

VITA/TCE IDAHO GUIDE 2023

Thank you for volunteering your time to help senior citizens and low-income individuals prepare their income tax returns. We truly appreciate the service you provide.

The Idaho State Tax Commission produces this manual to help you prepare Idaho income tax returns. It applies only to tax returns that are within the scope of the VITA and TCE programs. The Idaho tax law is not discussed in such detail as to make this manual an all-inclusive reference guide. While we make every effort to ensure that this manual provides adequate instruction to apply Idaho tax law accurately, the Idaho Income Tax Act and associated rules take precedence over any information in this manual.

We hope you find this manual helpful. If we can be of assistance, please call 334-7660 (in the Boise area) or (800) 972-7660 and ask to speak to a VITA/TCE specialist.

Thank you again for being a volunteer.

We hope you have a great tax season.

Visit us at: tax.idaho.gov

In addition to this manual, you will need the following 2023 Idaho income tax forms and instructions: Form 24, 40, 39R, 43, 39NR, and CG. Forms are available at <http://tax.idaho.gov/i-1039.cfm>. You will also need a copy of federal Form 1040 with Schedules 1-3 as well as Schedule A if you itemize your deductions. Federal forms are available at www.irs.gov.

WHAT'S NEW FOR 2023

CONFORMITY TO INTERNAL REVENUE CODE (IRC)

Idaho conforms to the IRC as of January 1, 2023. Idaho doesn't conform to bonus depreciation for assets acquired after 2009.

TAX RATE REDUCTION

Effective January 1, 2023, the individual income tax rate is 5.8%.

GROCERY CREDIT INCREASED

The grocery tax credit for eligible Idaho residents increased from \$100 to \$120 starting in tax year 2023. The credit for Idahoans who are 65 and older increased from \$120 to \$140.

DEPENDENT CARE TAX DEDUCTION INCREASED

The maximum individual tax deduction for dependent care is now \$12,000 per year.

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MODULE 1: INTRODUCTION TO THE IDAHO RETURN

This manual will explain specific items on the Idaho forms to assist you in preparing the Idaho income tax return. Some lines are not explained because the subject is **beyond the scope of VITA/TCE**.

Most VITA/TCE returns are electronically filed. The state return is simultaneously e-filed with the federal return. It transmits electronically in a “piggy-back” fashion with the federal return. Look for e-filing tips within this manual that relate to the Idaho return.

WHAT’S NEW FOR 2023?

Law Changes and Issues of Interest to VITA/TCE Preparers

QUICK PAY OPTION FOR ONLINE PAYMENTS

Pay your taxes online without creating an account through our free Quick Pay option. With Quick Pay, you schedule your payment and authorize the state to take a certain amount of money from your checking or savings account using ACH debit. For more information, visit tax.idaho.gov/quickpay.

RAPID RESPONSE = FASTER REFUND

All income tax returns go through fraud detection reviews and accuracy checks before we issue any refunds. After you file your return, the Tax Commission might send you letters asking you to:

- Verify your identity
- Verify that you filed a return
- Provide more information

TYPICAL REFUND TIMEFRAMES

E-filed? Expect your refund about 7-8 weeks after you receive an acknowledgement that we have your tax return.

Filed on paper? Expect your refund about 10-11 weeks after we receive your return. We must manually enter information from your paper return into our database.

REFUND EXCEPTIONS

First time you filed an Idaho income tax return? It takes about 3 weeks to enter your account into our system. Until that time, we’ll report your return as “not entered in system.” Add those 3 weeks to the estimates above to determine your refund timeframe.

Received a letter from us asking for more information? Your refund will be delayed until we get the requested information. It then will take about 6 weeks to finish the process.

FILING REQUIREMENTS – WHO MUST FILE

Full-Year Resident:

Generally, the filing requirement for an Idaho resident is the same as the federal filing requirement. It’s based on **gross income**, not net income. Gross income means all income you received in the form of money, property, goods and services that aren’t exempt from tax. It is measured before subtracting allowable deductions. Social Security income is not included in the determination of filing requirements.

Gross income includes but isn’t limited to:

- Income from wages, salaries, tips, interest and dividends that isn’t exempt from tax
- Self-employment income before expenses
- Farm income before expenses
- Rental income before expenses
- The shareholder’s or partner’s share of gross income from S corporations or partnerships
- Unemployment compensation
- Certain scholarships and fellowship grants
- Gains from sales of property
- Pensions and annuities
- Taxable Social Security benefits

Form 40 is the Idaho income tax return for Idaho residents. Instructions are in a separate file.

Idaho residents must file if their gross income for 2023 is at least:

Single – under age 65	\$13,850
Single – age 65 or older	15,700
Married (filing separately) – any age	5
Married (filing jointly) – both under age 65	27,700
Married (filing jointly) – one age 65 or older	29,200
Married (filing jointly) – both age 65 or older	30,700
Head of household – under age 65	20,800
Head of household – age 65 or older	22,650
Qualifying surviving spouse – under age 65	27,700
Qualifying surviving spouse – age 65 or older	29,200

Comment [CA1]: 15,700

Comment [CA2]: 29,200

Comment [CA3]: 30,700

Comment [CA4]: 22,650

Comment [CA5]: Surviving spouse

Comment [CA6]: 29,200

Age as of the last day of 2023

Part-Year Resident:

Module 1 - Introduction

Resident - A person is a resident of Idaho if they are physically present in the state for more than a temporary or transitory purpose, or if they conduct business while they are living in the state.

A person who is a resident of Idaho for a portion of the year must file an Idaho return if the **gross income** they received while living in Idaho plus their **gross income** from all Idaho sources is more than \$2,500.

Nonresident:

A person who is not a resident of Idaho must file an Idaho return if their **gross income** from all Idaho sources is over \$2,500.

If a person doesn't meet the filing requirements but had Idaho income tax withheld by their employer, they need to file a return to receive a refund of the withholding. They must file the return within three years of the due date of the original return.

DOMICILE VS. RESIDENCY

The question of domicile or residency can be a complex issue. If a person's residency isn't clear, the person's return is most likely beyond the scope of VITA/TCE.

Domicile:

Domicile is a person's one true, fixed, permanent and principal home. It's the place where they plan to return whenever they're away. A person can have more than one residence or dwelling place; however, they can have only one domicile at a time. Once established, the domicile doesn't change until they have abandoned their old domicile with the intention of acquiring a specific new domicile and are physically present in the new domicile. The types of information the Tax Commission will consider to determine domicile include:

- Location of principal residence;
- Active business involvement;
- Time spent in Idaho;
- Family connections;
- "Near and dear" items;
- Secondary factors include hunting, fishing, and driver's licenses, vehicle and voting registrations, etc.

ON THE WEB:

Residency Status and Idaho Source Income brochure: [Idaho Residency Guidance](#)

Example: John Doe's family lives in Idaho. John takes a job in Alaska and lives in an apartment there, but his wife and minor children remain in Idaho. Though John has a residence in another state, Idaho is his permanent home. John is domiciled in Idaho.

A person is required to file an Idaho income tax return if they're domiciled in Idaho and their gross income meets the Idaho filing requirements.

Residency:

A person ***is a resident of Idaho*** if they're physically present in the state for more than a temporary or transitory purpose or if they conduct business while they're living in the state.

A ***nonresident*** is any person whose permanent home is outside of Idaho all year. A nonresident must file an Idaho return if their gross income from Idaho sources is more than \$2,500.

Special-case Idaho residents:

Even if a person is domiciled in Idaho, they're considered a nonresident if all of the following are true:

- The person is an Idaho resident who lived outside of Idaho for at least 445 days in a 15-month period.
- After satisfying the 15-month period, the person spent less than 60 days in Idaho during the year.
- The person, their spouse, or their minor child did not have a personal residence in Idaho during the tax year.
- The person did not claim Idaho as their tax home for deducting away-from-home expenses on their federal return.
- The person is not employed on the staff of a U.S. Senator or Representative.
- The person did not hold an elected or appointed office of the U.S. Government other than the armed forces or a career appointment in the U.S. Foreign Service.

A person who joined the armed forces while a resident of Idaho, who claims Idaho as their military home of record, doesn't qualify as a special-case Idaho resident.

A "special-case" resident needs to file a nonresident return if their gross income from Idaho sources exceeds \$2,500.

COMMON ERRORS

- Filing a full-year resident return (Form 40) when a person moved in or out of Idaho during the year. A part-year resident should file Form 43.
- Assuming someone isn't a resident just because they're employed in another state.

- Looking at net income rather than gross income to determine if someone is required to file.



Check your progress

Module 1 - Quiz 1

1. A person is an Idaho resident if _____ in Idaho for more than a _____ or _____ purpose.
2. Give two examples of a person who would not be a resident.

3. How much can a nonresident student earn in Idaho and not have to file an Idaho return? Assume the student is single and cannot be claimed as a dependent on someone else's return.

Module 1 - Quiz 1

Answers

1. A person is an Idaho resident if physically present in Idaho for more than a temporary

or transitory purpose.

2.
 - A person on vacation in Idaho.
 - A person from another state who is in an Idaho hospital receiving medical treatment.
 - A person who lives in Spokane, Washington, but works in Idaho.
3. \$2,500 or less.

MODULE 2: WHICH IDAHO FORM TO USE

This course covers the following Idaho forms:

FORM 24 - IDAHO GROCERY CREDIT REFUND

The grocery credit is intended to be a partial refund of the sales tax paid on groceries. Most residents receive this refund on their Idaho income tax return. However, a person can file Form 24 to receive the refund if they're a full-year resident of Idaho, aren't required to file an Idaho income tax return, the person, or spouse, is age 65 or older on December 31, and otherwise qualify.

E-FILE TIP: Form 24 cannot be filed electronically.

FORM 40 - IDAHO INDIVIDUAL INCOME TAX RETURN

The Idaho Form 40 is used by full-year residents who are required to file a return. It's also used by residents under 65 who aren't required to file, but qualify for the grocery credit.

FORM 39R - IDAHO SUPPLEMENTAL SCHEDULE (for residents)

Idaho Form 39R is the supplemental form used by full-year residents to report and compute Idaho additions, subtractions, and some tax credits.

FORM 43 - IDAHO PART-YEAR RESIDENT & NONRESIDENT INCOME TAX RETURN

This form is used by:

- a person who was a resident of Idaho for only part of the year, or domiciled in Idaho for only part of the year;
- a person who is a nonresident;
- persons filing a joint return when one of the spouses isn't a resident of Idaho;
- a person on active duty military that is stationed in Idaho, whose military home of record is a state other than Idaho, who has an Idaho filing requirement.

FORM 39NR - IDAHO SUPPLEMENTAL SCHEDULE (for nonresidents and part-year residents)

Idaho Form 39NR is the supplemental form used by part-year residents and nonresidents to report and compute Idaho additions, subtractions, and some tax credits.

FORM CG - IDAHO CAPITAL GAINS DEDUCTION

Idaho Form CG is used to compute the capital gains deduction on the sale of certain qualifying property located in Idaho including, but not limited to, real property, livestock, and timber. This guide will only discuss using Form CG for the sale of real property. Other sales are beyond the scope of VITA/TCE.

RETURN PROCESSING TIMES

If an income tax return is filed electronically, with no errors, the taxpayer should receive their refund within 8 weeks.

If an income tax return is submitted by paper for manual processing, and has no errors, the taxpayer should receive their refund within 12 weeks.

First-time filers in Idaho can expect an additional three weeks processing time.

Errors, issues, or missing information will delay processing.

COMMON ERRORS

E-Filed Returns:

- Incorrect Social Security numbers
- Omitting Idaho subtractions or tax credits
- Using incorrect forms
- Claiming a dependent in error

Paper Returns:

- Failure to sign the return: Both taxpayers must sign a joint return.
- Lost or missing W-2 forms.
- Failure to include a complete copy of the federal return and the supporting schedules.
- Filing married filing separately and not including a schedule that distributes the common income, or a reason the income is not split between the two.
- Claiming a dependent when not allowed (someone else claimed them also). Tax returns with double claimed dependents will be flagged and we will request additional information from both parties.
- Using the wrong standard deduction.
- Computation errors. Check for math and omission errors.



Check your progress

Module 2 - Quiz 1

Which form would you use to prepare an Idaho income tax return for each of the following taxpayers?

1. A single, part-year resident, under 65 years of age. Gross income from all sources is \$31,000.
Form _____
2. Married persons who lived in Idaho all year, both under age 65. Combined wages are \$49,000 with \$325 in interest income.
Form _____
3. A single person who lived in Idaho all year and is 64 years of age. Gross income from all sources is \$7,100. The person had no Idaho income tax withholding.
Form _____
4. Married persons. The husband is on active military duty, serving in England since 2015. His military home of record is Idaho. The wife lives in Idaho and has wages earned in Idaho. The husband only has military income. Their combined gross income is \$39,000.
Form _____

Module 2 - Quiz 1

Answers

Which form would you use to prepare an Idaho income tax return for each of the following taxpayers?

1. Form 43
2. Form 40
3. No need to file. Under the gross income filing requirement.
4. Form 40

Comment [CA7]: No need to file. Under the gross income filing requirement.

MODULE 3: FORM 24, IDAHO GROCERY CREDIT REFUND

When the Idaho sales tax was implemented in 1965 the legislature made groceries taxable and provided the grocery credit as a partial refund of the sales tax paid on food.

The grocery credit is \$120 each for you, your spouse, and your dependents. It's available to most Idaho residents. Residents 65 and over that aren't required to file a tax return can use Form 24 to claim the grocery credit.

You may claim an additional \$20 if you're age 65 or older on December 31, 2023, and are a resident of Idaho. Also, if the spouse is age 65 or older and is a resident of Idaho, you may claim an additional \$20.

WHO CAN FILE FORM 24

Use Form 24 if a person was, or a married couple were, residents of Idaho for the *entire year*, are not required to file an Idaho income tax return, and the taxpayer or spouse is age 65 or older on December 31.

However, if they have to file Form 40 for another reason, such as to file for a refund of Idaho income tax withheld, they should claim the grocery credit on Form 40.

Taxpayers cannot use Form 24 if, for any month or part of a year in which they:

- received assistance under the federal food stamp program;
- were incarcerated;
- resided illegally in the United States;
- had dependents;
- had a spouse use the "married filing separate" status.

A taxpayer who is not eligible to use Form 24 due to age, income, or residency requirements may use Form 40 or Form 43 to claim the grocery credit.

A person doesn't have to buy groceries to get the credit. A person who lives in a nursing home or other facility that provides meals can still receive the grocery credit.

The grocery credit can be claimed for a taxpayer or spouse that passed away in 2023. The credit should not be claimed for taxpayers that were deceased in prior years.

PREPARING FORM 24

Complete the heading information. If the taxpayer or their spouse passed away in 2023, mark the "deceased" box.

Section A will determine if a person qualifies to file Form 24.

Line 1. Enter the taxpayer's **gross income**. Don't include any Social Security benefits or Veterans Administration disability benefits.

The following are examples of **gross income**:

- Total amounts received from rental income, before subtracting expenses.
- Total pension received, not just the taxable amount.

Line 2. Determine the taxpayer's filing status (single or married filing jointly) and age. Locate the gross income limit for their status and age in the form instructions. Enter that amount on line 2:

STATUS

GROSS INCOME

MARRIED:

- filing jointly, one spouse 65 or older.....\$29,200
- filing jointly, both spouses 65 or older\$30,700

SINGLE:

- 65 or older.....\$15,700

Line 3. Compare lines 1 and 2. If the gross income on line 1 is larger than the amount on line 2, the taxpayer's income exceeds the filing requirement for this form. The taxpayer must file Form 40 instead. If line 2 is larger than line 1, you can complete Form 24.

Section B will determine the amount of credit the taxpayer(s) will receive.

Line 1. Enter the date of birth for each taxpayer.

Line 2. Mark the appropriate box for the taxpayer and spouse. A person who turns 65 on January 1st of any year is deemed to have reached that age on the preceding December 31st.

Line 3. Taxpayers can choose to donate the entire amount of their grocery credit to the Cooperative Welfare Fund. If they want to do this, check the box on line 3 and the "\$0" box on Line 4. **This donation is irrevocable!**

Line 4. Calculate the amount(s) claimed on line 2. Check one box for the total refund claimed.

Section C is for signatures.

Both the taxpayer and spouse must sign the form. If one of the persons is deceased, write “deceased” and their date of death on the signature line. If someone other than the surviving spouse is filing the return, attach federal Form 1310, *Statement of Person Claiming Refund Due to a Deceased Taxpayer*, and a copy of the court document giving that person authority to act on behalf of the taxpayer.

COMMON ERRORS

- Using Form 24 when the taxpayer has gross income or dependents that require them to file Form 40.
- Using Form 24 when the taxpayer and spouse are under the age of 65.
- Not listing the taxpayer’s date of birth.
- Including Social Security benefits in gross income.
- Not signing the return.
- **Filing both Form 24 and Form 40** (in some cases, the County Assessor will offer to help the taxpayer fill out Form 24 when they pay their property tax. Filing another return will only delay the processing.)



Check your progress

Module 3 - Quiz 1

1. Ron is 70 years of age and resides in an Idaho nursing home. His only income is \$100 per month from a pension and \$200 per month of Social Security income. Does Ron qualify for the grocery credit? Why?
Yes _____ No _____, _____
2. Amy turned 65 on January 1, 2024, and doesn't have a filing requirement. Can Amy use Form 24 to claim the grocery credit for 2023? Why?
Yes _____ No _____, _____
3. Carl is 67 years of age and is a full year Idaho resident. Carl married Kate, a resident of Oregon, in December 2023. Kate is 63 years of age. The couple has taxable income of \$97. Can they use Form 24 to claim the grocery credit? How much will they receive?
Yes _____ No _____, _____
4. Lea and her husband, both over 70 years of age, have no taxable income and have filed for the grocery credit each year. Lea's husband passed away in May 2023. What filing status should Lea use on her 2023 Form 24? _____ What is the total amount Lea can request? _____

Comment [CA8]: 2023

Comment [CA9]: 2023

Module 3 - Quiz 1

Answers

1. Yes. Living in a nursing home does not disqualify him. He can file Form 24.
2. Yes. Amy can use Form 24 because she is considered to be age 65 on the day before her birth date, in this case December 31, 2023
3. Form 24 is only for full-year residents. Because Kate was not a resident, they would file Idaho Form 43, not Form 24. Carl would qualify for \$120. Kate would not qualify since she was a nonresident.
4. Married filing joint status. Lea is entitled to receive the grocery credit for herself and her spouse in 2023, the year he died. She is entitled to a credit of \$280.

