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Idaho law retroactively lowers 2022 top personal income tax rate, new withholding tables issued for employers

Summary

- Changes in Idaho law retroactively modify the state's income tax withholding rates and wage brackets, effective January 1, 2022. These changes result in lowering the income tax for many Idaho taxpayers.
- On June 15, 2022, the Idaho State Tax Commission released revised income tax withholding tables that employers need to use, effective immediately.
- Due to the law, employers using the highest income tax rate for bonuses and similar payment will need to reduce that rate from 6.5% to 6.0% going forward.

Earlier this year, Idaho Governor Brad Little signed into law [H.B. 436](#), which, retroactive to January 1, 2022, lowers the state's top personal income tax rate from 6.5% to 6.0% and from 3.1% to 3.0% for taxpayers earning \$1,000 but less than \$3,000, and eliminates the tax rate of 5.5% that applies to income of \$4,000 but less than \$5,000.

Concerning the legislation, Governor Little stated that, "Taxes should be fair, simple, competitive, and predictable, and the passage of my 'Leading Idaho' income tax relief bill is a step in that direction." (*Idaho Governor Little [press release](#), February 4, 2022.*)

Idaho income tax withholding tables updated for 2022

On June 15, 2022, the Idaho State Tax Commission issued [revised income tax withholding tables](#) reflecting the changes under H.B. 436. Employers should begin using the revised tables as soon as

possible; however, no retroactive withholding adjustments are required.

Supplemental wages

Idaho regulations do not allow for a flat rate of income tax withholding on supplemental wages. Employers using the highest tax rate for bonuses and similar compensation will need to lower the rate for 2022 from 6.5% to 6.0% going forward.

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