

SUMMARY STATEMENT

Noell Industries, Inc. v. Idaho State Tax Commission, Docket No. 46941

The Idaho Supreme Court affirmed the district court's judgment that the gain from the sale of an ownership interest in a legal entity did not constitute "business income" under Idaho Code section 63-3027. In 2010, Noell Industries, Inc. sold its interest in Blackhawk Industries, LLC, for a net gain of \$120 million. Noell Industries reported the income to Idaho, but paid all of the resulting tax on the gain to the Commonwealth of Virginia, which is its commercial domicile. Following an audit, the Idaho Tax Commission concluded the net gain was "business income" pursuant to Idaho Code section 63-3027(a)(1) and, thus, apportionable to Idaho. Noell Industries sought judicial review before the district court, which found that the Commission erred when it (1) determined that Noell Industries paid insufficient taxes in 2010 and (2) assessed additional tax and interest against it. The Supreme Court affirmed, concluding that the gain did not meet the definition of "business income" under the transactional test, functional test, or unitary business test. Thus, the gain from selling its interests in Blackhawk was nonbusiness income under Idaho Code section 63-3027.