Comment [CA10]: \$280



Chapter Review

Module 3 - Chapter Review

Complete Form 24 for the taxpayers, if they qualify.

- Dale and Jody Hansen
1111 South Main
Boise, Idaho 83701
- Dale - SSN XXX-XX-XXXX born 7/9/49
Jody - SSN XXX-XX-XXXX born 11/22/51
- They have resided in Idaho since 1979.
- Their 2023 income consists of:

Dale's pension	5,200
Dale's Social Security	7,000
Jody's Social Security	3,600
Rent received from a farm they own	8,280
Interest - First Security	762
- They want their refund direct-deposited to their savings account in Switzerland.
Routing # 12345, Account # 6789100

Module 3 - Chapter Review

Answers

Part A, line 1 = 14,242

Part A, line 2 = 30,700

Part B, line 4 = 280

Part B, line 5 = Yes, the box should be checked for final destination outside of the U.S.

MODULE 4: FORM 40, IDAHO INDIVIDUAL INCOME TAX RETURN

LESSON 1 – STARTING THE RETURN

Use Form 40 if a taxpayer, or married taxpayers, have been an Idaho resident for the entire year.

Any Idaho resident who's an active duty military member files on Form 40, whether stationed in Idaho or outside Idaho, providing that the spouse, if filing joint, is also an Idaho resident.

Complete the form header by entering the taxpayer(s) name, Social Security number and mailing address. If a taxpayer or spouse passed away during the tax year, mark the appropriate box.

Filing Status:

The **filing status must match the status claimed on the federal return**. For example, if the taxpayer files married joint for federal purposes, they must file married joint on their Idaho return.

If the taxpayer's filing **married separate**, enter the spouse's Social Security number in the form header. Idaho is a community property state; therefore, the income, withholding, and deductions for each spouse **MUST** be divided equally. You must include a schedule that shows both incomes and the equal division for both spouses.

ON THE WEB:

Idaho Community Property information:
[Idaho Community Property Guidance](#)

LESSON 2 - TAX COMPUTATION

Line 7 Federal Adjusted Gross Income (AGI)

Idaho Form 40 starts with the taxpayers federal AGI. Enter the taxpayer's federal AGI from Form 1040 or 1040-SR, line 11.

Comment [CA11]: Form 1040 or 1040-SR, line 11.

Lines 8-10 Additions and Subtractions

If the taxpayer has any additions or subtractions to Idaho income, carry forward amounts from Form 39R, sections A and B. Form 39R, additions, and subtractions within the scope of VITA are discussed in the next module.

Line 12 a, b, and c Reasons for Adjusting the Standard Deductions

Mark the appropriate boxes to indicate if the taxpayer or their spouse is age 65 or older, blind, or claimed as a dependent on someone else's return.

- If you check the blind box you will receive a letter from the Department of Transportation canceling your driver's license if you still have one.

Lines 13 - 17 Itemized or Standard Deductions

Idaho follows federal tax code for the calculation of itemized deductions *except* that Idaho requires taxpayers to add back any local or state taxes reported on federal Schedule A, line 5e by subtracting the amount from their deductions.

Most people can find their standard deduction in the table to the left of Form 40, line 16. Persons who checked any boxes on line 12 need to complete the worksheet (also in the Form 40 instructions).

Standard Deduction Worksheet

1. Enter the amount shown below for your filing status:
 - Single or married filing separately, enter \$13,850
 - Married filing jointly or qualifying surviving spouse, enter \$27,700
 - Head of household, enter \$20,800
2. Can you be claimed as a dependent?
No. Enter the amount from line 1 on line 4.
Skip line 3.
Yes. Go to line 3.
3. Is your earned income* more than \$850?
Yes. Add \$400 to your earned income.
Enter the total.
No. Enter \$1,250
4. If you can be claimed as a dependent, enter the smaller of lines 1 or 3. If born after January 1, 1959, and not blind, skip to line 6. Otherwise, go to line 5

Comment [CA12]: Update Standard Deduction Worksheet snip

5. If born before January 2, 1959, or blind, multiply the total number of boxes checked on Form 40, lines 12a and 12b, by \$1,500 (\$1,850 if single or head of household)
6. Add lines 4 and 5. Enter the total here and on Form 40, line 16

For itemized deductions, there is a limit of \$10,000 (\$5,000 if married filing separately) on the amount that can be claimed on the federal return for state and local taxes. When adding back local and state taxes, don't add back property taxes included in that amount. Thus, if the property tax amount is \$7,500 on a joint return, and state income or sales tax paid is \$5,000, only \$10,000 of the \$12,500 total was deductible on the federal return. Since \$7,500 was property tax, you will only add back \$2,500 for income or sales tax.

Since itemized deductions allowed on the Idaho return are often less than what was allowed on the federal return, sometimes it's more beneficial for a taxpayer to take the standard deduction on the Idaho return instead of itemized deductions. Be sure to consider what's best for the taxpayer.

Line 18 Qualified Business Income Deduction

This number will carry directly from federal Form 1040 or 1040-SR, line 13, provided all of the business income was earned in Idaho.

Line 20 Tax

Use the worksheet on the next page to compute the amount of tax the taxpayer owes.

Worksheet

1. Enter the amount of Idaho taxable income from Form 40, line 19.....
2. Enter the amount shown below for your filing status:
 - Single or married filing separately, enter \$4,489
 - Married filing jointly, head of household, or qualifying surviving spouse, enter \$8,978
3. Subtract line 2 from line 1. Enter the subtotal
4. Multiply subtotal by 5.8%
5. **Idaho tax.** Enter the total here and on Form 40, line 20

Line 25 Idaho Child Tax Credit

Idaho has a nonrefundable child tax credit of \$205 per qualifying child. To qualify for the Idaho Child Tax Credit, the child must:

- Be your qualifying child
- Be age 16 or under as of December 31, 2023

If you don't have a qualifying child, you can't claim the credit.

For divorced parents or parents who don't live together, the custodial parent claims the qualifying child.

The noncustodial parent may claim the child if:

- A court has unconditionally awarded, in writing, the noncustodial parent the child tax credit or
- The custodial parent signs a written declaration that the noncustodial parent can claim the child for the child tax credit for the specific tax year

The noncustodial parent must attach a copy of the court order or the written declaration to their income tax return.

Worksheet

1. Enter the number of your qualifying children*
2. Multiply line 1 by \$205
3. Enter the amount from Form 40, line 20
4. Enter the amount from Form 40, line 22
5. Enter the amount from Form 40, line 23
6. Enter the amount from Form 40, line 24
7. Subtract lines 4 through 6 from line 3. If less than zero, enter zero
8. Enter the lesser of lines 2 or 7 here and on Form 40, line 25

*See federal Form 1040 instructions for more information on qualifying children.



Check your progress

Module 4 - Quiz 1

Lori claimed \$21,870 of itemized deductions on her 2023 federal return, including \$4,970 of Idaho income taxes paid. Her filing status for 2023 is Head of Household. The standard deduction for her filing status is \$20,800. She also had \$200 in charitable deductions. What amount should she deduct on her Idaho return and why?

Module 4 - Quiz 1

Answer

\$20,800. She should use the standard deduction amount of \$20,800. Idaho requires that all state taxes included in federal itemized deductions be subtracted from itemized deductions on the Idaho return. After Lori subtracts her state taxes, her standard deduction amount is larger than her itemized deductions. Idaho allows the taxpayer to use either the itemized deductions or the standard deduction, whichever is more beneficial to the taxpayer.

LESSON 3 – OTHER IDAHO TAX CREDITS

Idaho offers the following tax credits, which are calculated on Form 39. Credits will be discussed in Module 5.

- Credit for income taxes paid to another state.
- Credits for contributions to Idaho educational entities, Idaho Youth and Rehabilitation facilities, and live organ donation expenses.
- Business tax credits, which are beyond the scope of VITA/TCE.

LESSON 4 - OTHER TAXES

The Idaho income tax return is also used to collect other types of taxes.

Line 28 Fuels Tax Due

This is not within the scope of VITA/TCE.

Line 29 Sales/Use Tax

Enter any sales/use tax due on line 29.

What is Use Tax?

When you buy goods in person, the seller usually collects sales tax. Sales tax is separately stated on a receipt or invoice if it's paid. If you buy something without paying sales tax, and use it, store it, or otherwise consume it in Idaho, you owe use tax (unless a valid exemption exists). Sales and use tax follow the same laws and have the same rate of 6%.

Every state that has a sales tax also has a use tax. The purpose of the tax is to protect local merchants from unfair competition. Without use tax, people could avoid sales tax by purchasing items over the internet, by mail, or in a state that doesn't have sales tax or charges a lesser tax.

Retailers that have brick-and-mortar stores in Idaho or have a relationship with an Idaho retailer, as well as most marketplace retailers such as Amazon and Ebay usually collect Idaho sales tax when taxpayers purchase goods online. You may need to check your receipts for sales tax paid on online purchases. The following are some common examples of purchases that might require payment of use tax:

- Internet purchases or mail order purchases if the seller does not charge Idaho sales tax,
- Subscribing to a magazine that does not charge sales tax,
- Bringing merchandise into Idaho that was purchased in a state that does not have sales tax (Alaska, Delaware, Montana, New Hampshire, and Oregon).

If a person buys goods in another state and pays a sales tax that is equal to, or higher, than Idaho's sales tax rate, the person doesn't owe Idaho use tax. Goods purchased in states that have a lower sales tax rate are subject to use tax on the difference between that state's tax rate and Idaho's 6% tax rate.

Example 1: An Idaho resident purchased a coat in Washington on January 9 and paid 8% sales tax. They don't owe Idaho use tax. However, no credit is allowed for the extra 2% sales tax they paid.

Example 2: An Idaho resident purchased a dress for \$125 on June 29 in Wyoming, and paid 4% sales tax.

Wyoming sales tax	$\$125 \times 4\% =$	\$5.00
Idaho sales tax	$\$125 \times 6\% =$	<u>\$7.50</u>
Use tax owed to Idaho		\$2.50

Example 3: An Idaho resident purchases a coat for \$125 on November 5 in Oregon. Oregon does not have sales tax. The person owes Idaho \$8 (rounded) in use tax. ($\$125 \times 6\% = \7.50)

Example 4: An Idaho resident purchases dinner while in Oregon. No use tax is due because the meal was consumed in Oregon.

Lines 30 & 31 Recapture of Income Tax Credits

This is not within the scope of VITA/TCE.

Line 32 Permanent Building Fund

The permanent building fund is used to build and maintain state buildings. If the taxpayer's gross income meets the Idaho filing requirement, they are required to pay the \$10 permanent building fund unless the taxpayer or their spouse was:

- Receiving public assistance on the last day of the year. Public assistance includes aid to dependent children, general assistance, old-age assistance, aid to the blind,

aid to the disabled and medical assistance. WIC and food stamps do not qualify as public assistance for this purpose.

- Legally blind at the end of the year.

The \$10 is printed on the form. If the taxpayer's income is below the filing requirement, draw a line through the \$10 and write **NRF** (Not Required to File) beside the \$10.

If the person is exempt, be sure to check the box for Idaho public assistance, if applicable, and draw a line through the \$10.

If a taxpayer is legally blind, check the box on line 12b.

Comment [CA13]: 12b

- *Note: Anyone marking the box that they are legally blind will receive a letter from the Idaho Department of Transportation if they have an active driver's license. The person's license could be revoked. If you have questions on this matter, please contact the Idaho Department of Transportation at (208) 334-8736.*



Check your progress

Module 4 - Quiz 2

1. Ray goes to Ontario in August of 2023 to host a regional meeting of his Elks Lodge. While there, he spends \$12.50 for lunch, \$30.00 for notepads given to attendees at the meeting, \$865.00 for exercise equipment that he brought home, and \$12.00 for labor to repair a tire. Does he owe any use tax?

Yes _____ No _____

How much and why? _____

2. Patty is a single, self-supporting student at Idaho State University. She works part time to supplement her student loan. In 2023 she earned \$7,850 at Albertson's and had \$662 in Idaho withholding tax. She also received \$140 in interest income. She files Idaho Form 40.

Must she pay the Permanent Building Fund? Yes _____ No _____

Explain why _____

3. Should the following taxpayer(s) pay the Permanent Building Fund?

- If they receive aid to dependent children Yes_____ No_____
- If they receive food stamps Yes_____ No_____
- If the taxpayer or their spouse is blind Yes_____ No_____

Module 4 - Quiz 2

Answers

1. Yes. He owes \$52 (rounded) on the exercise equipment. The lunch and the notepads were consumed in Oregon. Tire repair labor is not subject to use tax.
2. No. She isn't required to file a return. Her total income is \$7,990, which is less than the filing requirement of \$13,850. However, she should file a return to get a refund of her Idaho income tax withholding and her grocery credit.

Because she isn't required to file, there's no requirement to pay the Permanent Building Fund tax.

3. No
Yes
No

LESSON 5 - DONATIONS

Lines 34-41 Donations

Enter the amount the taxpayer wishes to donate to each of the charities listed on the form. **Donations are irrevocable.**

- *Note: if the taxpayer owes taxes to the state of Idaho and still wants to donate to one or more of the following charities, the payment of taxes and donations must be made timely and in full. All partial payments will go to taxes owed. The Tax Commission will not send a bill for donations.*

LINE 34 NONGAME WILDLIFE CONSERVATION FUND

Contributions are used to ensure the conservation of nongame wildlife, rare plants, and their habitats in Idaho to promote greater awareness of and appreciation for species that aren't hunted, fished, or trapped, and to increase opportunities to view and enjoy "watchable" wildlife.

For more information visit the Idaho Department of Fish and Game website at idfg.idaho.gov/wildlife/funding or call (208) 334-2920.

Comment [CA14]: Insert "website at idfg.idaho.gov/wildlife/funding or call (208) 334-2920."

LINE 35 IDAHO CHILDREN'S TRUST FUND/PREVENT CHILD ABUSE IDAHO

Contributions are used to protect our children, Idaho's single greatest resource. The Children's Trust supports work in communities throughout Idaho to prevent child abuse and neglect before it ever occurs. For more information visit the Idaho Children's Trust Fund/Prevent Child Abuse Idaho website at idahochildrenstrustfund.org or call (208) 386-9317.

Comment [CA15]: For more information visit

Comment [CA16]: Website at idahochildrenstrustfund.org or call (208) 386-9317.

Line 36 SPECIAL OLYMPICS IDAHO

Contributions provide support for year-round sports training and competition for children and adults with developmental disabilities in Idaho. For more information visit the Special Olympics Idaho website at specialolympicsidaho.org or call (208) 323-0482.

Comment [CA17]: Website at specialolympicsidaho.org or call (208) 323-0482.

Line 37 IDAHO GUARD AND RESERVE FAMILY SUPPORT FUND

Contributions are used to assist military reservists and their families to promote the overall readiness for them to support our state and federal missions. For more information visit the Idaho Guard and Reserve Family Support Fund, Inc., website at imd.idaho.gov/igr-family-support or call (208) 801-4225.

Comment [CA18]: Delete

Comment [CA19]: For more information visit

Comment [CA20]: Website at imd.idaho.gov/igr-family-support or call (208) 801-4225.

Line 38 AMERICAN RED CROSS OF IDAHO FUND

Contributions prevent and alleviate human suffering in the face of emergencies. For more information visit the American Red Cross website at redcross.org/local/Idaho or call (800) 733-2767.

Comment [CA21]: Delete

Comment [CA22]: For more information visit

Comment [CA23]: Website at redcross.org/local/Idaho or call (800) 733-2767.

Line 39 VETERANS SUPPORT FUND

Contributions fund programs that support Idaho veterans. For more information visit the Idaho Division of Veterans Services website at veterans.idaho.gov/publications/Idaho-veterans-support-fund or call (208) 780-1300.

Comment [CA24]: Contributions fund programs that support Idaho veterans.

Comment [CA25]: Website at veterans.idaho.gov/publications/Idaho-veterans-support-fund or call (208) 780-1300.

Line 40 IDAHO FOOD BANK FUND

Contributions assist Idaho hunger relief organizations in meeting the increasing demand for emergency food needed by hungry Idaho families, children, and senior citizens. For more information visit the Idaho Food Bank Fund website at idahofoodbankfund.org or call (208) 336-9643.

Comment [CA26]: Or call (208) 336-9643.

Line 41 OPPORTUNITY SCHOLARSHIP PROGRAM

Contributions help provide need-based scholarship funds to Idaho high school graduates who attend approved higher education institutions within Idaho. For more information visit the Idaho Opportunity Scholarship Program website at boardofed.idaho.gov/scholarships/Idaho-opportunity-scholarship.

Comment [CA27]: Delete

Comment [CA28]: Change to boardofed.idaho.gov/scholarships/Idaho-opportunity-scholarship.

Be sure to include any donations made in this manner on *last year's* return in *this year's* itemized deductions.

LESSON 6 - PAYMENTS & OTHER CREDITS

The credits in this section are **refundable**, unlike the credits on lines 22 thru 25. This means the credit can be refunded, even if no tax is owed.

Line 43 Grocery Credit

A grocery credit can be claimed for the taxpayer, the spouse, and the dependents claimed on the return, provided the person claimed as a dependent is a resident of Idaho. If your taxpayer can be claimed as a dependent on someone else's return, they can't claim the grocery credit on their own return.

An individual isn't eligible for the credit for any month or part of a month for which he:

- Received assistance from the federal food stamp program;
- Was incarcerated; or
- Lived illegally in the United States.

Multiply the *number of individuals claimed on the return* who were full-year residents on line 6d by \$120 and enter the total.

- If a taxpayer isn't eligible for the credit in any month(s), or if any of the taxpayer's dependents were part-year residents, complete the worksheet in the Form 40 instructions.

You may claim an additional \$20 if you're age 65 or older on December 31, 2023, and are a resident of Idaho. Also, if your spouse is age 65 or older and is a resident of Idaho, you may claim an additional \$20.

If a taxpayer or their spouse is age 65 or older **and** their gross income is below the filing requirement, they should file Form 24 to receive this credit. However, if they have to file Form 40 for another reason, such as to file for a refund of Idaho income tax withheld, they should claim the grocery credit on Form 40. They should never file both forms for the same year.

