 istrative and judicial actions as authorized by this chapter in the case
16 of a failure to file a return. Interest, at the rate provided by section
17 63-3045, Idaho Code, shall apply to any such underpayment.

18 (6) Commencing in 2006, the state tax commission shall determine
19 whether the threshold amounts established by subsection (a) (4) of this
20 section must be adjusted to reflect fluctuations in the cost of living.
21 The commission shall base its determination on the cumulative effect
22 of the annual cost-of-living percentage modifications determined by
23 the United States secretary of health and human services pursuant to
24 42 USC 415(i). When the cumulative percentage applied to the monthly
25 threshold amount equals or exceeds five thousand dollars (\$5,000),
26 the commission shall promulgate a rule adjusting the monthly thresh-
27 old amount by five thousand dollars (\$5,000) and making the necessary
28 proportional adjustment to the annual threshold amount. The rule shall
29 be effective for the next succeeding calendar year and each year there-
30 after until again adjusted by the commission. The tax commission shall
31 determine subsequent adjustments in the same manner, in each case using
32 the year of the last adjustment as the base year.

33 (b) (1) In addition to the payments required pursuant to subsections
34 (a) (2) and (a) (4) of this section, every employer shall file a return
35 upon such form as shall be prescribed by the state tax commission, but
36 not more frequently than annually, or as required pursuant to any agree-
37 ment between the state tax commission and the department of labor un-
38 der section 63-3035B, Idaho Code, unless a shorter filing period and due
39 date is prescribed by the state tax commission. The return shall be due
40 on the last day of the second month following the end of the period to
41 which the return relates. The return shall:

42 (i) Show, for the period to which it relates, the total amount
43 of wages, salary, bonus or other emolument paid to his employees,
44 the amount deducted therefrom in accordance with the provisions of
45 the Internal Revenue Code, the amount deducted therefrom in accor-
46 dance with the provisions of this section, the amount of any pre-
47 vious payments made pursuant to this section, the amount of any
48 deficiency due from the employer or refund payable by the state
49 tax commission and such pertinent and necessary information as the
50 state tax commission may require.

1 (ii) Include a copy of the declaration of withholding provided to
2 employees pursuant to subsection (b) (2) of this section.

3 (2) Every employer making a declaration of withholding as provided
4 herein shall furnish to the employees annually, but not later than
5 thirty (30) days after the end of the calendar year, a record of the
6 amount of tax withheld from such employee on forms to be prescribed,
7 prepared and furnished by the state tax commission.

8 (3) Every employer who is required, under Internal Revenue Code sec-
9 tion 6011, to file returns on magnetic media, machine readable form or
10 electronic means, as defined in the Idaho uniform electronic transac-
11 tion act, may be required by rules of the state tax commission to file
12 corresponding state returns on similar magnetic media, machine read-
13 able form or electronic means. Such rules may provide a different due
14 date for such returns which shall be no later than the date employers are
15 required to file such returns with the internal revenue service or the
16 social security administration.

17 (c) All moneys deducted and withheld by every employer shall immedi-
18 ately upon such deduction be state money and every employer who deducts and
19 retains any amount of money under the provisions of this chapter shall hold
20 the same in trust for the state of Idaho and for the payment thereof to the
21 state tax commission in the manner and at the times in this chapter provided.
22 Any employer who does not possess real property situated within the state of
23 Idaho, which, in the opinion of the state tax commission, is of sufficient
24 value to cover his probable tax liability, may be required to post a surety
25 bond in such sum as the state tax commission shall deem adequate to protect
26 the state.

27 (d) The provisions of this chapter relating to additions to tax in case
28 of delinquency, and penalties, shall apply to employers subject to the pro-
29 visions of this section and for these purposes any amount deducted, or re-
30 quired to be deducted and remitted to the state tax commission under this
31 section, shall be considered to be the tax of the employer and with respect
32 to such amount he shall be considered the taxpayer.

33 (e) Amounts deducted from wages of an employee during any calendar year
34 in accordance with the provisions of this section shall be considered to be
35 in part payment of the tax imposed on such employee for his tax year which be-
36 gins within such calendar year and the return made by the employer under this
37 subsection (e) shall be accepted by the state tax commission as evidence in
38 favor of the employee of the amount so deducted from his wages. Where the to-
39 tal amount so deducted exceeds the amount of tax on the employee, based on his
40 Idaho taxable income, or where his income is not taxable under this chapter,
41 the state tax commission shall, after examining the annual return filed by
42 the employee in accordance with this chapter, but not later than sixty (60)
43 days after the filing of each return, refund the amount of the excess de-
44 ducted.

45 (f) This section shall in no way relieve any taxpayer from his obliga-
46 tion of filing a return at the time required under this chapter, and, should
47 the amount withheld under the provisions of this section be insufficient to
48 pay the total tax of such taxpayer, such unpaid tax shall be paid at the time
49 prescribed by section 63-3034, Idaho Code.

1 (g) An employee receiving wages shall on any day be entitled to not more
2 than, but may claim fewer than, the number of withholding exemptions to which
3 he is entitled under the Internal Revenue Code for federal income tax with-
4 holding purposes.

5 (h) An employer shall use the exemption certificate filed by the em-
6 ployee with the employer under the withholding exemption provisions of the
7 Internal Revenue Code in determining the amount of tax to be withheld from
8 the employee's wages or salary under this chapter. The tax commission may
9 redetermine the number of withholding exemptions to which an employee is en-
10 titled under subsection (g) of this section, and the state tax commission may
11 require such exemption certificate to be filed on a form prescribed by the
12 commission in any circumstance where the commission finds that the exemp-
13 tion certificate filed for Internal Revenue Code purposes does not properly
14 reflect the number of withholding exemptions to which the employee is enti-
15 tled under this chapter. In no event shall any employee give an exemption
16 certificate which claims a higher number of withholding exemptions than the
17 number to which the employee is entitled by subsection (g) of this section.

18 SECTION 2. This act shall be in full force and effect on and after Jan-
19 uary 1, 2014, and shall be effective for withholding periods beginning on or
20 after January 1, 2014.