

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 21676
[Redacted],)	
)	
Petitioners.)	DECISION
_____)	

[Redacted] (taxpayers) protested the Notice of Deficiency Determination dated November 21, 2008, asserting income tax, penalty, and interest in the total amount of \$17,608 for taxable years 2000 through 2004 and 2006. The taxpayers stated they needed additional time to get information [Redacted] so they could file proper returns. The Tax Commission, having reviewed the file, hereby issues its decision.

BACKGROUND

The Tax Discovery Bureau (Bureau) received information that showed the taxpayers may have had a requirement to file Idaho individual income tax returns for taxable years 2000 through 2006. The Bureau sent the taxpayers letters asking about their requirement to file Idaho income tax returns. The taxpayers did not respond to the Bureau's letters, so the Bureau obtained additional information [Redacted]. The Bureau determined the taxpayers were required to file Idaho income tax returns, so it prepared returns for the taxpayers for taxable years 2000 through 2004 and 2006 and sent them a Notice of Deficiency Determination. Taxable year 2005 was determined to be a refund, so the Bureau did not include it in the Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination stating that they did not think they needed to file Idaho income tax returns because [Redacted] worked in [Redacted]. The

taxpayers requested additional time to get information [Redacted] so they could prepare accurate Idaho income tax returns.

The Bureau acknowledged the taxpayers' protest and allowed them additional time to prepare and submit their Idaho income tax returns. The Bureau extended the time, at the taxpayers' request, for the taxpayers to submit their returns but nothing was ever received. Therefore, the Bureau referred the matter for administrative review.

The Tax Commission sent the taxpayers a letter giving them two options for having the Notice of Deficiency Determination redetermined. The taxpayers contacted the Tax Commission and said they had all the information but only some of their state withholdings. The Tax Commission provided the taxpayers with the information it had and waited for the returns to be filed. The taxpayers gave a date when they would file their returns, but when that date came and went, the taxpayers contacted the Tax Commission and stated their computer crashed so they were unable to print out their returns. The taxpayers stated they would prepare their returns by hand. A couple of months later, the taxpayers still had not submitted their returns. The Tax Commission contacted the taxpayers and found the taxpayers were still having problems preparing their returns. The Tax Commission asked that the taxpayers provide the information they had and the Tax Commission would prepare returns for their review. The taxpayers agreed and sent their documentation for taxable years 2004 through 2007. The Tax Commission prepared returns from the taxpayers' documentation and sent them to the taxpayers for their approval. The taxpayers did not respond, so the Tax Commission sent them a letter giving them a final date for submitting their returns. The taxpayers contacted the Tax Commission and stated they could not get their information for 2000 through 2003; however, they would provide returns for 2008 and 2009. The Tax Commission stated it would work up the returns for 2000 through 2003 based upon the

information available. The Tax Commission received the taxpayers' 2008 return but not the 2009 return.

LAW AND ANALYSIS

Idaho Code section 63-3030 states that every resident individual that is required to file a federal income tax return shall file an Idaho individual income tax return. The taxpayers did not contest being Idaho residents, they just thought that since [Redacted] worked in [Redacted] they did not have to file Idaho income tax returns.

Idaho Code section 63-3002 states that a tax shall be imposed on residents of Idaho measured by income from all sources. Therefore, as residents of Idaho the taxpayers were required to file Idaho income tax returns and report their income from all sources.

Idaho Code section 63-3029 provides for a credit for taxes paid to another state. The taxpayers stated and provided information showing [Redacted] worked in [Redacted] and had [Redacted] withholdings.

The Tax Commission obtained information from [Redacted] that showed the filing history of the taxpayers [Redacted] adjusted gross income. Based upon that information and other information from the Tax Commission's records, the Tax Commission was able to determine the taxpayers' Idaho taxable income. The taxpayers provided information that showed the income and withholdings [Redacted] earned while working in [Redacted]. From that information, the Tax Commission computed a credit for taxes paid to [Redacted]. The resulting returns provided a more accurate calculation of the taxpayers' Idaho income tax liability. Therefore, the Tax Commission modified the returns prepared by the Bureau to reflect the additional information obtained.

The income tax return for taxable year 2004 resulted in a refund. Idaho Code section 63-3072 states that a claim for credit or refund of tax must be made within three years of the due date of the return for the year for which the tax was paid. The due date for the taxpayers' 2004 Idaho income tax return was April 15, 2005. Since the taxpayers did not file a claim for refund on or before the statute of limitations date, April 15, 2008, no credit or refund is allowed.

CONCLUSION

The taxpayers were Idaho residents during all the years in question. As Idaho residents, the taxpayers were required to report their income from all sources to Idaho. The taxpayers had income in each of the years in excess of Idaho's filing requirements. Therefore, the taxpayers were required to file Idaho individual income tax returns.

Part of the taxpayers' income was earned in [Redacted]. Since [Redacted] requires individuals with [Redacted] source income to file [Redacted] income tax returns, the taxpayers were eligible for the Idaho credit for taxes paid to another state on their Idaho returns. Therefore, where appropriate, the Tax Commission allowed the taxpayers a credit for taxes paid to another state on the returns it completed for the taxpayers.

The Bureau added interest and penalty to the taxpayers' tax deficiency. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046, as to the modified tax deficiency.

THEREFORE, the Notice of Deficiency Determination dated November 21, 2008, and directed to [Redacted] is AFFIRMED AS MODIFIED by this decision.

IT IS ORDERED that the taxpayers pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2000	\$ 419	\$105	\$261	\$ 785
2001	90	23	49	162
2002	164	41	80	285
2003	720	180	311	1,211
2004	0	0	0	0
2006	105	26	25	156
			TOTAL DUE	<u>\$2,499</u>

DEMAND for immediate payment of the foregoing amount is hereby made and given.

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

DATED this _____ day of _____ 2011.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2011, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]

Receipt No.