Members of the Armed Forces

A member of the United States Armed Forces who is domiciled in Idaho is allowed the credit, regardless of where they are stationed. A person, such as a spouse or child, who lives in Idaho but is a nonresident under the Service Members Civil Relief Act does not qualify for the grocery credit.

A spouse or dependent of a nonresident military person stationed in Idaho may be an Idaho resident or part-year resident. The domicile of a dependent child is presumed to be that of the nonmilitary spouse.

Donating the Grocery Credit

Taxpayers may donate their entire grocery credit to the Cooperative Welfare Fund. Make the election by checking the box and entering zero (0) on line 43. The election is **irrevocable**.

Line 44 Maintaining a Home for A Family Member Age 65 or Older, or A Family Member with a Developmental Disability

The following credits are computed on Form 39R, Part F:

- Maintaining a Home for the Aged
- Maintaining a Home for the Developmentally Disabled

You will discover in Module 5 that Idaho Form 39R, line 15 also provides an income subtraction for maintaining a home for a family member age 65 or older, and maintaining a home for the developmentally disabled. The credit and the subtraction have the same qualifications; however, the taxpayer cannot take both. They must choose the subtraction or the credit. The tax credit is usually more beneficial.

If the subtraction isn't taken, a taxpayer may receive a credit of \$100 per qualified person up to a maximum of three people, or \$300. If the home was provided for less than a full year, the taxpayer can claim a credit of \$8.33 for each month the home was provided.

These credits are refundable. If a taxpayer's gross income is below the filing requirement to file an Idaho income tax return, they can file a return to receive this credit.

QUALIFICATIONS FOR BOTH THE CREDIT AND SUBTRACTION ARE DISCUSSED BELOW.

Maintaining a Home for the Aged

Idaho provides taxpayers a credit if they provide a home and pay over half the support for a family member who is age 65 or older. This credit doesn't apply to the taxpayer or their spouse.

A family member is an individual who meets the relationship test to be claimed as a dependent on the taxpayer's federal income tax return; though the family member doesn't have to be claimed as a dependent on the taxpayer's income tax return to qualify.

Child	Grandchild	Stepchild
Father	Grandparents	Stepbrother
Mother	Half-brother	Half sister
Brother	Stepsister	Stepparents
Sister	Mother-in-law	Father-in-law
Brother-in-law	Sister-in-law	Daughter-in-law
Son-in-law		

Comment [CA29]: Delete apostrophe

If related by blood, an aunt, uncle, niece, and nephew would qualify. Cousins do not qualify.

The taxpayer must provide over one-half ($\frac{1}{2}$) of the family member's support. Social Security benefits must be included in the computation of total support provided. Paying the expenses of someone in a nursing home or care facility doesn't qualify.

Maintaining a Home for the Developmentally Disabled

Idaho provides taxpayers a credit if they provide a home and pay more than half the support for a family member who's developmentally disabled. This credit is allowed for a taxpayer or their spouse who's developmentally disabled.

For the purpose of this credit, developmentally disabled means a chronic disability that:

1. Is attributable to an impairment such as:
 - Intellectual disability
 - Cerebral palsy
 - Epilepsy
 - Autism
 - Other condition found to be closely related to, or similar to, one of these impairments; and
2. Results in substantial functional limitation in three or more of the following areas of life activity:
 - Self-care
 - Receptive and expressive language
 - Learning
 - Mobility
 - Self-direction
 - Capacity for independent living
 - Economic self-sufficiency; and

3. Reflects the need for a combination and sequence of special, interdisciplinary or generic care, treatment or other services that are of life-long or of extended duration and are individually planned and coordinated.

Controlled epilepsy, mild cases of mental retardation, or other mild conditions may not qualify because they don't meet the criteria of a substantial impairment. Individuals who have a limited need or no need for services that are specific to disabilities don't qualify. If a person succeeds in developing skills to function adequately in five or more major life skills, they'll no longer qualify for the credit.

The taxpayer must provide more than one-half of the family member's support. Social Security benefits must be included in the computation of total support provided.

The credits for maintaining a Home for the Aged and Maintaining a Home for the Developmentally Disabled are computed on Form 39R, section E, lines 1 through 4. The computations of these credits are explained in Module 5, lesson 4.

Line 45 Fuels Tax Refund

This is not within the scope of VITA/TCE.

Line 46 Idaho Income Tax Withheld

Add together the Idaho income tax withheld from each of the taxpayer's Forms W-2 and 1099 and enter the total.

One of the most common errors on Idaho income tax returns is reporting an incorrect amount of Idaho income tax withheld. Look at the Forms W-2 and 1099 carefully. If the withholding is for Idaho, the form should indicate 'ID' in the "State ID" field.

Line 47 Estimated Tax Payments

If the taxpayer has made estimated payments, enter the total. Idaho doesn't require estimated tax payments to be made, but an individual can make estimated tax payments on a voluntary basis. Payments are filed with Form 51, *Estimated Payment of Idaho Individual Income Tax*.

The taxpayer may have made an estimated payment by having a portion of the 2022 refund applied to their 2023 tax. Check their prior year's return.

Lines 48 & 49 Pass-Through Income, Reimbursement Incentive Act Credit and Claim of Right Credit

These are beyond the scope of VITA/TCE.



Check your progress

Module 4 - Quiz 3

You are preparing a return for Mr. and Mrs. Bob Drake. Mr. and Mrs. Drake have two dependents that live with them in Idaho. Mr. Drake is 67 years old, his wife is 61, and his Idaho taxable income is \$18,500. Assume the box for "yourself" on line 12A is checked. The family is not receiving food stamps and no one has been incarcerated. How much grocery credit may they claim?

Module 4 - Quiz 3

Answers

\$500 (140 + 120 + 120 + 120)

LESSON 7 - REFUND OR TAX DUE

Line 51 Tax Due

If the total tax plus donations on line 42 is more than the total payments and other credits on line 50, the taxpayer owes tax. Enter the difference.

Line 52 Penalty and Interest

If the total tax due isn't paid in full by April 15, or the return is filed after the due date, the balance will be subject to penalty and interest.

Taxpayers under 59½, who withdraw money from their Idaho Medical Savings Account for a purpose other than paying qualified medical expenses, are subject to a 10% penalty on the amount of the withdrawal that was not used to pay qualified medical expenses. Enter the penalty on this line and check the box.

Line 54 Total Due

Checks, cashier's checks, or money orders should be made payable to Idaho State Tax Commission. Instruct the taxpayer to note the last four digits of their Social Security number on the check and include it with their paper return. If you're preparing an e-filed

return, the software will generate Form ID-VP, *Idaho Individual Income Tax Payment Voucher*.

Payments by credit/debit card can be made by phone for a 3% convenience fee by calling (800) 972-7660. A fee of \$5.00 applies to e-checks and 3% on credit/debit card payments. ACH payments can also be made without a fee by using the Quick pay option at tax.idaho.gov.

E-FILE TIP:

E-filed returns don't require that the payment be made separately from the e-file. Payments can now be made through the filing software.

Line 56 Refund

Enter the amount from line 55 that the taxpayer wants refunded.

Estimated Tax

Enter the amount (if any) from line 55 that the taxpayer wants the Idaho Tax Commission to apply toward their 2024 income tax return.

Line 57 Direct Deposit

If the taxpayer wants their refund directly deposited into their checking or savings account, they need to fill in the routing number and account number. Remember, accuracy is important! **If the refund is being direct deposited to an account outside the U.S., check the box.**

LESSON 8 - FINISHING THE RETURN

Both the taxpayer and the spouse must sign a paper income tax return. A return without signatures will take longer to process because the State Tax Commission will send the taxpayer(s) a letter asking them for the needed signature(s). If not received, the Tax Commission will deny the refund and the taxpayer(s) must re-file.

Include all Idaho forms and a complete copy of the federal return with a paper-filed Form 40. Assemble the forms in the following order:

1. Form 40 with copies of W-2's and 1099's placed on top of Form 40;
2. Form 39R;
3. Any supporting Idaho forms;
4. Copy of Federal return including any federal schedules.

Don't staple the return.

Generally, you don't need to include a Form 1099 **unless** it shows Idaho income tax withheld.

If the taxpayer took a credit for taxes paid to another state, be sure to include Form 39R and a *complete copy of the other state's income tax return(s)*. A separate Form 39R is required for each state for which a credit is requested.

REMEMBER: Be sure to have the taxpayer(s) sign their return. Provide the taxpayer with a copy of their entire return.

QUALITY REVIEW CHECKLIST

- Are the names and Social Security numbers correct for all?
- Are dates of birth entered correctly?
- Is the address correct?
- Is the filing status correct? Is it the same as federal?
- Does the amount on Form 40, line 7 match the federal adjusted gross income?
- Is the math correct?
- Did you mark the correct boxes on line 12, if needed?
- Is line 20 the same amount as line 21?
- Is the tax from the worksheet correct?
- Was the \$10 permanent building fund included?
- Is the grocery credit properly computed?
- Is all the Idaho withholding tax from W-2 forms and/or Form 1099's reported?
- Is the refund amount on the correct line?
- Did the taxpayer (and the spouse) sign the return?
- Are the W-2 forms, and/or 1099 forms included?
- Is a complete copy of the federal return included?
- Is the bank information correct?

Comment [CA30]: worksheet



Chapter Review

Module 4 – Chapter Review

Complete a Form 40 assuming the following:

(Note: For discussion regarding Form 39R, refer to Module 5.)

1. Bob Springer, (SSN XXX-XX-XXXX) who is 68, and Ruth Springer (SSN XXX-XX-XXXX) who is 59, live at 1234 Aspen Ln in Eagle, Idaho 83616.
2. They are married and lived together the entire year.
3. They have two children (Amy, age 15 & Rod, age 20) and one grandchild (Shari) who have lived with them all year. They did not provide more than 50% for support of the grandchild.
4. Their federal adjusted gross income is \$49,575.
5. Qualifying subtractions from Form 39R totaled \$11,900 and included:
 - \$250 from a state income tax refund received in 2020.
 - \$2,400 for childcare expenses.
 - \$6,600 for Tier II annuity benefits included in federal income.
 - \$650 for a technological equipment donation to the Eagle City Library.
 - \$2,000 for contributions to an Idaho medical savings account.
6. Itemized deductions for the year totals \$8,449. Of that amount, \$2,380 is for state taxes.
7. During the year, Ruth had received \$120 worth of monthly magazine subscriptions without paying Idaho sales tax.
8. Bob and Ruth's Idaho withholding for the year is \$1,273 and they made three estimated \$75 payments for 2022.
9. On Bob and Ruth's last year return, they had \$100 of their refund applied to this year's tax.

Module 4 - Chapter Review

Answers

Line 16 = 27,700

Line 17 = 9,975

Line 21 = 58

Line 33 = 75

Line 47 = 325

Line 55 = 1,923

Comment [CA31]: 27,700

Comment [CA32]: 9,975

Comment [CA33]: 58

Comment [CA34]: 75

Comment [CA35]: 1,923

MODULE 5: FORM 39R, RESIDENT SUPPLEMENTAL SCHEDULE

Form 39R is a supplemental schedule for Idaho full-year residents. It's used to report:

- Part A: Additions
- Part B: Subtractions
- Part C: Credit for Income Tax Paid to Other States
- Part D: Credits for Contributions to Idaho Educational Entities, Idaho Youth and Rehabilitation Facilities, and Live Organ Donation Expenses.
- Part E: Maintaining a Home for a Family Member Age 65 or Older, or a Family Member with a Developmental Disability
- Part F: Dependents

LESSON 1 - IDAHO ADDITIONS

PART A: ADDITIONS

Some income is exempt on the federal return but is not exempt on the Idaho return. This income is added back on Form 39R, Section A, Additions. Most additions are beyond the scope of VITA/TCE.

Line 1 Federal Net Operating Loss Carryover

Include any net operating loss carryover listed on the "other income" line of the federal return.

Line 2 Capital Loss Carryover

Enter any capital loss carryover that occurred before the taxpayer had a filing requirement in Idaho.

Capital gains and losses are computed on federal Schedule D and reported on Form 1040 or 1040-SR, Line 7. If property or stock is sold for less than its original cost, the taxpayer has a capital loss. The loss is used to offset other capital gains. If the losses exceed the gains by more than \$3,000, the loss in excess of \$3,000 is carried over to the next year's return. See your IRS "Volunteer Resource Guide" for more information.

The gain or loss allowed on the federal return is included in the federal adjusted gross income entered on Form 40, line 7. Normally, no further entries are needed. However, if the capital loss occurred **before** the taxpayer moved to Idaho, the loss carryover must be

added back to the Idaho return. Idaho **does not** allow the taxpayer to deduct a loss that occurred before they were required to file an Idaho return. Since the income was never reported to Idaho, the loss cannot be reported to Idaho in a later year.

Line 3 Non-Idaho State and Local Bond Interest and Dividends

Interest and dividends paid on bonds issued by state and local government entities (municipal bonds) are exempt from federal income tax and are not included in the federal adjusted gross income. See your IRS “Volunteer Resource Guide” for more information.

Idaho taxes municipal bond interest from non-Idaho government entities.

Example: The taxpayer received interest on bonds they purchased from the following entities:

City of Boise	\$200
State of Oregon	\$550

None of the interest is included on their federal return. The \$550 interest they received from the State of Oregon must be entered as an addition on the Idaho return. The \$200 in interest from the City of Boise remains tax-exempt.

Line 4 Idaho College Savings Account Withdrawal

If the taxpayer made a nonqualified withdrawal from a college savings account, enter the amount withdrawn less any amounts reported as income on federal Form 1040. Funds transferred to another state’s qualified plan should also be included here. For more information on the Idaho College Savings Program, refer to Module 5, Lesson 2.

Line 5 Bonus Depreciation

This is beyond the scope of VITA/TCE.

Line 6 Other Additions

Idaho Medical Savings Account Withdrawals

Enter the amount withdrawn from an Idaho medical savings account that was not used for qualified medical expenses. Write “medical savings withdrawal” on the line. Since contributions to an Idaho Medical Savings account are deductible, any non-qualifying withdrawals must be reported as taxable income. The 10% penalty (which does not apply to taxpayers who are 59½ or older) is entered on Form 40, line 52, and the box should be checked. For more discussion on Idaho Medical Savings Accounts, refer to Form 39R, Subtractions, found in Module 5, Lesson 2.



Check your progress

Module 5 - Quiz 1

Jay lived in Idaho for the entire year and is preparing his Form 39R Idaho Supplemental Schedule for 2023. During the year, he received the following interest income. Check the items that Jay must add back into his Idaho income.

- ☐ City of New York municipal bonds
- ☐ Idaho Central Credit Union
- ☐ Orange County municipal bonds
- ☐ Ada County municipal bonds

Module 5 - Quiz 1

Answers

Jay should report interest income from the City of New York municipal bonds and the Orange County municipal bonds as additions to Idaho income.

His Idaho Central Credit Union interest should have already been reported as income on federal Schedule B.

The interest he received from his Ada County municipal bonds is exempt from Idaho tax.

LESSON 2 - IDAHO SUBTRACTIONS

PART B: SUBTRACTIONS

Line 1 Idaho Net Operating Loss

This is beyond the scope of VITA/TCE.

Line 2 State Income Tax Refund Included in Federal Income

Enter the amount of any state income tax refund shown as taxable income on the taxpayer's federal return (Schedule 1, line 1). This includes the refunds from all states, not just the refund from Idaho.

If a taxpayer itemized deductions in a previous year, their state income tax refund is considered taxable income on their federal return in the year they receive the refund. Idaho doesn't allow a taxpayer to deduct state income or sales tax paid as an itemized deduction; therefore, Idaho doesn't tax the refund as income.

Line 3 Interest from U.S. Government Obligations

Enter the amount of deductible U.S. Government interest that was included in federal adjusted gross income.

Interest received from a **direct obligation** of the federal government is not subject to Idaho income tax. The interest must be from a direct obligation of the federal government, not an obligation that is only guaranteed by the federal government.

Examples are:

Banks for Cooperatives	Student Loan Marketing Association
Federal Farm Credit Banks	Tennessee Valley Authority Bonds
Federal Financing Bank	Territory of Alaska
Federal Homeowners Loan Bank	Territory of Hawaii
Federal Intermediate Credit Banks	Territory of Samoa
Federal Land Bank	U.S. Series EE and HH Bonds
Guam	U.S. Treasury Bills and Notes
Puerto Rico	Virgin Islands

The following are examples of entities that **don't qualify** for the subtraction. The interest paid by these entities **isn't a direct obligation** of the federal government. The federal government only guarantees it.

- Federal National Mortgage Association (FNMA)
- Government National Mortgage Association (GNMA)

The statement from a mutual fund may indicate that a percentage of the investment is from U.S. obligations. Multiply the total interest reported by the percentage to compute the exempt amount.

Line 4 Energy Efficiency Upgrade

Idaho allows a subtraction for a taxpayer's cost of adding additional insulation or improving the energy efficiency of their home. The replacement of existing insulation doesn't qualify, although adding insulation does. The home will qualify if all of the below are true:

- is in Idaho
- is the taxpayer's primary residence
- existed, was under construction, or had a building permit issued on or before January 1, 2002

TIP: Rental and commercial property don't qualify.

Comment [CA36]: Primary residence

The taxpayer can deduct the cost of materials as well as labor they paid to have it installed. The taxpayer cannot deduct anything for their own labor. The deduction is taken in the year of installation.

Insulation means any material commonly used in the building trade to retard the passage of heat into or out of the building. Qualifying upgrades are:

- insulation that is added to, not replacing, existing insulation. Insulated siding does not qualify UNLESS the cost of the siding and the insulation is separately stated.
- windows that replace less efficient existing windows.
- weather stripping and caulking.
- duct sealing and insulation. Duct sealing requires mechanical fastening of joints and mastic sealant.

Storm doors no longer qualify for this deduction.

Line 5 Alternative Energy Devices Deduction

Idaho allows a deduction for a portion of the amount a taxpayer paid to install an alternative energy device in their Idaho residence. They can deduct 40% of the total purchase price (cost of the device and installation) in the year they install the device. They can deduct 20% of the cost in each of the following three years. The deduction is limited to \$5,000 per year. Qualifying devices include:

- a system using solar radiation, wind or geothermal resource primarily to provide heating or cooling, or to produce electrical power, or any combination;
- a fluid-to-air heat pump operating on a fluid reservoir heated by solar radiation or geothermal resource but not an air-to-air heat pump unless it uses geothermal resources as a part of the system;
- a natural gas or propane heating unit *that replaces a noncertified wood stove*;
- an Environmental Protection Agency (EPA) certified wood or pellet stove meeting the most current industry and state standards *that replaces a noncertified wood stove*.

