



MULTISTATE INCOME/FRANCHISE TAX

Idaho State Tax Commission adopts market-based sourcing rules Tax Alert

Overview

Applicable for tax years beginning on or after January 1, 2022, Idaho requires taxpayers to use market-based sourcing for sales of other than sales of tangible personal property. Administrative rules regarding the market-based sourcing have been adopted by the Idaho State Tax Commission.

This Tax Alert summarizes the topics covered by the new Idaho market-based sourcing rules and where to locate the rules.

Idaho market-based sourcing rules

On March 16, 2022, Idaho enacted a single sales factor apportionment formula with market-based sourcing for sales other than sales of tangible personal property. These changes are applicable for tax years beginning on or after January 1, 2022. Please see the previously published [Tax Alert](#) for more details about this law change.

The Idaho State Tax Commission (“Commission”) adopted pending Income Tax Administrative Rules regarding market-based sourcing for sales other than sales of tangible personal property. A copy of the rules is available [here](#) (see applicable rules beginning on page 99 of the linked PDF). The pending rules were released as part of the [December 2022 issue of the Idaho Administrative Bulletin](#). The Commission [voted to adopt](#) the rules; however the rules were not final and effective until the conclusion of the current session of the Idaho State Legislature. The current legislative session adjourned on April 6, 2023; therefore, the rules are now final and effective.

The Idaho administrative rules provide guidance regarding sourcing for the following types of sales of other than tangible personal property:

- Sales of a Services
 - In-Person Services
 - Services Delivered to the Customer or on Behalf of the Customer, or Delivered Electronically Through the Customer
 - Professional Services
- License or Lease of Intangible Property

- License of a Marketing Intangible
- License of a Production Intangible
- License of a Mixed Intangible
- License of Intangible Property where Substance of Transaction Resembles a Sale of Goods or Services
- Sales of Intangible Property

Taxpayers should consult these Idaho administrative rules to source sales of other than tangible personal property for tax years beginning on or after January 1, 2022.

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