

## TAX INFORMATION FOR IDAHO NEWCOMERS

### Idaho Taxes

Most of Idaho's tax revenue comes from three sources: property tax, income tax (personal and corporate), and sales and use tax. The Idaho State Tax Commission collects income tax and sales and use tax. Property taxes fund local government and are imposed and collected by the county where the property is located.

### Property Tax

**Average Urban Rate:** 1.57%

**Average Rural Rate:** 1.13%

The rates shown above are average statewide total tax rates for 2005. You can calculate a rough estimate of property taxes by multiplying the average tax rate by the property value, less exemptions. The actual tax rate is the sum of the tax rates of all the taxing districts in one location. Owner-occupied primary residences in Idaho qualify for a homeowner's exemption; this exempts 50% of the taxable value of the home and up to one acre of land, up to a maximum of \$75,000 for 2006 property taxes and \$89,325 for 2007 property taxes. Farms qualify for a partial exemption.

**Retirees:** Idaho Property Tax Reduction (formerly Circuit Breaker) of up to \$1,320 is available to persons age 65 and older, widowed or disabled persons of any age, and POWs who meet income and residence requirements.

### Income Tax (Personal)

**Rate:** 1.6% to 7.8%

Personal income tax is graduated so higher earnings are taxed at a higher rate. For 2006, the first \$1,198 of taxable income is taxed at 1.6%, the next \$1,198 is taxed at 3.6%, etc. The maximum 7.8% tax rate is reached at \$23,963 of taxable income for single filers and \$47,926 for married couples filing jointly. Idaho residents are taxed on their total income, even if it's earned in another state or country. Idaho income tax brackets are adjusted for inflation each year.

Taxpayers don't have to make estimated payments for their personal income tax return. Most wage earners have income tax withheld by their employers. Credits to offset income tax due include: \$20 grocery credit (\$35 for people age 65 or over); credit for tax paid to other states; and credits for donations to Idaho educational entities and some nonprofit youth and rehabilitation facilities.

**Retirees:** Idaho doesn't tax Social Security income and Tier 1 and Tier 2 Railroad Retirement benefits. Retired taxpayers may receive a partial tax exemption for civil service and military retirement income received after age 65 (62 if

disabled). A \$20 grocery credit is refundable to residents over 62 who aren't required to file an income tax return (\$35 for people over 65).

## Sales & Use Tax

**Rate:** 6%

*Sales tax* applies to the sale, rental, or lease of tangible personal property and some services. Food is taxed, but prescription drugs are not. Hotel, motel, and campground accommodations are taxed at a higher rate (8-12%). Some counties and resort cities collect a local sales tax.

Use tax is a tax on goods that you put to use or store in Idaho. If you haven't paid sales tax on these goods, you owe a use tax (unless an Idaho exemption applies).

*Use tax* is paid directly to the state, instead of to the seller of the goods. Individuals and businesses that don't make retail sales pay use tax with their annual Idaho income tax return or a use tax return, or they can submit it directly to the Tax Commission. Businesses that make retail sales pay use tax with their sales tax return.

For more information about use tax, visit [tax.idaho.gov](http://tax.idaho.gov) or read the Tax Commission's Use Tax brochure.

## Estate Tax

At the current time, Idaho doesn't have an estate tax. This could change by an act of Congress or the Idaho Legislature.

## Inheritance Gift Tax

Idaho has no inheritance tax or gift tax.

**For more information, contact:**

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- [tax.idaho.gov](http://tax.idaho.gov)

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission or a qualified tax practitioner.