To qualify for the deduction, a noncertified wood stove must be taken to an authorized Department of Environmental Quality (DEQ) site within 30 days of the date the qualifying device was purchased. A natural gas or propane heating unit, an EPA-certified wood stove, or pellet stove must be installed the same tax year that the non-qualifying wood stove was turned into the DEQ.

To claim the deduction, select the line for the year in which the alternative energy device was placed in service. Enter the type of device and the total cost paid for the device and installation. Multiply the cost times the applicable percentage.

If the taxpayer sells their house, the deduction extends to the new owner.



Check your progress

Module 5 - Quiz 2

1. Mr. and Mrs. Taxpayer itemized their deductions for tax year 2022. In January 2024 they received a 1099-G form from the Idaho State Tax Commission.

Is the amount shown on their 1099-G form taxable on the federal form?

Yes _____ No _____

Is the amount shown on their 1099-G form taxable on the Idaho return?

Yes _____ No _____

2. List four devices that may qualify for the alternative energy device deduction.

3. What percentage of the expense is deducted each year?

Year of installation _____

2nd year _____

3rd year _____
4th year _____

4. If Will Parker is in his third year of the alternative energy device deduction and he sells his home, what happens to the remaining deduction amount?

Module 5 - Quiz 2

Answers

1. Yes; No
2.
 - Any system using solar radiation, geothermal resource primarily to provide heating or cooling, to produce electrical power, or any combination.
 - A fluid to air heat pump operating on a fluid reservoir heated by solar radiation or geothermal resources as part of the system.
 - A natural gas or propane-heating unit that replaces a noncertified wood stove.
 - An EPA-certified wood stove or pellet stove meeting the most current industry and state standards that replaces a noncertified wood stove.
3.

Year of installation	40%	Second year	20%
Third year	20%	Fourth year	20%
4. The new owner may deduct any unused amount.

Line 6 Child/Dependent Care Expense

Idaho follows the federal code to determine if a taxpayer may deduct their child and dependent care expenses. The Idaho **deduction** is a different amount than the federal credit. Idaho allows the full amount of qualified expenses to be **deducted** from income while the federal return allows a percentage of the qualified expenses to be **credited** from the tax.

CAUTION: Don't enter the amount of the federal child and dependent care *credit*.

The Idaho deduction is the lesser of:

- the qualified expenses incurred and paid during the year
- the taxpayer's earned income
- the spouse's earned income

The deduction cannot exceed **\$12,000**. Use the worksheet below to compute the deduction for child and dependent care expenses. The numbers required for calculations are available on federal Form 2441.

Comment [CA37]: \$12,000.

1. Enter the amount of qualified expenses you incurred and paid in 2023. Don't include amounts paid by your employer or excluded from taxable income..... _____
2. Enter \$12,000 for one or more child or dependent cared for during the year _____
3. Enter excluded benefits from Part III of Form 2441 _____
4. Subtract line 3 from line 2. If zero or less, stop. You can't claim the deduction .. _____
5. Enter your earned income _____
6. If married filing a joint return, enter your spouse's earned income. All others enter the amount from line 5 _____
7. Enter the smallest of lines 1, 4, 5, or 6 here and on Form 39R, Part B, line 6 _____

Comment [CA38]: Update worksheet

Line 7 Social Security and Railroad Benefits

Enter the amount of Social Security and railroad retirement Tier I and Tier II ***included in taxable income on the federal return***.

Idaho doesn't tax Social Security benefits or railroad retirement benefits. If a portion of the taxpayer's Social Security benefits are taxable on the federal return, subtract that amount here.

Railroad retirement benefits are paid in two parts. Tier I is reported to the recipient on a Form RRB-1099. It's the equivalent of Social Security and is treated the same as Social Security on the federal return. Tier II is reported to the recipient on Form RRB-1099R. It's treated the same as a pension or annuity on the federal return. This amount is also deducted on the Idaho return.

Only retirement benefits received from the United States Railroad Retirement Board Tier I and Tier II are deductible. There are retirement benefits from other sources, but they don't qualify for the deduction, with one exception.

Under an amendment to the U.S. – Canada treaty, the retirement benefits received from Revenue Canada by a United States resident, will be treated the same as Social Security. This amount will be deducted on the Idaho return as if it were Social Security received from the United States.

Line 8 Retirement Benefits Deduction for Qualified Retirement Benefits

Certain retirement benefits may be partially or completely deductible if a taxpayer is either age 65 or age 62 and disabled. **Only the following retirement benefits qualify:**

- **Civil service employees** - people who were employed by the United States Government that now receive retirement annuities under the Civil Service Retirement System (CSRS), the Foreign Service Retirement and Disability System (FSRDS), or the offset programs of these two systems. To qualify for the deduction, the employee must have established eligibility before 1984.
- Retirement benefits received under the Federal Employees Retirement System (FERS), do not qualify.

Comment [CA39]: Update images on next page

Paid By Office of Personnel Management
Retirement Operations
P.O. Box 45
Boyers, PA 16017-0045

Statement of Annuity Paid
Copy 2A - To be filed with annuitant's state or local tax return

OMB No. 1545-0119
Form 1099-R
Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

2022

Form CSA 1099-R (Rev. 1/2023)
This statement is filed to the Department of Treasury - Internal Revenue Service

PAYER's Federal Identification	Recipient's ID No. (Annuitant)	Account number (Retirement Claim No.)	1. Gross distribution
5. Employee Contributions/ Designated ROTH Contributions or Insurance Premiums	Paid To	CS A4	2a. Taxable amount
7. Distribution Code(s)		4. Federal Income Tax Withheld	
9b. Total Employee Contributions			14. State tax withheld
			15. State/Payer's state no.
			14. State tax withheld
			15. State/Payer's state no.

Generally, the pension will be reported on Form CSA 1099-R from the Office of Personnel Management. Account numbers beginning with 0, 1, 2, 3 or 4 qualify.

- **Idaho firefighters** - retirement benefits paid by the State of Idaho's **Firemen's Retirement Fund**. Form 1099-R will show 'FRF' in the "account number" box at the lower left corner if the retirement qualifies. Other retirement benefits paid by PERSI don't qualify for the deduction.

Comment [CA40]: FRF

PAYER's name, street address, city, state, and ZIP code PERSI 607 N. 8th Street Boise, ID 83702 208-334-3365		1 Gross distribution	OMB No. 1545-0119 2022	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs Insurance Contracts, etc.	
		2a Taxable amount	Total distribution	Form 1099-R Copy 2	
		2b Taxable amount not determined <input type="checkbox"/>	4 Federal tax withheld	File this copy with your state, city, or local income tax return, when required	
		3 Capital gain (incl. in 2a)	6 Net unrealized appreciation in employer's securities		
PAYER's Federal Identification No.	RECIPIENT's Identification No.	5 Employee contributions or insurance premiums	6 Other <input type="checkbox"/>		
RECIPIENT's Name and Address		7 Distribution code <input type="checkbox"/> IRA/SEP/SIMPLE	8b Total employee contributions		
		9a Your percentage of total distribution	11 1st YEAR design Roth cont	12 FATCA filing Req.	
		10 Amt to IRR in 5 Years	15 State/Payer's state no.	16 State distribution	
		14 State tax withheld	18 Name of locality	19 Local distribution	
Account number (see 1099-R) FRF		13 Date of payment	17 Local tax withheld		

- **Police officers of an Idaho city** - retirement benefits paid by the Policemen's Retirement Fund of an Idaho city.
- **Service members** – retirement benefits paid by the United States to a retired member of the U.S. military.

TIP: If you're filing a paper return claiming the retirement benefits deduction, include copy of the 1099-R to prevent delays in processing.

A taxpayer with a filing status of **married filing separately cannot take this deduction.**

An unmarried widow(er) of a person that would qualify for the deduction can take this deduction. If the widow(er) remarries, they cease to qualify.

- a. If single, enter \$43,524; if married filing jointly, enter \$65,286
- b. Federal Railroad Retirement received
- c. Social Security benefits received
- d. Balance. Line 8a minus lines 8b and 8c. If less than zero, enter zero
- e. Qualified retirement benefits included in federal income
- f. Retirement benefits deduction. Smaller of line 8d or 8e

Comment [CA41]: Update



Check your progress

Module 5 - Quiz 3

1. Mr. and Mrs. Wilson have \$8,900 in childcare expenses for one child. Their taxable income is \$46,000.

How does Idaho handle the childcare expense?

Deduction _____ Credit _____

Circle the amount that is allowed on the Idaho State return.

\$8,900 \$8,000 \$3,000

2. List the types of retirement benefits that qualify for the retirement benefits deduction.

3. Calculate the retirement benefits deduction allowed for this retired Idaho teacher.

- Married filing joint, both over 65
- Social Security income is \$9,300.
- Retirement annuity included in federal income is \$15,700 from PERSI

4. Mr. and Mrs. Parker are retired. They received railroad retirement and Social Security benefits. Mr. and Mrs. Parker received Form RRB-1099-R showing \$8,900 in Tier II annuity benefits and a RRB-1099 showing \$4,400 in Tier I payments. They received \$18,300 in Social Security benefits. \$2,500 of their Social Security and Tier I benefits were held as taxable income on their federal return. Using the information provided, complete each section of the federal Form 1040 and Idaho Form 39R below.

6a Social security benefits		6a	b Taxable amount		6b	
7. Social Security and railroad benefits, if included in federal income					7	00
8. Retirement benefits deduction. See instructions for qualifications.						
a. If single, enter \$43,524 or if married filing jointly, enter \$65,286	8a	00				
b. Federal Railroad Retirement benefits received	8b	00				
c. Social Security benefits received	8c	00				
d. Line 8a minus lines 8b and 8c. If less than zero, enter zero	8d	00				
e. Qualifying retirement benefits included in federal income	8e	00				
f. Enter the smaller of line 8d or 8e here	8f	00				

Comment [CA42]: Update snip

Module 5 - Quiz 3

Answers

- Deduction
\$3,000
- Civil Service Retirement System employees (CSRS), certain Idaho firefighters, certain Idaho local police officers, and military servicemembers
- No deduction. The retiree was a teacher.
- 1040, line 6a = \$22,700 (\$18,300 Social Security + \$4,400 Tier I benefits received).

1040, line 6b = \$2,500 (taxable amount).

39R, Part B, line 7 = \$11, 400 (\$2,500 of Social Security and Tier I + \$8,900 Tier II annuity included in federal taxable income).

39R, Part B, line 8f = \$0. Railroad retirement and Social Security benefits do not qualify for the retirement benefits deduction.

Comment [CA43]: Certain Idaho firefighters, certain Idaho police officers and military servicemembers

Line 9 Technological Equipment Donation

Enter the lesser of cost or fair market value of technological equipment donated to one of the following entities located in Idaho:

- public elementary or secondary school
- nonprofit private elementary or secondary school
- public college or university
- nonprofit private college or university
- public library
- library district

TIP: The taxpayer may be able to use the donation twice on the same return:

- **Itemized deduction** on Schedule A, as a charitable contribution.
- **Subtraction on Form 39R**, for the technological equipment donation.

Comment [CA44]: Delete

Comment [CA45]: Move this list to the top of the page as indicated

The amount deducted can't reduce Idaho taxable income to less than zero. Any unused deduction can't be carried to another year.

The following items are examples of qualifying technological equipment:

- computer
- computer software
- scientific equipment
- scientific apparatus

To qualify, the equipment must be donated within 5 years of the manufacture date.

Line 10 Idaho Capital Gains Deduction

If a taxpayer sells certain property in Idaho, the taxpayer may be able to deduct 60% of the capital gain net income reported on federal Schedule D. Only capital gains from the sale of real property located in Idaho will be discussed in this manual. Capital gains from the sale of other property are outside the scope of VITA/TCE.

Refer to the instructions for Form CG, *Idaho Capital Gains Deduction*, to verify that the capital gain qualifies for the deduction. Real property qualifies if it is located in Idaho and was owned for at least twelve (12) months.

REMEMBER: Not all capital gains qualify for this deduction.

The sale of a taxpayer's **primary residence** has a large exclusion from income on federal Form 1040 or 1040-SR, so those **sales may not create capital gains**. Capital Gains that are recognized on the federal return can be carried to the Idaho return, provided they are Idaho capital gains (real or income-producing property located in Idaho).

Form CG

Lines 1-5. Enter gains and losses from Idaho real property as it was computed on the federal income tax return.

Line 9. Multiply the gain on line 8 by 60%.

Line 10. Enter the taxpayer's net capital gain. This is the amount reported on federal Form 1040 or 1040-SR, line 7. The Idaho deduction cannot exceed the amount of the taxpayer's total capital gain income. If the taxpayer had a net capital loss, enter 0.

Comment [CA46]: Form 1040 or Form 1040-SR, line 7.

Line 11. Enter the smaller of lines 9 or 10 here and on Form 39R, part B, line 10.

Line 11 Active Duty Military Pay Earned Outside of Idaho

Idaho residents who earn active duty military pay outside of Idaho are required to file an Idaho return and report their income. However, they aren't required to pay income tax on those earnings.

Active duty military wages for those serving in the United States Army, Navy, Marine Corps, Air Force, or Coast Guard, for duty that's continuous and uninterrupted for 120 days or more aren't subject to Idaho tax. The continuous 120 days don't have to be in the same tax year.

The wage and tax statement (W-2) doesn't show income earned in Idaho and outside Idaho separately. If you need to calculate these amounts, you should ask to see documentation that will show the taxpayer's unit of assignment, such as a copy of assignment orders.

National Guard or Reserve pay, including annual training pay, generally doesn't qualify.

Line 12 Adoption Expense

Enter the total amount of the qualified adoption expenses paid during the tax year. Idaho allows a deduction for some of the expenses incurred in the successful adoption of a child. The deduction is limited to:

- legal expenses
- medical expenses
- \$10,000 per adoption
- the amount paid in that tax year

TIP: A taxpayer can take this deduction even if they are adopting their spouse's child.

If the expenses are paid in more than one year, they must be deducted in the year they are paid. **The total deduction per adoption cannot be more than \$10,000.**

Example: A taxpayer adopts a child and pays the following expenses:

	<u>2021</u>	<u>2023</u>
Attorney fees	\$3,000	\$8,800
Medical care for child	200	100
Other medical expenses	100	0
Travel to pick up child	0	2,000
Total expenses	<u>\$3,300</u>	<u>\$10,900</u>

The \$3,300 of the expenses incurred in tax year 2021 qualified and the taxpayer deducted \$3,300 on their 2021 return.

\$8,900 of the expenses incurred in tax year 2023 qualifies for the subtraction (the travel expenses do not qualify). Though \$8,900 qualifies, the taxpayer can only deduct \$6,700 in 2023, so that the total deduction does not exceed \$10,000.

The taxpayer can take the deduction only if the adoption is **successful**. If they deduct expenses and the adoption isn't finalized, they must file an amended return for the year the deduction was taken.

Line 13 Idaho Medical Savings Account (MSA)

Enter the amount the taxpayer contributed to their medical savings account during the calendar year up to \$10,000 (\$20,000 for a married couple filing a joint return). Enter the interest earned on the account, the name of the financial institution, and the account number. Interest earned on the account is included on line 13 only if included on Form 40, line 7.

A taxpayer can open an MSA at any Idaho financial institution that offers the service. The law allows either a joint or single account. The taxpayer can use their MSA to pay qualified medical expenses for himself, his spouse and his dependents. His child or grandchild (who is not his dependent) qualifies if the child is any of the following:

- under 21 years of age or enrolled as a full-time student at an accredited college or university
- not self-supporting, emancipated, married, or a member of the U.S. armed forces
- mentally or physically unable to be self-sufficient.

The state follows the federal definition of a qualified medical expense but expands it to include nursing home care. An expense which qualifies to be deducted on Schedule A (even if the person doesn't actually itemize deductions) can be paid from an Idaho MSA. The taxpayer doesn't have to reduce their itemized deductions. Qualified medical expenses include:

Module 5—Form 39R, Resident Supplemental Schedule

TIP: The Idaho medical savings account is completely different from the federal medical savings account.

- Nursing home care
- Medicare B and D
- Prescription medication or insulin
- Medical, dental, and nursing care
- Medical and hospital insurance premiums
- Nursing home (long term care) insurance premiums
- Prescription eyeglasses, hearing aids, etc.
- Transportation for medical care at the federal mileage rate
- Certain lodging expenses
- Certain home improvements made for medical care purposes

If the taxpayer withdraws money from the account for a purpose other than paying qualified medical expenses, the amount withdrawn becomes taxable income, reportable on Form 39R, part A, line 6. It is also subject to a 10% penalty, reportable on Form 40, line 52, if the taxpayer is less than 59½ years of age.

If the taxpayer withdraws money from their medical savings account unintentionally or in error, they can redeposit the money within 30 days and it will be treated as if the withdrawal hadn't occurred.

Line 14 Idaho College Savings Program

A taxpayer may contribute up to \$6,000 (\$12,000 if married filing a joint return) per year to a qualified Idaho College Savings Program and deduct the contribution. The person who establishes the account is the account owner. The account owner names the designated beneficiary who will use the funds to pay their education expenses. Persons other than the account owner can contribute to the account and take the deduction.

The account owner has the right to make withdrawals for payment of education expenses for the beneficiary. A nonqualified withdrawal will result in a penalty up to 10% of the withdrawal amount.

Qualified institutions include K-12 and private schools.

The person who withdraws the funds must report the withdrawal amounts as income in accordance with Internal Revenue Code Section 529.

TIP: Additional information can be obtained at: <https://idsaves.org>.

Comment [CA47]: Delete

Line 15 Maintaining a Home for the Aged and/or Developmentally Disabled

Before taking this deduction, consider that Idaho also allows a tax credit for maintaining a home for the aged and/or developmentally disabled. ***The taxpayer may not claim both the deduction and the tax credit.*** Although the deduction is available, the tax credit is usually more beneficial to the taxpayer. The qualifications are the same for both the deduction and the tax credit. They are discussed in Module 4, lesson 6 of this manual.

The total deduction can't exceed \$3,000 (for 3 persons) between the two types of deductions.

Maintaining a Home for the Aged:

The taxpayer may deduct \$1,000 per qualified person. If the home was provided for less than the entire year, the taxpayer can deduct \$83.33 for each month the home was provided. The taxpayer and spouse don't qualify for this deduction.

