



EY Payroll NewsFlash Workforce Tax Services

*Tax. Benefits. Human Resources.
Working together with you.*



 Contact us for more information

 Join us on LinkedIn

Vol.24, 007
January 31, 2023

Idaho State Tax Commission to update withholding formula by July 2023 to reflect new flat tax effective January 1, 2023

The Idaho State Tax Commission stated that the new flat tax of 5.8% on income over \$2,500 (\$5,000 for married filing joint) that took effect January 1, 2023 under [H.B.1](#) will be reflected in its annual withholding formula revisions that are published before July 1 each year, delaying issuance of the updated withholding formula by six months. (*Idaho State Tax Commission, email response to inquiry, 1-18-2023.*)

The Commission's [Table for Percentage Computation Method of Withholding](#) and the [Table for Wage Bracket of Withholding](#), last updated June 15, 2022, reflect changes under [H.B. 436](#), that, effective retroactive to January 1, 2022, lowered the state's top personal income tax rate from 6.5% to 6.0% and reduced the number of brackets from five to four. (See *EY Tax Alert 2022-1096, July 19, 2022.*)

Accordingly, until the withholding formula is updated (by July 2023), the withholding rates that apply for January through June 2023 range from 1.0% to 6.0% (1%, 3%, 4.5% and 6%), rather than the flat 5.8% under H.B. 1 that applies effective January 1, 2023.

EY Insights

Due to the anticipated six-month delay in the Commission's issuance of the updated withholding formula, some employees could be under withheld and others over withheld. For instance, a single taxpayer with annual earnings from \$2,500 to \$21,261 could be under withheld, while a single taxpayer with annual earnings over \$21,261 could be over withheld.

Employers may want to consider communicating to employees that the current Idaho withholding formula may not result in Idaho income tax withholding that matches their estimated Idaho personal income tax liabilities for 2023. Employees may wish to consider adjusting their [ID W-4, Employee's Withholding Allowance Certificate](#).

See also [Massachusetts](#), where the added tax for income over \$1 million, effective January 1, 2023, is not likely to be reflected in the state's withholding formula until 2024.

For a breakdown of the 2023 income tax withholding rates for all states go [here](#).

Contact us for more information

Workforce Tax Services - Employment Tax Advisory Services

Kristie Lowery
kristie.lowery@ey.com

Ken Hausser
Kenneth.hausser@ey.com

Debera Salam
debera.salam@ey.com

The information contained herein is general in nature and is not intended, and should not be construed, as legal, accounting or tax advice or opinion provided by Ernst & Young LLP to the reader. The reader is also cautioned that this material may not be applicable to, or suitable for, the reader's specific circumstances or needs, and may require consideration of non-tax and other tax factors if any action is to be contemplated. The reader should contact his or her Ernst and Young LLP or other tax professional prior to taking any action based upon this information. Ernst & Young LLP assumes no obligation to inform the reader of any changes in tax laws or other factors that could affect the information contained herein. Copyright 2023. Ernst & Young LLP. All rights reserved. No part of this document may be reproduced, retransmitted or otherwise redistributed in any form or by any means, electronic or mechanical, including by photocopying, facsimile transmission, recording, rekeying, or using any information storage and retrieval system, without written permission from Ernst & Young LLP.