

FAQ FORMULA SERIES

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TAXES FOR CANADIAN BUSINESSES IN THE USA: IDAHO

Question:

What state taxes does a Canadian business pay in Idaho?

Answer:

Sales Tax

The Idaho state sales tax rate is 6%. The rate can range from 6-9% depending on local municipalities.

Use Tax

The Idaho state use tax rate is 6%.

Unemployment Tax (Payroll Tax)

If you have employees working in Idaho, you must pay unemployment taxes on their gross wages up to the taxable wage base (\$41,600 for 2020). Rates range between 0.255%-8.49% depending on your experience rating as an employer.

Withholding (Payroll Tax)

If you have an employee earning income while in Idaho you must withhold a certain percentage of their income from each payroll. The amount of tax you withhold from an employee depends on the length of your pay period, the employees gross pay and the number of withholding allowances/exemptions claimed on their Form ID W-4.

Business Income Tax

You must file income tax returns for your business entity if you are transacting business in Idaho, if you are registered with the Idaho Secretary of State to do business in Idaho, or you have income attributable to Idaho. The current Idaho business tax rate is 6.925% on taxable income.

Discussion:

If you remain under certain thresholds in this state you are not responsible for taxes.

Tax	Threshold
Sales	\$100,000
Use	\$100,000

Availability of Treaty benefits:

Use taxes are often treated as income taxes by the Canadian government when calculating income in Canada and applying for foreign tax credits. Meaning if you pay use tax in the USA but have no net profit, you will not benefit from a tax credit theoretically. The actual application is a bit more complex.

Income taxes in the USA are almost always treated as income taxes by the Canadian government. Thus, in the majority of cases, if you pay tax in the state you don't pay tax again in Canada unless the Canadian rate is higher.

Recommendation:

If you are considering business in Idaho, including sales over \$100,000 to residents and businesses in Idaho, please contact GGCPA's at www.gilmour.ca/contact and we can advise on the best structure to reduce or minimize the impact of the taxes.



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