Maintaining a Home for the Developmentally Disabled:

The taxpayer may deduct \$1,000 per qualified person with disabilities. If the taxpayer provided a home for less than a full year, they may deduct \$83.33 for each month the home was provided. The deduction also applies to the taxpayer and spouse, if qualified.



Check your progress

Module 5 - Quiz 4

1. Anita Adams was maintaining a home and paying over half of the support for her 67-year-old cousin. Does she qualify for the deduction for maintaining a home for the aged? Yes _____ No _____
2. What is the maximum deduction allowed for maintaining a home for the Developmentally disabled? _____

Module 5 - Quiz 4

Answers

1. No. Cousins do not meet the test for "family member."

2. \$3,000 if the home is provided for three or more people with disabilities.
--

Line 16 Idaho Lottery Winnings

Enter the winning amount from each Idaho ticket that was less than \$600 per prize. Note, this **ONLY** applies to Idaho Lottery winnings; other forms of gambling don't qualify.

All lottery winnings are included as income on the federal income tax return. However, Idaho does not tax Idaho Lottery winnings that are less than \$600 per prize. These amounts are subtracted from Idaho income.

For example: A taxpayer buys an Idaho Powerball ticket that pays \$700 and an Idaho scratch ticket that pays \$200. Both winnings are included in federal taxable income. The \$200 prize is entered on this line to reduce Idaho taxable income.

Line 17 Income Earned on a Reservation by an American Indian

American Indians who are enrolled members of a federally recognized tribe, who live and work on a reservation, can deduct the income they earned on the reservation while they were living there.

Income earned by an American Indian is taxed by the federal government. It isn't taxed by Idaho if the tribal member meets **all** of the following qualifications:

- is an enrolled member of a federally recognized tribe
- lives on a reservation
- earns income on a reservation
- includes the income on Form 40, line 7

Income earned off the reservation can't be deducted.

Line 18 Health Insurance Premiums

Deduct premiums the taxpayer paid for health insurance for themselves and their dependents if those premiums have not already been deducted or excluded from their income. Premiums paid through a cafeteria plan or other salary-reduction arrangement, premiums deducted as a business expense, and premiums paid from an Idaho medical savings account do not qualify.

If a taxpayer claims a deduction for health insurance premiums on their federal Form 1040, Schedule A, calculate the health insurance premiums allowed as a deduction by using the worksheet provided below.

Premiums for Social Security Medicare B and prescription benefits Medicare D are deductible. Medicare A is generally not deductible, unless the taxpayer is not qualified to collect Social Security and enrolls voluntarily.

If a taxpayer uses the standard deduction for Idaho income tax purposes, but itemizes deductions on their federal income tax return, they don't need to reduce their health insurance costs by the amount claimed as a federal itemized deduction.

Line 19 Long-term Care Insurance

Deduct 100% of the amount the taxpayer paid in premiums for long-term care insurance if those premiums have not already been deducted or excluded from their income. Use the worksheet (below) if the taxpayer itemized deductions.

**HEALTH INSURANCE AND LONG-TERM CARE INSURANCE
DEDUCTION LIMITATIONS**

- 1. Amount claimed for health insurance costs on federal Form 1040 or 1040-SR, Schedule A
- 2. Amount claimed for long-term care insurance on federal Form 1040 or 1040-SR, Schedule A
- 3. Additional medical expenses claimed on federal Form 1040 or 1040-SR, Schedule A
- 4. Total medical expenses. Add lines 1, 2 and 3
- 5. Enter 7.5% of federal adjusted gross income.
- 6. Medical expense deduction allowed on the federal Form 1040 or 1040-SR Schedule A. (Subtract line 5 from line 4. If less than zero, enter zero.)

Comment [CA48]: Form 1040 or Form 1040-SR

Comment [CA49]: Form 1040 or Form 1040-SR

Comment [CA50]: Form 1040 or Form 1040-SR

Comment [CA51]: Form 1040 or Form 1040-SR

HEALTH INSURANCE

- 7. Enter the total paid for health insurance
- 8. Portion of health insurance deduction allowed on federal Form 1040 or 1040-SR Schedule A. Enter the lesser of line 1 or line 6
- 9. Enter the total health insurance costs deducted elsewhere on the federal return
- 10. Idaho health insurance deduction allowed. Subtract lines 8 and 9 from line 7. Enter this amount on Form 39R, line 18

Comment [CA52]: Form 1040 or Form 1040-SR

LONG-TERM CARE INSURANCE

- 11. Enter the total paid for long-term insurance.....
- 12. Medical expense deduction not allocated to health insurance costs. Subtract line 1 from line 6. If less than zero, enter zero
- 13. Portion of long-term care insurance deduction allowed on federal Form 1040 or 1040-SR, Schedule A. Enter the lesser of line 2 or line 12
- 14. Enter the total long-term care insurance costs deducted elsewhere on the federal return.....
- 15. Long term care insurance deduction allowed. Subtract lines 13 and 14 from line 11. Enter this amount on Form 39R, line 19

Comment [CA53]: Form 1040 or Form 1040-SR

Line 20 Worker's Compensation Insurance

This is beyond the scope of VITA/TCE.

Line 21 Bonus Depreciation

This is beyond the scope of VITA/TCE.

Line 22 First-Time Homebuyer Savings Account

First-time home buyers in Idaho are allowed to deduct contributions to a First-Time Home Buyer Savings Account to save money toward the purchase of a home while reducing their amount of Idaho individual income tax.

Idahoans who set up a First-Time Home Buyer Savings Account at an Idaho financial institution can claim an income tax deduction on their account contributions and interest earned starting with their Idaho income tax return for 2022. Individuals can deduct up to \$15,000 each year, and married couples filing a joint tax return can deduct up to \$30,000 a year. Account deposits can't exceed \$100,000 over the lifetime of the account.

Withdrawals from the account balance – including accrued interest – aren't taxable when account owners use the money to make a down payment on their first home or to cover other eligible costs related to buying the home. Account owners can't have previously owned a home.

Financial institutions must report account withdrawals to the Idaho State Tax Commission using [Form ID-FTHB](#), *Beneficiary and Withdrawal Schedule First-time Home Buyer Savings Account*. ||

Comment [CA54]: Move to the last sentence of paragraph 2 under Line 22.

Line 23 Other Subtractions

Include interest from Idaho Build America Bonds that was included in federal adjusted gross income.

Do not include income earned in another state as an "other subtraction."

LESSON 3 - CREDIT FOR INCOME TAX PAID TO OTHER STATES

PART C: CREDIT FOR INCOME TAX PAID TO OTHER STATES

When an Idaho resident earns income in another state, and that state has an income tax, the income is taxed by the state where it's earned as well as by Idaho. When this occurs, Idaho provides a credit for taxes paid to the other state. This credit applies to taxes paid to another state, not another country.

Line 1. Enter the Idaho tax from Form 40, line 20.

Line 2. Find the other state's adjusted gross income. That is the income after adjustments but before subtracting itemized (or standard) deductions.

E-FILE TIP:

For e-filed returns, prepare other states' returns before the Idaho return.

Line 3. Enter the Idaho adjusted income from Idaho Form 40, line 11.

Line 4. Divide line 2 by line 3. Enter the percentage rounded to the nearest one/hundredth of a percent, four places to the right of the decimal point (0.4512, or 45.12%).

TIP: For paper returns, prepare a Form 39R for each state and attach a complete copy of each state's income tax return.

Line 5. Multiply the Idaho tax on line 1 by the percentage on line 4.

Line 6. From the other state's return, find the tax line that represents the calculated tax (from its tax table or rate schedule) minus any income tax credits.

E-FILE TIP:

You can e-file an Idaho return that has this credit claimed.

Line 7. Enter the smaller of lines 5 or 6. Enter this amount on Form 40, line 22.

C. Credit for income tax paid to other states. See instructions, page 37.

This credit is being claimed for taxes paid to: • _____ (State name)

1. Idaho tax, Form 40, line 20. Enter amount here	1		00	Include a copy of the income tax return and a separate Form 39R for each state for which a credit is claimed.
2. Federal adjusted gross income earned in other state adjusted for Idaho modifications. See instructions	2		00	
3. Idaho adjusted income. See instructions	3		00	
4. Divide line 2 by line 3. Enter percentage here	4		%	
5. Multiply line 1 by line 4. Enter amount here	5		00	
6. Other state's tax due minus its income tax credits	6		00	
7. Enter the smaller of lines 5 or 6 here and on Form 40, line 22	7		00	

The credit for taxes paid to another state **can't** exceed the tax amount on Form 40, line 21. If this amount is greater than line 21, check your calculations.

If there is more than one other state, use a separate Form 39R for each state.



Check your progress

Module 5 - Quiz 5

Calculate the credit for taxes paid to another state based on the following.

Idaho tax	\$ 789
Other state's adjusted income	\$ 11,220
Idaho's adjusted income	\$ 28,900
Other state's tax due	\$ 241

Module 5 - Quiz 5

Answers

Form 39R --- Part C

Line 1	789
Line 2	11,220
Line 3	28,900
Line 4	38.82%
Line 5	306
Line 6	241
Line 7	241

LESSON 4 - PARTS D, E and F

PART D: Credits for Contributions to Idaho Educational Entities, Idaho Youth and Rehabilitation Facilities, and Live Organ Donation Expenses

Line 1 Credit for Contributions to Idaho Educational Entities

Idaho allows a credit for cash contributions to Idaho educational entities.

The credit is limited to the lesser of:

- One-half of the total value of **cash** contributed
- 50% of tax liability (the amount on line 21)
- \$500 on a single, married filing separate, head of household, or qualified surviving spouse return, or \$1,000 on a married filing joint return
- The tax on Form 40, line 21 less the amount on Form 40, line 22

TIP: A taxpayer can take this credit *and* deduct the donation on their federal Schedule A.

Comment [CA55]: Surviving spouse

The following educational entities qualify:

- A nonprofit corporation, fund, foundation, research park, trust or association organized and operated exclusively for the benefit of Idaho colleges and universities
- A nonprofit, private or public Idaho school (elementary, secondary, or higher education) or its foundation
- Idaho education public broadcast system foundations
- The Idaho State Historical Society or its foundation
- An Idaho public library or its foundation
- An Idaho library district or its foundation
- An Idaho public or private nonprofit museum
- The Idaho Commission for Libraries
- Idaho Commission on Hispanic Affairs
- Idaho Commission for the Blind and Visually Impaired
- Idaho Council on Developmental Disabilities
- Idaho State Independent Living Council
- Idaho Council for the Deaf and Hard of Hearing
- Idaho STEM Action Center
- Medical residency programs or support organizations devoted to training residents in Idaho

Line 2 Credit for Contributions to Idaho Youth and Rehabilitation Facilities

Idaho allows a credit for contributions of cash or goods to Idaho youth or rehabilitation facilities and their foundations, or to a nonprofit substance abuse center licensed by the Department of Health and Welfare.

TIP: A taxpayer can take this credit *and* deduct the donation on their federal Schedule A.

The credit is limited to the lesser of:

- One-half of the total amount of **cash or goods** contributed
- 20% of tax liability (the amount on Form 40, line 21)
- \$100 on a single, married filing separate, head of household, or qualified surviving spouse return, or \$200 on a married filing joint return
- The tax on Form 40, line 21 less the amounts on Form 40, line 22 and Form 39R, Part D, Line 1

TIP: Goods are valued at fair market value. **Fair market value** is defined as the price a willing buyer would pay and a willing seller would accept, neither of whom is under any compulsion to buy or to sell.

Comment [CA56]: Surviving spouse

The following facilities and their foundations qualify:

- Anchor House, Coeur d'Alene
- The Arc, Inc., Boise
- The Children's Home Society of Idaho, Inc., Boise
- Children's Village, Inc., Coeur d'Alene
- Dawn Enterprises, Inc., Blackfoot
- Development Workshop, Inc., Idaho Falls
- Gem Youth Services, Inc., Emmett
- Hope House, Inc., Nampa
- Idaho Drug Free Youth, Inc., Coeur d'Alene
- Idaho Elks Rehabilitation, Inc., Boise
- Idaho Youth Ranch
- Kinderhaven, Sandpoint
- Learning Lab, Inc., Boise
- Magic Valley Rehabilitation Services, Inc., Twin Falls
- New Day Products, Inc., Pocatello
- Northwest (North Idaho) Idaho Children's Home, Inc.
- Opportunities Unlimited, Inc., Lewiston
- Panhandle Special Needs, Inc., Sandpoint
- Project P.A.T.C.H., Planned Assistance for Troubled Children
- Shepherd's Home, Inc., McCall
- Transitional Employment Services for the Handicapped, Coeur d'Alene
- Walker Center, Gooding

- Witco, Inc., Caldwell
- Winchester Occupational Workshop, Winchester
- Women's and Children's Alliance

Comment [CA57]: Change to Witco, Inc.

The following centers for independent living qualify:

- Disability Action Center Northwest, Moscow and Coeur d'Alene
- Living Independence Network Corporation, Boise and Twin Falls
- Living Independently for Everyone, Blackfoot, Idaho Falls, and Pocatello

Line 3 Credit for Live Organ Donation Expenses

A living taxpayer who donates a qualified organ that's transplanted into another individual can claim a credit up to \$5,000 for expenses directly related to the donation.



Check your progress

Module 5 - Quiz 6

1. Marie lived in Idaho all of 2023. Her employer sent her to California for four months to work with a branch of the company. Her W-2 lists both Idaho and California withholding. What forms should she use to file her Idaho income tax return?

2. Brian is an Idaho resident who teaches school in Rupert, Idaho. His 2023 W-2 form from his teaching job listed wages of \$45,653. He also has a 1099 form from an insurance company for doing hail damage adjustment work in Wyoming over the summer. Wyoming does not have income tax. Can he claim a credit for taxes paid to another state? Why?

3. Logan and Stella are married filing jointly. Their Idaho tax, from the tax table, is \$1,245. Logan donated \$250 to the Idaho Historical Society; Stella donated used items worth \$300 to the Idaho Youth Ranch. How much credit can they claim?

Module 5 - Quiz 6

Answers

1. Idaho Forms 40 and 39R, plus the California return and the federal return.
2. No. Wyoming has no state income tax, so no tax was paid to another state.
3. \$275. They can take \$125 credit for contributions to educational entities for the donation to the Idaho Historical Society and \$150 credit for contributions to youth and rehabilitation facilities for the donation to the Idaho Youth Ranch.

PART E: Maintaining a Home for a Family Member Age 65 or Older, or a Family Member with a Developmental Disability

The qualifications for this credit were discussed in Module 4, lesson 6.

Line 1. Maintaining a Home for the Aged. Idaho allows a credit for a taxpayer who is providing a home for, and paying over half of the support of a family member who is age 65 or older. Check the box that applies.

Line 2. Maintaining a Home for the Developmentally Disabled. Idaho allows a credit for a taxpayer who is providing a home for, and paying more than half the support of a family member who is developmentally disabled. Check the box that applies.

Line 3. For each family member who qualifies the taxpayer for the credit, list the family member's name, Social Security number, relationship to the taxpayer, and date of birth. Check the box if the person is disabled.

Line 4. Multiply the number of qualified family members by \$100. Enter the total here and on Form 40, line 44. If the taxpayer provided the home for less than the full year, they may deduct \$8.33 for each month the home was provided. The total cannot be more than \$300.

Comment [CA58]: Form 40, line 44.



Check your progress

Module 5 - Quiz 7

1. What is the maximum credit allowed for maintaining a home for a person who is developmentally disabled or a family member age 65 or older?

Module 5 - Quiz 7

Answers

1. \$100 per qualified person, to a maximum of \$300 if the home is provided for three or more family members over 65 or with disabilities.

PART F: DEPENDENTS

List any additional dependents in this section. Form 40, line 6c only provides space for 4 dependents.

MODULE 6: FORM 43, IDAHO PART-YEAR RESIDENT & NONRESIDENT INCOME TAX RETURN

Idaho Form 43 is used if a taxpayer is required to file an Idaho return but does not qualify to use Form 40.

LESSON 1 – STARTING THE RETURN

Form 43 is used if the taxpayer:

- lived in Idaho for a portion of the year
- didn't live in Idaho but had more than \$2,500 in GROSS Idaho source income
- lived in Idaho but the spouse was a part-year resident or a nonresident
- was an Idaho resident on active military duty outside Idaho and the spouse is not an Idaho resident
- was a military nonresident with an Idaho filing requirement

Complete the Form header by entering the taxpayer(s) name, Social Security number and mailing address. If a taxpayer or spouse passed away during the tax year, mark the appropriate box.

Residency status:

Enter the residency status for the taxpayer and the spouse. The taxpayer and the spouse may have a different residency status.

1. **Resident** - An individual who has lived in Idaho for the entire tax year or is domiciled in Idaho. (See domicile in Module 1.)

ON THE WEB:

Residency Status and Idaho Source Income brochure: [Idaho residency requirements](#)

2. **Idaho Resident on Active Military Duty** - An individual stationed outside Idaho on full-time active military duty with Idaho as their home of record. Full-time active duty is defined as 120 consecutive days of continuous and uninterrupted service. This does not have to be in the same calendar year.
3. **Nonresident** - An individual who isn't domiciled in Idaho and didn't live in Idaho during any part of the tax year.
4. **Part-Year Resident** - An individual who lived or was domiciled in Idaho during a portion of the year.

- 5. Military Nonresident** - An individual on full-time active military duty with a home of record other than Idaho.

Full months in Idaho:

Enter the number of full months each part-year resident lived in Idaho. The taxpayer is considered to have lived in Idaho for the full month if they resided in Idaho for 16 or more days.

Current state of residence:

Use the two-letter abbreviation to report the current state of residence for each nonresident and part-year resident. If an individual is a military nonresident, indicate the military home of record.

Filing Status:

Idaho filing status must match the filing status on the federal return. For example, if the taxpayer files married joint on their federal return, they must file married joint on their Idaho return.

If the taxpayer is married but filing separately, enter the spouse's Social Security number in the box at the upper right hand corner. Be sure to mark box 3.

If both spouses are residents of different states, filing jointly or separately, the return is beyond the scope of VITA/TCE.

Dependents:

Idaho follows the federal code to determine if someone can be claimed as a dependent. If the taxpayer can be claimed as a dependent on someone else's return, they can't be claimed here.

