



This Week in State Tax (TWIST)

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Idaho: State high court finds reduced tax rate applicable to entire tax year

The Idaho Supreme Court recently held that a 2021 income tax rate cut applies to all tax years starting in 2001, allowing a taxpayer with a fiscal year ending September 30, 2021, to use the reduced rate for the entirety of its 2021 fiscal year corporate income tax filing. Prior to the 2021 amendment, Idaho law provided “[f]or taxable years commencing on and after January 1, 2001, a tax is hereby imposed on the Idaho taxable income of a corporation, ... which has income attributable to this state. The tax shall be equal to six and nine hundred twenty-five thousandths percent (6.925%) of Idaho taxable income.” The 2021 amendment revised only the rate portion of the law, leaving the remainder unchanged. The amendment included an emergency clause making it effective “retroactively to January 1, 2021.”

On its originally filed 2021 return, the taxpayer applied a blended rate and sought a refund. The blend rate was based on the pre-amendment rate for the portion of the tax year falling in 2020 and the amended rate for the portion falling in 2021. The Revenue Operations Division of the State Tax Commission denied the refund and applied the pre-amendment 2020 rate for the entire 2021 fiscal year. The Commission agreed, finding that Idaho law did not support the use of a blended rate and the amended statute carried an effective date of January 1, 2021. On appeal, a district court judge found in favor of the taxpayer, noting that the new rate applied to “taxable year 2001, and each taxable year thereafter.” Thus, the taxpayer was subject to the amended tax rate for the entirety of its 2021 fiscal year. The Tax Commission appealed.

The state supreme court first held that the plain language of the statute supported only one interpretation: “the 6.5% rate [*i.e.*, amended tax rate] applied to any tax year starting on or after January 1, 2001.” The fact that parties argued for three possible interpretations of the statute was unpersuasive as the statute itself was unambiguous. Further, examining the emergency clause in the enacted legislation, the court reasoned that this language merely specifies when the amended statute became legally operative; it does not “limit the application of the statute to tax years commencing on and after the effective date, nor does the effective date provision purport to redefine the tax years to which the rate applies.” The court acknowledged that Tax Commission’s argument that its interpretation “cannot be what the [l]egislature meant when it amended the statute in 2021,” but held that it was not the role of the court to rewrite an unambiguous statute, even in the face of potential absurdity.

The Tax Commission also argued that subsequent amendments to the relevant statute in 2022 and 2025, which included removing the “commencing on or after January 1, 2001” language and adding distinct subsections for each tax rate with corresponding applicability dates were curative amendments that clarified the legislature’s intention and should be applied retroactively. The court rejected this as the 2022 and 2025 amendments did not provide for retroactive application to January 1, 2021 or earlier.

Contact [Chris Hoge](#) with questions about [WAFD, Inc. v. Idaho State Tax Commission](#).

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