

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 16069
[REDACTED])	
Petitioners.)	DECISION
)	
)	

On October 25, 2001, the Revenue Operations Division of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NOD) to [Redacted] (taxpayers), proposing income tax and interest for the year 2000, in the total amount of \$447.25.

On October 29, 2001, a timely protest and petition for redetermination was filed by the taxpayers. Mr. [Redacted] requested an informal hearing that was held on February 21, 2002. The Commission has reviewed the file, is advised of its contents, and hereby issues its decision affirming the NOD.

After reviewing the taxpayers 2000 Idaho individual income tax return (return), the Revenue Operations Division of the Commission sent a "Correction Notice" to the taxpayers on October 5, 2001, to explain the adjustment that needed to be made to their return. The notice stated in pertinent part:

This is what we found:

There was an error in the deduction for the social security benefits.
Please see the instructions.

The wrong standard deduction for your filing status was claimed.

An error was made in computing taxable income.

Tax was taken incorrectly from the tax table.

A math error was made in arriving at the total tax. . . .

[Redacted] responded to the Commission's "Correction Notice" in a letter dated October 12, 2001. In his letter he stated that there are really two separate and distinct issues instead of five as stated in the Commission's notice.

In the first issue, [Redacted] admits he made an error in the deduction for their social security benefits and is ready to pay the additional tax due from this error.

In the second issue, [Redacted] does not agree with the Commission's finding that he made an error in the standard deduction for their filing status on the return. He believes that there is an error and certainly a conflict in the instructions in the Idaho 2000 individual income tax return.

The inside of the cover of the instructions that discussed the new marriage penalty adjustment stated:

MARRIED TAXPAYERS FILING JOINTLY

As of January 1, 2000, the standard deduction for married taxpayers filing jointly is two times the basic standard deduction for a person who is not married and is not a surviving spouse or head of household.

[Redacted] wants the standard deduction for married taxpayers filing jointly and both age 65 or older to be \$11,000 instead of the correct amount of \$10,500 as stated on the return instructions in the table on page 7.

Idaho Code section 63-3022 stated in pertinent part::

- (j) In the case of an individual, there shall be allowed as a deduction from gross income either (1) or (2) at the option of the taxpayer:
 - (1) The standard deduction as defined in section 63, Internal Revenue Code . . .

In section 63 of the Internal Revenue Code, the standard deduction is made up of two components: the basic standard deduction and the additional standard deduction.

The additional standard deduction in the taxpayers' case is for being age 65 or older. The table on page 7 of the instructions combines the basic and additional standard deduction to make it

easier for taxpayers when preparing their return. The basis for the marriage penalty adjustment can be found in Idaho Code section 63-3022N which stated:

(1) To eliminate from the calculation of Idaho taxable income any marriage penalty that may exist in the basic standard deductions provided in the Internal Revenue Code, basic federal standard deductions shall be adjusted as provided in this section.

(2) As used in this section, "the marriage penalty" means the difference obtained by subtracting

(a) The basic standard deduction for joint returns, from

(b) Two (2) times the basic standard deduction for an individual who is not married and who is not a surviving spouse or head of household.

(3) For each taxable year beginning on and after January 1, 2000, the standard deduction in section 63-3022(k)(1), Idaho Code, shall be on a joint return, the basic federal joint standard deduction plus the marriage penalty, rounded to the nearest dollar, plus the amount of any additional standard deduction for the aged or blind for which a taxpayer may qualify under section 63 of the Internal Revenue Code.

(4) The basic federal standard deduction for an individual for whom a deduction under section 151 of the Internal Revenue Code is allowable to another taxpayer shall not be reduced below the minimum adjusted basic standard deduction provided by section 63 of the Internal Revenue Code.

The code is quite clear and unambiguous when it only uses the basic standard deduction to calculate the marriage penalty amount.

We find that the Commission's Revenue Operations Division correctly recomputed the taxpayers' tax liability.

Idaho Code § 63-3002 states:

It is the intent of the legislature by the adoption of this act, insofar as possible to make the provisions of the Idaho act identical to the provisions of the Federal Internal Revenue Code relating to the measurement of taxable income, to the end that taxable income reported each taxable year by a taxpayer to the internal revenue service shall be the identical sum reported to this state, subject only to modifications contained in the Idaho law; . . .

Since the taxpayers have not provided the Commission with a contrary result to the Commission's redetermination of their income, the Commission must uphold the deficiency as asserted.

WHEREFORE, the Notice of Deficiency Determination dated October 25, 2001, is hereby APPROVED, AFFIRMED, and MADE FINAL.

The taxpayers have paid the total amount asserted on the Notice of Deficiency Determination; and, therefore, no further demand for payment is made.

An explanation of the taxpayers' right to appeal this decision is enclosed with this decision.

DATED this ____ day of _____, 2002.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that I have on this ____ day of _____, 2002, served a copy of the within and foregoing DECISION by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED] Receipt No. [Redacted]
[Redacted] [REDACTED]

ADMINISTRATIVE ASSISTANT 1