Mark the box for the taxpayer (and spouse). Enter the number of "other dependents" in box 6c. List the first and last names and Social Security numbers of dependents. If there are more than 4 dependents, continue the list on Form 39NR, Page 2, Section G. **The total dependents should match the total federal dependents claimed.**

LESSON 2 - IDAHO INCOME

The income section is used to report the income that is subject to tax in Idaho. The general guidance is to enter income that was from Idaho sources and income received while the taxpayer was a resident, part-year resident, or domiciled in Idaho. For more discussion about residency and domicile, refer to Module 1.

Line 7 Wages, Salaries, Tips, Etc.

Review the amount of wages, salaries, tips, etc. reported on the federal form. From that amount enter the total amount that the taxpayer:

- received for all employment while an Idaho resident or part-year resident, even if the wages were earned outside Idaho;
- earned in Idaho, even if the taxpayer was living outside the state;
- earned while Idaho was his or her military home of record.

An active duty military person stationed in Idaho with a home of record other than Idaho shouldn't include their military wages.

Line 8 Taxable Interest Income

Review the amount of taxable interest income reported on the federal form. From that amount enter:

- interest income received while an Idaho resident,
- business interest income earned from Idaho sources, and
- interest income on installment sales of Idaho property.

Interest earned from a personal bank account from an Idaho bank by a nonresident isn't taxable to Idaho.

Line 9 Dividend Income

Review the dividend income reported on the federal form. From that amount, enter the dividend income the taxpayer earned:

- while an Idaho resident or part-year resident, and
- from Idaho sources while a nonresident.

Line 10 Alimony Received

From federal Schedule 1, line 2a, enter alimony received while an Idaho resident or part-year resident.

Line 11 Business Income or Loss

Review business income reported on the federal forms Schedule C and C-EZ. Enter the net profit or loss amount received:

- while an Idaho resident or part-year resident, and
- from Idaho sources while a nonresident.

CAUTION: If the taxpayer conducted their business in more than one state, the income needs to be apportioned on Form 42. This situation is beyond the scope of VITA/TCE.

Line 12 Capital Gain or Loss

Review the federal form, federal Schedule D and Form 8949. Enter the capital gain or loss from:

- the sale of qualified assets located in Idaho,
- the sale of qualified assets while residing in Idaho, or
- the receipt of all installment sale proceeds while an Idaho resident.

Line 13 Other Gains or Losses

From federal Form 4797, enter other gains or losses that occurred while an Idaho resident or part-year resident or from an Idaho business.

Line 14 IRA Distribution

Review the IRA distributions reported on the federal form. Enter the taxable portion of the IRA distribution the taxpayer received while they were an Idaho resident or part-year resident.

Line 15 Pension and Annuities

Review the pensions and annuities reported from the federal form. Enter the amount of pension and annuity income the taxpayer received while an Idaho resident or part-year resident.

Generally, a nonresident does not pay Idaho income tax on their pension, even if the pension resulted from Idaho employment. The exception is if both spouses are residents of different community property states (Arizona, California, Idaho, Louisiana, Nevada, Texas, New Mexico, Washington and Wisconsin). That exception is outside the scope of VITA/TCE.

Line 16 Rents, Royalties, Partnerships, etc.

Not within the scope of this manual.

Line 17 Farm Income or Loss

Not within the scope of this manual.

Line 18 Unemployment Compensation

Review any unemployment compensation the taxpayer received. Enter any unemployment compensation received while an Idaho resident or part-year resident. Enter any amounts received from the Idaho Department of Labor while a nonresident.

Line 19 Other Income

Enter any other income that was received while the taxpayer was an Idaho resident or part-year resident. Also include other income received from an Idaho source.

Include the following gambling winnings:

- any winnings from lottery tickets or any other form of gambling that took place in Idaho;
- winnings from a lottery ticket or any other form of gambling that took place in another state, while the taxpayer was an Idaho resident or part-year resident.



Check your progress

Module 6 - Quiz 1

1. Ross Carlson moved to Idaho on June 1, 2023. Mr. Carlson has a 1099-INT from ABC Bank showing he earned \$2,100 in interest income. He also has a 1099-DIV from Good Corporation showing he earned \$3,000 in dividends. Compute the amount of interest and dividend income that will be taxable in Idaho and fill in that portion of the Form 43.

Module 6 - Quiz 1

Answers

Line 8 Taxable Interest Income	\$ 1,225
Line 9 Dividend Income	\$ 1,750

Comment [CA59]: Is this earned ratably over the year or when received?

Comment [CA60]: Per Kevin should be ratably.

LESSON 3 - IDAHO ADJUSTMENTS

The adjustment section is used to determine the portion of the federal adjustments that apply to the Idaho income. Generally, these Idaho adjustments are calculated by applying the percentage of Idaho total income to the federal total income. Worksheets are provided in the instructions.

Line 21 Deductions for IRAs and Health Savings Accounts

Review the IRA deduction on the federal form and the Federal Health Savings Account deduction on the federal form. Use the worksheet to determine the percentage and Idaho amount.

Enter Idaho's portion of:

- The IRA deduction included on federal Schedule 1, line 20
 - The deduction for a federal health savings account included on Schedule 1, line 13
 - The Archer MSA deduction included on Schedule 1, line 23, and
 - The IRC 501(c)(18)(D) retirement plan included on Schedule 1, line 24f
1. Enter the amount of wages and earned income you computed on the federal IRA deduction worksheet and the amount of income you earned from the business that the federal health savings account deduction is claimed on _____
 2. Enter the amount from line 1 received while an Idaho resident or part-year resident or from Idaho sources _____
 3. Divide line 2 by line 1. (Can't exceed 100%) _____ %
 4. Enter amounts from federal Schedule 1, lines 13, 20, 23, and 24f _____
 5. Multiply line 4 by line 3. Enter this amount on line 21 _____

Line 22 Moving Expenses, Alimony Paid, and Student Loan Interest

From federal Schedule 1, line 19a, enter alimony paid while an Idaho resident or part-year resident.

Review the moving expense adjustment on the federal form. Use the worksheet to determine the percentage and Idaho amount.

NOTE: Federal rules on claiming alimony paid or received have changed. Please see the federal Schedule 1 instructions, and only include payments that are allowed on your federal taxes.

1. Enter total income from Form 43, line 20. Don't include federal NOL in line 20 _____
2. Enter total income from federal Form 1040 or 1040-SR, line 9, less federal NOL unless already subtracted _____
3. Divide line 1 by line 2. (Can't exceed 100%) _____ %
4. Enter total allowable Federal amount of moving expenses, alimony paid, and student loan interest _____
5. Multiply line 4 by line 3. Enter this amount on line 22 _____

Line 23 Deductions for Self-employed

This is beyond the scope of VITA/TCE.

Line 24 Penalty on Early Withdrawal of Savings

Review the penalty on early withdrawal of savings on the federal Schedule 1, line 18. Enter the amount that relates to interest income that was reported as Idaho income.

Line 25 Other Deductions

You may qualify for an Idaho deduction if you claimed any of the following items on federal Schedule 1, lines 11 through 24 relating to:

- Reservists
- Performing artists
- Fee-based government officials
- Educator expenses
- A write-in deduction for rental of personal property
- Reforestation amortization and expenses
- Attorney fees and court costs
- Jury duty pay

Divide the amount of income relating to that item included in Idaho total income by the income relating to the item included in federal adjusted gross income. This percentage is multiplied by the deduction claimed on your federal return to calculate the deduction allowed on your Idaho return. For example, divide Idaho jury pay included in Idaho total income by total jury pay included in federal adjusted gross income to arrive at a percentage (can't exceed 100%). Multiply that percentage by the amount of the jury pay claimed as a deduction on your federal return. Repeat this step for each of the deductions mentioned above. Total the result for each deduction and enter the amount on line 25. Include a copy of your calculations with your return.

Line 27 Adjusted Gross Income

Subtract line 26 from line 20. Enter on line 27 and the same amount on line 28, *column B*.

Line 28

In **Column A**, enter the Adjusted Gross Income from the taxpayer's federal Form 1040 or 1040-SR, line 11. In **Column B**, enter the amount from Idaho Form 43, line 27 which is the Idaho AGI.

Comment [CA61]: Form 1040 or Form 1040-SR

Line 29 Columns A and B

Enter Additions (if any) from Form 39NR, Section A, line 5. Additions are discussed in Module 8, Lesson 1.

Line 30 Columns A and B

Enter the Subtractions (if any) from Form 39NR, Section B, line 26. Subtractions are discussed in Module 8, Lesson 2.

LESSON 4 - TAX COMPUTATION

A part-year resident or nonresident is allowed **only a portion** of the standard deduction (or adjusted itemized deductions) based on the percentage of their Idaho adjusted income to their federal adjusted income. The percentage is calculated on line 38.

Line 32 a, b, c.

Mark the appropriate box to indicate if the taxpayer or their spouse is age 65 or older, or blind. Also, mark the appropriate box to indicate if the person is claimed as a dependent on someone else's return.

The standard deduction is increased if the taxpayer or spouse is 65 or older, or blind. It will also change if the taxpayer can be claimed as a dependent on another return. Taxpayers who checked any of the boxes on Line 32 should use the standard deduction worksheet in the Form 43 Instructions.

Lines 33-36 Itemized or standard deductions

Standard Deductions Most people can find their standard deduction by looking at the instructions to the left of Form 43, line 36. Use the Standard Deduction Worksheet below to calculate your standard deduction if:

- You check any boxes on lines 32a through 32c, or
- Someone can claim you or your spouse, if filing jointly, as a dependent

You can use either your federal itemized deductions or standard deduction, whichever benefits you more.

Standard Deduction Worksheet

1. Enter the amount shown below for your filing status:
 - Single or married filing separately enter \$13,850
 - Married filing jointly or qualifying surviving spouse enter \$27,700
 - Head of household enter \$20,800
2. Can you be claimed as a dependent?
 - No. Enter the amount from line 1 on line 4. Skip line 3
 - Yes. Go to line 3.
3. Is your earned income more than \$850?
 - Yes. Add \$400 to your earned income. Enter the total
 - No. Enter \$1,250
4. If you can be claimed as a dependent, enter the smaller of lines 1 or 3. If born after January 1, 1959, and not blind, skip to line 6. Otherwise, go to line 5
5. If born before January 2, 1959, or blind, multiply the total number of boxes checked on Form 43, lines 32a and 32b by \$1,500 (\$1,850 if single or head of household)
6. Add lines 4 and 5. Enter the total here and on Form 43, line 36

Comment [CA62]: 13,850

Comment [CA63]: Surviving spouse

Comment [CA64]: 27,700

Comment [CA65]: 20,800

Comment [CA66]: 850

Comment [CA67]: 1,250

Comment [CA68]: 1959

Comment [CA69]: 1959

Comment [CA70]: 1,500

Comment [CA71]: 1,850

Keep in mind that Idaho follows federal code regarding itemized and standard deductions except that Idaho requires the add-back of any local or state taxes reported on federal Schedule A, line 5e. This is added back on line 34.

There is a limit of \$5,000 (\$10,000 if married filing jointly) on the amount that can be claimed on the federal return for state and local taxes. When adding back local and state taxes, don't add back property taxes included in that amount. Thus, if the property tax amount is \$7,500 on a joint return, and state income or sales tax paid is \$5,000, only \$10,000 of the \$12,500 total was deductible on the federal return. Since \$7,500 was property tax, you will only add back \$2,500 for income or sales tax.

Sometimes it is more beneficial for the taxpayer to take the standard deduction instead of itemized deductions. They are allowed to use the standard deduction for Idaho, even if they itemize for federal, and vice versa. Be sure to consider what is best for the taxpayer.

The taxpayer **must** itemize their deductions if they file married filing separate on their return and their spouse itemizes.

The taxpayer **must** itemize their deductions if they file their federal return as a nonresident alien for part of the year unless their home country is India. However, they don't have to itemize if they file a joint return with their spouse who is a U.S. citizen or a resident at the end of the year and the taxpayer and spouse agree to be taxed on their worldwide income.

Line 38 Idaho Percentage

Divide the total adjusted Idaho income on line 31, column B by the amount of total adjusted income on line 31, column A to determine the percentage of income reported to Idaho. Round to the nearest *hundredth* of a percent (i.e. 54.68% or .5468, four places to the right of the decimal point). The percentage cannot exceed 100%.

Example: Joe Green's total adjusted income on line 31, column A is \$30,000. His Idaho adjusted income on line 31, column B, is \$22,000. The percentage is 73.33% ($\$22,000/\$30,000 = 73.33\%$ or .7333).

Line 40 Qualified Business Income Deduction

Use the worksheet below to calculate the amount to enter on line 40.

Comment [CA72]: 38

Comment [CA73]: 31

Comment [CA74]: 31

Comment [CA75]: 31

Comment [CA76]: 31

Comment [CA77]: Insert worksheet

Comment [CA78]: Change to
Use the worksheet below to calculate the amount to
enter on line 40 and insert worksheet.

Worksheet

1. Enter the business information in the table below using information from your K-1s and federal Form 8995. Then add your totals for Column (c) and for column (e).

(a) Business name	(b) Taxpayer identification number	(c) Total qualified business income or (loss)	(d) Idaho apportionment factor	(e) Idaho source qualified business income or (loss) (Multiply Column c by Column d)
		Total:		Total:

2. Divide the total of Column (e) by the total of Column (c) for your Idaho percentage of qualified business income. It can't exceed 100%	2	
3. Enter the qualified business income deduction you claimed on your federal return	3	
4. Multiply line 2 by line 3 to calculate your Idaho Qualified business income deduction. Enter the amount from line 4 on Idaho Form 43, line 40	4	

Line 41 Idaho Taxable Income

Subtract the amounts on lines 39 and 40 from the Idaho income on line 31, column B. If the deductions are more than the income, enter zero. Do not enter a negative number.

Line 42 Tax

Use the worksheet below to compute the tax. If the taxpayer's gross income is below the Idaho filing requirement (filing only to receive a refund of withheld taxes), write NRF (Not Required to File) on this line.

Comment [CA79]: Worksheet below (and insert worksheet).

Comment [CA80]: Insert worksheet

Worksheet

1. Enter the amount of Idaho taxable income from Form 43, line 41
2. Enter the amount shown below for your filing status:
 - Single or married filing separately, enter \$4,489
 - Married filing jointly, head of household, or qualifying surviving spouse, enter \$8,978
3. Subtract line 2 from line 1. Enter the subtotal
4. Multiply subtotal by 5.8%
5. **Idaho tax.** Enter the total here and on Form 43, line 42



Check your progress

Module 6 - Quiz 2

1. Why does Idaho Form 43 ask for a percentage?

Module 6 - Quiz 2

Answer

1. Since the taxpayer is only paying tax on part of his income, the percentage calculation must be done to determine what part of his standard (or itemized) deduction(s) can be subtracted from his Idaho income to determine his Idaho taxable income.

LESSON 5 - IDAHO TAX CREDITS

Idaho has a number of credits for which the taxpayer may qualify. ***Some of the credits aren't available for nonresidents.***

Line 43 Income Tax Paid to Other States

A person who was ***not a resident*** of Idaho at any time during the year ***cannot*** take this credit.

A person who was a resident of Idaho for a portion of the year may qualify for the credit. If they earned income in another state while a resident of Idaho, and both states show the income as taxable, they may qualify for the credit. Use Form 39NR, Section C to compute the credit for a part-year resident. If the taxpayer qualifies for a credit for taxes paid to more than one state, you must use a separate Form 39NR for each state. Attach a complete copy of the other state's tax returns. For Idaho residents on active military duty, use Form 39NR, Section D for claiming credit for income tax paid to another state.

TIP: A return for the other state must be completed before the credit can be computed.

The credit claimed on line 43 cannot exceed the tax computed on line 42.

The computation of the credit is explained in Module 7, lessons 3 and 4.

Line 45 Total Business Income Tax Credits

This is beyond the scope of VITA/TCE.

Line 46 Idaho Child Tax Credit

Idaho has a state Child Tax Credit of \$205 for each qualifying child. Nonresidents don't qualify for the credit, and part-year residents only qualify for the time they are Idaho residents.

To qualify for the Idaho Child Tax Credit, the child must:

- Be your qualifying child
- Be less than age 17 as of December 31, 2023

Comment [CA81]: 2023

If you don't have a qualifying child, you can't claim the credit.

For divorced parents or parents who don't live together, the custodial parent claims the qualifying child. The noncustodial parent may claim the child if either:

- A court has unconditionally awarded, in writing, the noncustodial parent the child tax credit
- The custodial parent signs a written declaration that the noncustodial parent can claim the child for the child tax credit

The noncustodial parent must attach a copy of the court order or the written declaration to their income tax return.

Idaho Child Tax Credit Worksheet

Worksheet

1. Enter the number of months you lived in Idaho (more than 15 days is treated as a full month)
2. Multiply line 1 by \$17.08
3. Multiply line 2 by the number of your qualifying children*
4. Enter the amount from Form 43, line 42 ...
5. Enter the amount from Form 43, line 43 ...
6. Part-year residents: Enter the amount from Form 43, line 63. (See line 63 instructions for calculating the Grocery Credit.)
7. Enter the amount from Form 43, line 44 ...
8. Enter the amount from Form 43, line 45 ...
9. Subtract lines 5 through 8 from line 4. If less than zero, enter zero
10. Enter the lesser of lines 3 or 9 here and on Form 43, line 46

*See federal Form 1040 instructions for more information on qualifying children.

LESSON 6 - OTHER TAXES

The Idaho income tax return is used not only to collect income tax but also to collect other types of taxes.

Line 48 Fuels Tax

This is beyond the scope of VITA/TCE.

Line 49 Sales and Use Tax

Multiply the purchase price of nontaxed items by 6% to compute the use tax on items purchased in 2023. Enter the amount of use tax the taxpayer owes. Refer to Module 4, Lesson 4 for more information.

Comment [CA82]: 2023

Line 50 Total Tax from Recapture of Income Tax Credits

This is beyond the scope of VITA/TCE.

Line 51 Tax from Recapture of Qualified Investment Exemption (QIE).

This is beyond the scope of VITA/TCE.

Line 52 Permanent Building Fund

The permanent building fund is used to maintain and build state buildings. If the taxpayer's *gross* income meets the Idaho filing requirement, they're required to pay the \$10 permanent building fund, unless the taxpayer or their spouse was:

- receiving public assistance on the last day of the year. Public assistance includes aid to dependent children, general assistance, old-age assistance, aid to the blind, aid to the disabled, and medical assistance. WIC and food stamps aren't considered public assistance for this purpose.
- legally blind at the end of the year.

The \$10 is printed on the form. If the gross income is below the filing requirement, draw a line through the \$10 and write NRF (Not Required to File) beside the \$10.

If the person is exempt, be sure to mark the box for Idaho public assistance, if applicable, and draw a line through the \$10.



Check your progress

Module 6 - Quiz 3

1. Jason is a Washington resident who worked in Lewiston, Idaho for part of 2023. He is single and earned \$7,200 in Lewiston. He had \$262 in Idaho withholding. He is filing a Form 43 for Idaho.
Must he pay the Permanent Building Fund?
Yes _____ No _____
2. Eric is a Washington resident who worked in Lewiston, Idaho part of 2023. He is single and earned \$2,450 with \$113 withheld for Idaho. He is filing a Form 43 for Idaho.
Must he pay the Permanent Building Fund?

Comment [CA83]: 2023

Comment [CA84]: 2023

Yes _____ No _____

Why? _____

Module 6 - Quiz 3

Answers

1. Yes. His Idaho income meets the filing requirement.
2. No. His income is below the 2022 filing requirement. He is filing to get his withholding back.

LESSON 7 - DONATIONS

Lines 54-61

Enter the amount the taxpayer wishes to donate to each specific charity. Refer to Module 4, Lesson 5 for more information.

LESSON 8 - PAYMENTS AND OTHER CREDITS

The credits in this section are different than the credits discussed previously. The credits in the previous section are used to offset the tax owed. The credits in this section may be refundable for full-year residents

Line 63 Grocery Credit

Enter the allowable grocery credit. The grocery credit is a partial refund of the sales tax paid on groceries. ***The credit isn't available to a nonresident.*** A part-year resident is allowed a grocery credit for each month the taxpayer, their spouse, and their dependents reside in Idaho. For this purpose, more than 15 days of a month is treated as a full month.

An individual doesn't qualify for the credit for any month or part of a month for which he:

- received assistance from the federal food stamp program
- was incarcerated; or
- lived illegally in the United States.

If under age 65, the credit is \$10 per month.

Comment [CA85]: 10

If age 65 or older on December 31, the credit is \$11.67 per month.

Comment [CA86]: 11.67

Don't claim this credit for a person who is a dependent on someone else's return. The credit is allowed on the return that claims the dependent.

Use this worksheet:

Yourself:

1. Number of qualified months
2. If 65 or older, multiply line 1 by \$11.67
If under 65, multiply line 1 by \$10

Spouse (if joint return):

3. Number of qualified months
4. If 65 or older, multiply line 3 by \$11.67
If under 65, multiply line 3 by \$10

Resident dependents claimed on line 6:

5. Enter \$120 for each dependent who qualifies for the entire year. If a dependent qualifies for only part of the year, compute as follows:
- Number of qualified months x \$10
- Number of qualified months x \$10
- Number of qualified months x \$10
- Number of qualified months x \$10

(If you have more than four dependents, use additional paper to compute.)

Total credit allowed:

6. Add amounts on lines 2, 4, and 5
7. Enter tax. Subtract line 43 from 42
8. Enter the smaller of line 6 or line 7 here
and on line 63

A part-year resident cannot get a refund of grocery credit that exceeds their income tax liability (line 42 - line 43).

Example: John Provo and his family moved to Idaho on June 8. The taxable income is \$950. Their grocery credit is computed as follows:

Taxpayer	(7 months x \$10)	\$70.00
Spouse	(7 months x \$10)	\$70.00
Dependent	(7 months x \$10)	\$70.00
		\$210.00

- Comment [CA87]: 10
- Comment [CA88]: 70.
- Comment [CA89]: 10
- Comment [CA90]: 70
- Comment [CA91]: 10
- Comment [CA92]: 70
- Comment [CA93]: 210.

On their Form 43 the *income tax* on line 42 is \$16 and total tax on line 53 is \$26. Their Idaho income tax withholding is \$100. They will only be allowed \$16 grocery credit. Their refund will be \$90.

Members of the Armed Forces:

- A member of the United States Armed Forces who is domiciled in Idaho is allowed the credit.
- A member of the armed forces who lives in Idaho but is a nonresident under the Service Members Civil Relief Act is not allowed the grocery credit.
- A spouse or dependent of a nonresident military person stationed in Idaho may be an Idaho resident or part-year resident. The domicile of the dependent child is presumed to be that of the nonmilitary spouse.

Line 63 Donating the Grocery Credit

Taxpayers may donate their entire grocery credit to the Cooperative Welfare Fund. The election is made by checking the box on line 63 and entering zero (0) in the column for line 63. The election is *irrevocable* and may not be changed on an amended return.

Line 64 Maintaining A Home for Family Member Age 65 or Older or Developmentally Disabled

This credit is computed on Form 39NR, section F. This credit is actually two separate credits:

- Maintaining a Home for a Family Member Age 65 or Older
- Maintaining a Home for the Developmentally Disabled

Part-year residents and nonresidents do not qualify for this credit.

If either the taxpayer or their spouse is a full-year resident of Idaho or if either of them is an Idaho resident on active military duty outside Idaho, they qualify for the credit if they meet the other qualifications. *Qualifications are discussed in Module 4, Lesson 6.*

Idaho also provides for an income subtraction for Maintaining a Home for a Family Member Age 65 or Older and Maintaining a Home for the Developmentally Disabled. The subtraction uses the same qualifications as the tax credit.

The taxpayer can't claim both the tax credit and the income subtraction. **The tax credit is usually more beneficial** to the taxpayer. The subtraction is taken on Form 39NR, section B, and is discussed in Module 7, lesson 2.

Line 65 Fuels Tax Refund

This is beyond the scope of VITA/TCE.

Line 66 Idaho Income Tax Withheld

Add the Idaho income tax withheld from each of the taxpayer's W-2 and/or 1099 forms and enter the total.

CAUTION: Be careful to enter only *Idaho* withholding, not federal or Social Security tax or any other state's withheld tax.

Line 67 Estimated Payments

Enter the total estimated payments paid during the year. The voluntary payment is filed with Form 51, Estimated Payment of Idaho Individual Income Tax. The taxpayer may have made an estimated payment by having a portion of the 2022 refund applied toward their 2023 tax. Check their prior year's return.

Comment [CA94]: Delete

Comment [CA95]: 2022

Comment [CA96]: 2023

Line 68 Pass-through Income Tax Withheld/Paid by Entity

This is beyond the scope of VITA/TCE.

Line 69 Reimbursement Incentive Act credit

This is beyond the scope of VITA/TCE.



Check your progress

Module 6 - Quiz 4

1. Mr. and Mrs. Eno moved to Idaho on August 26, 2023. They meet the Idaho filing requirement and are filing married-joint on Form 43. They have three dependents who live with them. Their taxable income is \$1,800. Their Idaho tax on line 42 is \$24. Mr. Eno is age 66.
- How much is the total grocery credit the Enos can receive? _____

Comment [CA97]: 2023

Module 6 - Quiz 4

Answers

1. 4 family members x \$10 x 4 months = \$ 160.00
1 taxpayer over 65 x \$11.67 x 4 months = 46.68
\$ 206.68

However, their grocery credit is limited to \$24 because a part-year resident's grocery credit cannot exceed their Idaho income tax.

Comment [CA98]: 10

Comment [CA99]: 160

Comment [CA100]: 11.67

Comment [CA101]: 46.68

Comment [CA102]: 206.68

LESSON 9 - REFUND OR TAX DUE

Line 71 Tax Due

If the total tax plus donations on line 62 is more than the total payment and other credits on line 70 the taxpayer owes tax. Enter the difference.

Comment [CA103]: 62

Line 72 Penalty and Interest

If the taxpayer withdrew money from their Medical Savings Account for a purpose other than paying qualified medical expenses, and the taxpayer is under age 59 ½, the withdrawal is subject to a 10% penalty. Multiply the amount of the withdrawal that was not used to pay qualified medical expenses by 10%. Enter the amount and mark the box.

If the income tax isn't paid in full by April 15, penalties and interest will apply accordingly. However, penalties are substantially reduced if the return is filed by the due date, even if payment isn't made immediately.

Line 74 Total Due

Comment [CA104]: 74

Add the penalty on line 72 and the tax due on line 71.

- Make the checks payable to "Idaho State Tax Commission".
- Instruct the taxpayer to put the last 4 digits of their Social Security number on the check, and indicate "2023 Form 40."
- Electronic payment options are available on our website at tax.idaho.gov/epay and payments can be made using credit/debit cards by calling (800) 972-7660. Fees may apply to credit/debit card transactions and e-checks.

Comment [CA105]: 2023

Line 75 Overpaid

Subtract the total tax plus donations on line 62 from the total payments and other credits on line 70 and enter the amount.

Comment [CA106]: 75

Comment [CA107]: 62

Line 76 Refund

Enter the amount the taxpayer wants refunded to them.

TIP: Be careful to enter amounts on the right lines here so the taxpayer will receive the intended result.

Comment [CA108]: 76

Estimated Tax

Enter the amount the taxpayer wants the Idaho State Tax Commission to **apply** toward the income tax they will owe for 2024. If they want the full overpayment refunded to them, they should enter zero.

Line 77 Direct Deposit

If the taxpayer wants to have their refund directly deposited into their bank account, complete the routing number and account number information. Double check your entry for accuracy. **Check the box if the final direct deposit destination is out of the U.S.**

FINISHING THE RETURN

For married filing joint returns, both the TAXPAYER and the SPOUSE must sign a paper income tax return. A return without signatures will take longer to process.

The order for assembling a paper Idaho tax return is listed on page 4 of the Individual Income Tax instructions. Include a complete copy of the federal return. Include W-2 forms showing Idaho withholding. You do not have to include copies of the 1099 forms unless they show Idaho income tax withheld. If the taxpayer took a credit for tax paid to another state, be sure to include a complete copy of the other state's return(s).

QUALITY REVIEW CHECKLIST

- Are the names and Social Security numbers correct?
- Is the address correct?
- Is the filing status correct? Is it the same as federal?
- Does the amount in column A, line 28 match the federal return?
- Is line 28 column B the same as line 27?
- Are the amounts on the correct lines?
- Is the math correct?
- Did you mark the correct boxes on line 32, if needed? If so, is the standard deduction calculated correctly?
- Is the tax from the worksheet correct?
- Was the \$10 permanent building fund included?
- Is the grocery credit properly computed?
- Does the total of all the Idaho tax withheld shown on the W-2 and 1099 forms agree with the Idaho income tax withheld amount on the return?
- Is the refund amount on the right line?
- Did the taxpayer and the spouse sign the return?
- Are the W-2 and 1099 forms included?
- Is a complete copy of the federal return included?
- If there is a credit for taxes paid to another state, are complete copies of the other states' returns included?

Comment [CA109]: 32

Comment [CA110]: worksheet



Chapter Review

Module 6 Chapter Review

Prepare the 2023 Idaho tax return for the Jack Jones family from the information listed below. Their Federal Adjusted Gross Income on Federal Form 1040, line 7, is \$56,986.

1. Jack Jones SS# 477-77-9999 Age 47
Janis Jones SS# 399-39-3993 Age 42
Joe Jones SS# 466-66-4444 Age 15
2. The family moved from Clarkston, Washington on March 11, 2023. Their address is PO Box 9420, Lewiston, Idaho 83501. Joe has lived with his parents the entire year.
3. Jack was unemployed from December 2020 to March 2023. Janis was not employed in Washington in 2023. Jack's 1099G from Idaho for unemployment was for \$4,100. He received his first check March 18, 2023.
4. Jack's Idaho wages for 2023 were \$41,640 with \$2,328 in Idaho withholding. Janis's Idaho wages for 2023 were \$8,438 with \$168 in Idaho withholding.
5. Jack tells you that they paid Washington property taxes of \$2,300 and made cash charitable contributions of \$1,000 that they have receipts for.
6. The Jones' received an interest statement from Wells Fargo Bank of Richland showing interest of \$247.56. They also received a W-2G from the Washington State Lottery Commission showing winnings of \$560 they received in February and a W2-G from the Idaho State Lottery Commission showing winnings of \$2,000 they received in July.

Comment [CA111]: 2023

Comment [CA112]: 2023

Comment [CA113]: 2023

Comment [CA114]: 2023

Comment [CA115]: 2023

Comment [CA116]: 2023

Comment [CA117]: 2023

Module 6 Chapter Review

Answers

Line 27	\$ 56,385
Line 36	27,700
Line 38	98.95%
Line 39	27,409
Line 41	28,976
Line 46	171
Line 53	999
Line 63	300
Line 75	1,797

Comment [CA118]: 56,385

Comment [CA119]: 27,700

Comment [CA120]: 98.95

Comment [CA121]: 27,409

Comment [CA122]: 28,976

Comment [CA123]: 999

Comment [CA124]: 300

Comment [CA125]: 1797

MODULE 7: FORM 39NR, IDAHO SUPPLEMENTAL SCHEDULE (NONRESIDENTS AND PART-YEAR RESIDENTS)

Form 39NR is a supplemental schedule for part-year residents, nonresidents, and military personnel. It's used to report:

- Part A: Additions
- Part B: Subtractions
- Part C: Credit for Income Tax Paid to Other States by Part-Year Residents
- Part D: Credit for Income Tax Paid to Other States by Idaho Residents on Active Military Duty
- Part E: Credits for Contributions to Idaho Educational Entities, Idaho Youth and Rehabilitation Facilities and Live Organ Donation Expenses.
- Part F: Maintaining a Home for a Family Member Age 65 or Older, or a Family Member with a Developmental Disability
- Part G: Dependents

LESSON 1 - ADDITIONS

PART A: ADDITIONS

Some income is exempt on the federal return but is not exempt on the Idaho return. This income is added back on Form 39NR.

Line 1 Non-Idaho State and Local Bond Interest and Dividends

Interest and dividends paid on bonds issued by state and local government entities (municipal bonds) are exempt from federal income tax. Therefore, the interest isn't included in the income on Form 43, line 8 or 9.

Idaho taxes municipal bond interest that is NOT from an Idaho entity. On line 1, column A, enter the municipal bond interest the taxpayer received from government entities outside Idaho. In column B enter any amount in column A that was earned while the taxpayer was an Idaho resident.

Line 2 Idaho College Savings Account Withdrawal

In both columns A and B, enter any amount of nonqualified withdrawal from an Idaho college savings account less amounts reported as income on the Federal Form 1040. For more information about the Idaho college savings program, refer to Form 39NR, Subtractions, discussed in Module 7, Lesson 2 .

Line 3 Bonus Depreciation

This is outside the scope of VITA/TCE.

Line 4 Other Additions

All “other additions” are outside the scope of VITA/TCE, except for withdrawals from a Medical Savings Account.

Medical Savings Accounts are discussed in Module 5, Lesson 2. If a taxpayer withdraws money for something other than eligible medical expenses, the amount becomes taxable. In columns A and B, enter the amount that was withdrawn that wasn’t used to pay qualified medical expenses.

If you make an unqualified withdrawal and you’re under age 59 1/2, a penalty of 10% applies to the withdrawal. Report the penalty on form 43, line 72 and check the box for an unqualified withdrawal.



Check your progress

Module 7 - Quiz 1

Dave received the following interest income from his investments in 2022.

_____ Los Angeles County Municipal Bonds	780
_____ Idaho Falls Municipal Bonds	\$1,200
_____ Ada County Municipal Bonds	\$996
_____ Seattle Municipal Bonds	\$1,272

On April 1, 2022, Dave moved to Boise from Seattle.

1. Mark the above items that Dave will include as an addition to his Idaho income on his 2022 Form 43.
2. How much interest should Dave report in column A and column B? The interest was earned equally throughout the year.

Module 7 - Quiz 1**Answers**

1. Los Angeles County Municipal Bonds and Seattle Municipal Bonds should be marked as an addition to Idaho income.
2. Column A: \$2,052 Column B: \$1,539 $((2,052 \div 12) \times 9)$

LESSON 2 - SUBTRACTIONS

PART B: SUBTRACTIONS

Idaho allows several subtractions from adjusted gross income.

Line 1 Idaho Net Operating Loss (NOL) Carryover and Carryback

This is beyond the scope of VITA/TCE.

Line 2 State Income Tax Refund

In column A, enter **all** state income tax refunds included on federal Schedule 1, line 1. Do not make an entry in column B.

Line 3 Interest from U.S. Government Obligations

Interest income received from an obligation of the U.S. Government isn't subject to Idaho income tax. The interest must be a direct obligation, not just guaranteed by the federal government.

On line 3, column A, enter the interest income the taxpayer received from obligations of the U.S. government that was included on federal Form 1040 or 1040-SR, line 2a. In column B, enter the interest income the taxpayer received from obligations of the U.S. Government that was included on Form 43, line 27.

Line 4 Child and Dependent Care Expenses

Idaho follows the federal code to determine if a taxpayer may deduct his child and dependent care expenses. If the *credit* is allowed on the federal return, a deduction may be allowed on the Idaho return. Use federal Form 2441 along with the worksheet on the next page to calculate the deduction.

Include a copy of Form 2441 with the return.

1. Enter the amount of qualified expenses you incurred and paid in 2023. Don't include amounts paid by your employer _____
2. Enter \$12,000 for one or more child or dependent cared for during the year _____
3. Enter excluded benefits from Part III, Form 2441 _____
4. Subtract line 3 from line 2. If zero or less, stop. You can't claim the deduction _____
5. Enter your earned income _____
6. If married filing a joint return, enter your spouse's earned income. All others enter the amount from line 5 _____
7. Enter the smallest of lines 1, 4, 5, or 6 here and on Form 39NR, Part B, line 4, Column A _____
8. If married filing a joint return, enter the total of lines 5 and 6 that are from Idaho sources. All others enter the amount from line 5 from Idaho sources _____
9. If married filing a joint return, enter the total of lines 5 and 6. All others enter the amount from line 5 _____
10. Divide line 8 by line 9. (Can't exceed 100%) _____ %
11. Multiply line 7 by line 10. Enter this amount here and on Form 39NR, Part B, line 4, Column B _____

Line 5 Social Security and Railroad Benefits

Idaho doesn't tax Social Security or equivalent benefits, such as Tier 1 Railroad Retirement Board or Canadian Social Security benefits. If a portion of the taxpayer's Social Security benefits is taxable on the federal return, subtract that amount here.

Railroad retirement benefits are paid in two parts. Tier I is reported to the recipient on a Form RRB-1099. It's the equivalent of Social Security and is treated the same as Social Security on the federal return. Tier II is reported to the recipient on Form RRB-1099R. It's treated the same as a pension or annuity on the federal return. This amount is also deducted on the Idaho return.

On line 5, column A, enter the Social Security and railroad retirement benefits included as taxable income on the federal form. Do not make an entry in column B.

Line 6 Idaho Capital Gains Deduction

Enter the amount from Form CG, line 11, in columns A & B. Idaho allows a deduction of 60% of qualified capital gains income. Only Idaho real property will be discussed in this manual since other capital gain deductions are beyond the scope of VITA/TCE.

Refer to Form CG, Idaho Capital Gains Deduction to verify that the capital gain qualifies for the deduction.

TIP: Not all capital gains qualify for the deduction; stocks and bonds don't qualify. Only property located in Idaho qualifies.

The real property must be located in Idaho and owned for at least 12 months. For more information about this issue, refer to Module 5, Lesson 2.

Line 7 Idaho Resident-Military Pay Earned Outside of Idaho

In both columns A & B, enter the taxpayer's active duty wages earned outside of Idaho. You should have entered that income on Form 43, line 7.

TIP: The number of active duty days in a year is listed on a person's Leave and Earnings Statement.

If the taxpayer was on active duty for a continuous and uninterrupted 120 days or more, they may deduct the military pay earned outside of Idaho. The continuous 120 days don't have to be in the same year. The wage and tax statement (W-2) doesn't show this amount separately and you may have to compute the amount of income earned outside of Idaho.

National Guard or reserve pay, including annual training pay, doesn't qualify unless the taxpayer is on active duty.

Line 8 Idaho Medical Savings Account Contributions and Interest

Any taxpayer can open a Medical Savings Account at any Idaho financial institution that offers the service. For more information about Idaho MSA accounts, refer to Module 5, Lesson 2.

In columns A and B, enter the amount the taxpayer has contributed to their Medical Savings Account and the interest the account has earned during the calendar year. The contribution can't be more than \$10,000 (\$20,000 if married filing a joint return).

Line 9 Idaho College Savings Program

In both columns A & B, enter the allowable amount contributed.

The taxpayer may contribute up to \$6,000 (\$12,000 if married filing a joint return) per year to a qualified Idaho College Savings Program and deduct the contribution.

For more information about this deduction and the IDeal program, refer to Module 5, Lesson 2.



Check your progress

Module 7 - Quiz 2

1. Mr. and Mrs. Winn are Nevada residents. Mr. Winn commutes daily to his job in Idaho. Mr. and Mrs. Winn bank in Idaho. Their bank offers Medical Savings Accounts. Are Mr. and Mrs. Winn eligible to set up a Medical Savings Account?

Yes _____ No _____

2. What is the dollar amount Mr. and Mrs. Winn are allowed?

\$20,000

\$10,000

\$4,000

Module 7 - Quiz 2

Answers

1. Yes
2. \$20,000

Line 10 Adoption Expenses

In column A, enter the allowable adoption expenses. For more information about this deduction, refer to Module 5, Lesson 2.

In column B, enter the amount included in column A in the proportion that the total Idaho income bears to the total income from all sources by completing the worksheet below.

Column B: Enter the amount included in Column A in the proportion that total Idaho income bears to total income from all sources. Complete the following worksheet.

1. Total Idaho income from Form 43, line 20
2. Total income from federal Form 1040 or 1040-SR, line 9
3. Divide line 1 by line 2. (Can't exceed 100%)
4. Total adoption expenses from line 10, Column A
5. Multiply line 4 by line 3. Enter this amount on line 10, Column B

The deduction is limited to:

- legal expenses
- medical expenses
- \$10,000 per adoption
- the amount paid in that tax year
- a successful attempt at adoption

TIP: A taxpayer can take this subtraction even if they are adopting their spouse's child.

If the expenses are paid in more than one year, they are deducted in the year they are paid. **The total deduction per adoption cannot be more than \$10,000.** If expenses are claimed for an unsuccessful adoption attempt, an amended return must be filed to add back any deductions claimed.

Line 11 Maintaining a Home for the Aged and/or Developmentally Disabled

The taxpayer can deduct \$1,000 for each qualifying family member. The amount can't exceed \$3,000. In both columns A & B, enter the deduction amount.

NOTE: Before taking this deduction, consider that Idaho allows a tax credit for Maintaining a Home for the Aged and/or Developmentally Disabled. **The taxpayer may not claim both the deduction and the tax credit.** This section covers the **subtraction**. Usually the tax credit is more beneficial to the taxpayer. The qualifications are the same for both the subtraction and the tax credit and are discussed in Module 4, Lesson 6. The credit is calculated on Form 39NR, part E and is taken on Form 43, line 63.

Line 12 Idaho Lottery Winnings

On line 12, columns A and B, enter the winning amount from each Idaho lottery ticket of less than \$600 that was included in other income on Form 43, line 19. For more information, refer to Module 5, Lesson 2.

Line 13 Income Earned on a Reservation by an American Indian

Leave column A blank. In column B, enter the income that was earned on the reservation by an enrolled tribal member of the tribe upon whose reservation the taxpayer lives, if it was included as income on Form 43. For more information, refer to Module 5, Lesson 2.

Line 14 Worker's Compensation Insurance

This is beyond the scope of VITA/TCE

Line 15 Partners and Shareholders

This is beyond the scope of the VITA/TCE.

Line 16 Energy Efficiency Upgrade

Enter the total qualifying expenses in columns A and B. Idaho allows a subtraction for installing additional insulation or improving the energy efficiency of your Idaho home. The replacement of existing insulation does not qualify. The home qualifies if it:

- is in Idaho,
- is your primary residence, and
- was built prior to January 1, 2002.

For more information, refer to Module 5, Lesson 2.

Line 17 Technological Equipment Donation

Idaho allows a deduction for the donation of technological equipment to certain entities. Enter the fair market value of the equipment donated. Enter the donation amount in both columns A & B. For more information about this deduction, refer to Module 5, Lesson 2.

Line 18 Health Insurance Premiums

For more information, refer to Module 5, Lesson 2. Column A: Deduct the **allowable amount** of premiums the taxpayer paid for health insurance for themselves and their dependents if those premiums have not already been deducted or excluded from their income. If they itemize deductions, use the worksheet below and report the amount from line 10.

HEALTH INSURANCE DEDUCTION LIMITATIONS

1. Amount claimed for health insurance costs on federal Form 1040 or 1040-SR, Schedule A
2. Amount claimed for long-term care insurance on federal Form 1040 or 1040-SR, Schedule A
3. Additional medical expenses claimed on federal Form 1040 or 1040-SR, Schedule A
4. Total medical expenses. Add lines 1, 2 and 3
5. Enter 7.5% of federal adjusted gross income
6. Medical expense deduction allowed on the federal Form 1040 or 1040-SR, Schedule A. (Subtract line 5 from line 4. If less than zero, enter zero.)
7. Enter the total paid for health insurance
8. Portion of health insurance deduction allowed on federal Form 1040 or 1040-SR, Schedule A. Enter the lesser of lines 1 or 6
9. Enter the total health insurance costs deducted elsewhere on the federal return
10. Idaho health insurance deduction allowed. Subtract lines 8 and 9 from line 7. Enter this amount on Form 39NR, line 18, Column A

For Column B, enter the amount from line 5 of the worksheet below.

1. Total Idaho income from Form 43, line 20 _____
2. Total income from federal Form 1040 or 1040-SR, line 6 _____
3. Divide line 1 by line 2. (Can't exceed 100%) _____ %
4. Enter the amount from Form 39NR, line 18, Column A _____
5. Allowable Idaho deduction. Multiply line 4 by line 3 _____

Line 19 Long-term Care Insurance

Idaho allows a deduction for the amount paid in premiums for long-term care insurance that is not otherwise deducted or accounted for. For more information, refer to the Idaho income tax instructions booklet, page 45.

For Column A, enter 100% of the amount paid in premiums for long-term care insurance (not already deducted). If the taxpayer used federal Schedule A, they would use the worksheet below.

LONG-TERM CARE INSURANCE DEDUCTION LIMITATION

1. Amount claimed for health insurance costs on federal Form 1040 or 1040-SR, Schedule A _____
2. Amount claimed for long-term care insurance on federal Form 1040 or 1040-SR, Schedule A _____
3. Additional medical expenses claimed on federal Form 1040 or 1040-SR, Schedule A _____
4. Total medical expenses. Add lines 1, 2 and 3 _____
5. Enter 7.5% of federal adjusted gross income (Form 1040 or 1040-SR, Line 11) _____
6. Medical expense deduction allowed on the federal Form 1040 or 1040-SR, Schedule A. (Subtract line 5 from line 4. If less than zero, enter zero.) _____
7. Enter the total paid for long-term insurance _____
8. Medical expense deduction not allocated to health insurance costs. Subtract line 1 from line 6. If less than zero, enter zero _____
9. Portion of long-term care insurance deduction allowed on federal Form 1040 or 1040-SR, Schedule A. Enter the lesser of lines 2 or 12 _____
10. Enter the total long-term care insurance costs deducted elsewhere on the federal return _____
11. Long-term care insurance deduction allowed. Subtract lines 13 and 14 from line 11. Enter this amount on Form 39NR, line 19, Column A _____

For Column B, enter the amount from line 5 of the worksheet below.

1. Total Idaho income from Form 43, line 20 _____
2. Total income from federal Form 1040 or 1040-SR, line 7b _____
3. Divide line 1 by line 2. (Can't exceed 100%) _____ %
4. Enter the amount from Form 39NR, line 19, Column A _____
5. Allowable Idaho deduction. Multiply line 4 by line 3 _____

Line 20 Alternative Energy Device Deduction

Idaho allows a deduction for a portion of the amount the taxpayer paid to install an alternative energy device in their Idaho residence. For more information about this deduction, refer to Module 5, Lesson 2. For Columns A & B, Lines 20a-20d, enter the allowable amounts.

Line 22 Retirement Benefits Deduction

Enter the qualified retirement benefits on lines 22a - 22i. Certain retirement benefits may be deductible if the taxpayer is an Idaho resident and is either age 65 or age 62 and disabled. *Only the following retirement benefits qualify:*

- **Civil service employees** – retirement annuities paid by the U.S. Civil Service Retirement System (CSRS), the Foreign Service Retirement and Disability System (FSRDS), or the offset programs of these two systems. To qualify for the deduction, the employee must have established eligibility before 1984. Benefits from FERS do not qualify.
- **PERSI Base Plan** benefits don’t qualify.
- **Idaho firefighters** - retirement benefits paid by the Firemen’s Retirement Fund of the State of Idaho may qualify.
- **Police officers of an Idaho city** - retirement benefits paid by the Policemen’s Retirement Fund of an Idaho city may qualify. It doesn’t include retirement paid by PERSI.
- **Service members** - retirement benefits paid for service in the United States military.

A taxpayer with a filing status of married filing separately cannot take this deduction.

a. If single, enter \$43,524, if married filing jointly enter \$65,286	_____
b. Federal Railroad Retirement received	_____
c. Social Security benefits received	_____
d. Balance. Subtract lines b and c from line a. If less than zero, enter zero	_____
e. Qualifying retirement benefits included in federal income	_____
f. Column A benefits. Smaller of line d or e	_____
g. Qualifying retirement benefits included in Idaho gross income	_____
h. Divide line g by line e	_____
i. Column B benefits deduction. Multiply line f by line h	_____

Comment [CA126]: Update worksheet

Line 23 Column A Nonresident Military Pay

If you are a nonresident of Idaho, enter the amount of military pay included in Form 43, line 28, column A.

Line 24 Bonus Depreciation

This is beyond the scope of VITA/TCE.

Line 25 Other Subtractions

This is beyond the scope of VITA/TCE.

Line 26 Total Subtractions

Add each column. Carry those figures to Form 43, line 30, columns A & B respectively.



Check your progress

Module 7 - Quiz 3

1. During the year Mark won \$575 from Idaho's scratch tickets, \$700 from online horse racing in Garden City, Idaho, and \$400 from Oregon's Mega Lottery. What amount isn't taxable?
2. What are the criteria for Idaho income to be exempt if earned by an American Indian?

Module 7 - Quiz 3**Answers**

1. Only the \$575 in Idaho's lottery scratch tickets.
2.
 - Be an enrolled member of a federally recognized tribe.
 - Live on an Idaho reservation.
 - Work on an Idaho reservation.

LESSON 3 - CREDIT FOR INCOME TAX PAID TO OTHER STATES BY PART-YEAR RESIDENTS

PART C: Credit for Income Taxes Paid to Other States by Part-Year Residents

When an Idaho part-year resident earns income in another state and that state has an income tax, the income is taxed by the state where it is earned and by Idaho at the same time. When this occurs, Idaho allows a credit for the tax paid to the other state. The credit applies only to another state; it doesn't apply to another country. This credit only applies to the income taxed by another state **while an Idaho resident**.

A copy of the other state's income tax return **must** be included. The State Tax Commission will **not** allow the credit if the other state's return is not included.

If the taxpayer is claiming credit for taxes paid to more than one state, he must file a separate Form 39NR for each state.

Example: Jack Jones moved to Idaho from Oregon in June. He continued to work in Oregon for two months after he moved. The income he earned in Oregon in June and July is taxable to Oregon because he earned it in Oregon. It's also taxable to Idaho because he was a resident of Idaho. He can compute the credit using the income he earned in Oregon in June and July, but not for what he earned in Oregon prior to June.

Most lines are self-explanatory, but here is some additional information for selected lines:

Line 2. Enter the total portion of federal adjusted gross income derived in the other state, **modified to reflect Idaho additions and subtractions**. In computing the income derived in the other state, reverse any adjustments to federal taxable income allowed by the other state that isn't applicable to Idaho.

Line 5. Divide line 3 by line 1. Round the percentage to the nearest one/hundredth of a percent, four places to the right of the decimal point. (Example: .63729 to .6373 = 63.73%)

Line 7. Enter the other state's tax due from its tax table or rate schedule less its income tax credits. If your income derived in the other state was reported on a composite or group return filed by an S corporation or partnership, enter your proportionate share of the tax paid by the S corporation or partnership minus your proportionate share of the

income tax credits. Income tax credits are only those credits that relate to income tax. An example of a credit that isn't an income tax credit is a special fuels or gasoline tax credit.

LESSON 4 - CREDIT FOR INCOME TAX PAID TO OTHER STATES BY IDAHO RESIDENTS ON ACTIVE MILITARY DUTY

Part D: Credit for Income Tax Paid to Other States by Idaho Residents on Active Military Duty

Enter the name of the state for which credit is being claimed.

Line 2. Enter the total portion of federal adjusted gross income derived in the other state, **modified to reflect Idaho additions and subtractions**. In computing the income derived in the other state, reverse any adjustments to federal taxable income allowed by the other state that isn't applicable to Idaho.

Line 3. Enter the Idaho adjusted income from Form 43, line 31, column B.

Line 4. Divide line 2 by line 3 and round to four digits to the right of the decimal point.

Line 6. Enter the other state's tax due from its tax table or rate schedule, minus its income tax credits.



Check your progress

Module 7 - Quiz 4

Amy is serving in the United States Marine Corps. Idaho is her military home of record. She was on active duty in Illinois for all of 2022. Her military wages were \$12,000. She worked part-time at a music store in Illinois and earned \$8,000. She returned to Idaho February 1, 2024.

1. What income does Idaho tax? _____
2. What income does Illinois tax? _____
3. What form(s) should she use to compute the tax for Idaho? _____

Module 7 - Quiz 4**Answers**

1. \$8,000. The residency of a qualified service member is presumed to be that member's military home of record, in this case, Idaho.
2. \$8,000. Her nonmilitary wages were earned in Illinois.
3. Federal Form 1040, Idaho Forms 40 and 39R (for the active duty military pay earned outside of Idaho subtraction and the credit for income tax paid to Illinois), and a complete copy of the Illinois return.

LESSON 5 - PARTS E, F, AND G

Part E: Credits for Contributions to Idaho Educational Entities, Idaho Youth and Rehabilitation Facilities, and Live Organ Donation Expenses**Line 1 Credit for Contributions to Idaho Educational Entities**

Enter the credit allowed. Refer to Module 5, Lesson 4 for information about the credit. Remember that there are limitations, all of which apply:

- $\frac{1}{2}$ of cash contributed (no credit for donated goods);
- 50% of the tax on Form 43, line 42;
- \$500 (\$1,000 on a joint return);
- The tax on form 43, line 42, less the amount on Form 43, line 43.

Line 2 Credit for Contributions to Idaho Youth and Rehabilitation Facilities

Enter the credit allowed. Refer to Module 5, Lesson 4 for information about the credit.

The credit is limited to the smallest of:

- $\frac{1}{2}$ of the cash or fair market value of goods donated;
- 20% of the tax on Form 43, line 42;
- \$100 (\$200 on a joint return);
- The tax on Form 43, line 42 less the amounts on Form 43, line 43 and Form 39NR, Part E, line 1.

Line 3 Credit for Live Organ Donation Expenses

Enter the credit allowed. Refer to Module 5, Lesson 4 for more information.

Part F: Maintaining a Home for a Family Member Age 65 or Older, or a Family Member with a Developmental Disability

Only full and part-year residents, including Idaho residents on active military duty outside Idaho, may claim these tax credits. For more information about the credit and who qualifies, refer to Module 4, Lesson 6 and Module 6, Lesson 8.

Line 1 Maintaining a Home for the Aged

Idaho allows a **credit** for a taxpayer who is providing a home for, and paying over half the support of, an immediate family member who is age 65 or older. Check the box that applies.

Line 2 Maintaining a Home for the Developmentally Disabled

Idaho allows a **credit** for a taxpayer who is providing a home for, and paying more than half the support of, a family member who is developmentally disabled. Check the box that applies.

Line 3

List the family member's name, Social Security number, relationship to the taxpayer, and date of birth. Check the box if the person is disabled.

Part G: Dependents

List any additional dependents in this section. Form 43, line 6c only provides space for four dependents.

DISCLAIMER

The material in this manual applies to tax returns that are within the scope of the VITA/TCE program, which is primarily for low income wage-earners and senior citizens.

Idaho tax law is not discussed in such detail to make this manual an all-inclusive reference guide for a tax return that is not within the usual VITA/TCE scope.

While we have made every effort possible to ensure that this manual gives adequate instruction to accurately apply Idaho tax law, the Idaho Income Tax Act and associated rules take precedence over any information in this manual.