

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of )  
[Redacted], ) DOCKET NO. 23106  
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 )  
Petitioner. ) DECISION  
 )  
\_\_\_\_\_ )

[Redacted] (taxpayer) protested the Notice of Deficiency Determination dated July 10, 2010, asserting additional income tax and interest in the total amount of \$195.89 for taxable year 2009. The taxpayer disagreed with the adjustment disallowing the dependent exemption deduction for [Redacted]. The Tax Commission, having reviewed the file, hereby issues its decision.

The taxpayer timely filed his 2009 Idaho individual income tax return. During the processing of income tax returns, the taxpayer's return was identified as one of two returns that claimed a dependent exemption for [Redacted]. The Taxpayer Accounting section (Taxpayer Accounting) requested additional information from the taxpayer. The taxpayer did not respond to Taxpayer Accounting's questionnaire, but upon receiving a correction and tax computation letter, the taxpayer protested the change to his return and provided copies of three court documents that established paternity, custody, child support, and Medicaid reimbursement. The documents state that the taxpayer is the father [Redacted], that he is to pay child support, and that he was assigned a dependency exemption pursuant to the Idaho Child Support Guidelines.

Taxpayer Accounting reviewed the information, determined the taxpayer was not entitled to the dependent exemption, and sent the taxpayer a Notice of Deficiency Determination. Taxpayer Accounting then referred the matter for administrative review.

The Tax Commission reviewed the matter and sent the taxpayer a letter that discussed the methods available for redetermining a protested Notice of Deficiency Determination. The taxpayer failed to respond, so the Tax Commission reviewed the matter and made its decision based upon the information available.

[Redacted] is the biological father [Redacted]. The court order the taxpayer provided states that the primary physical custody [Redacted] will be with her mother. Therefore, the taxpayer is deemed the noncustodial parent [Redacted]. The taxpayer has not provided a signed release of the dependent exemption from the custodial parent. The taxpayer is apparently relying on the language in the court order that alludes to him getting a dependency exemption for [Redacted].

Deductions are a matter of legislative grace, and taxpayers bear the burden of proving that they are entitled to the deductions claimed. INDOPCO, Inc. v. Commissioner, 503 U.S. 79, 84, 112 S. Ct. 1039, 117 L.Ed.2d 226 (1992); New Colonial Ice Co. v. Helvering, 292 U.S. 435, 440, 54 S. Ct. 788, 78 L. Ed. 1348 (1934). Internal Revenue Code (IRC) section 151(c) allows a taxpayer a deduction of the exemption amount for each dependent as defined in IRC section 152. A child of a taxpayer is generally a dependent of the taxpayer.

IRC section 152(e) provides a special rule for parents who are divorced or who do not live together. It states in pertinent part:

- (1) In general.  
Notwithstanding subsection (c)(1)(B), (c)(4), or (d)(1)(C), if—
  - (A) a child receives over one-half of the child's support during the calendar year from the child's parents—
    - (i) who are divorced or legally separated under a decree of divorce or separate maintenance,
    - (ii) who are separated under a written separation agreement, or
    - (iii) who live apart at all times during the last 6 months of the calendar year, and—

(B) such child is in the custody of 1 or both of the child's parents for more than one-half of the calendar year, such child shall be treated as being the qualifying child or qualifying relative of the noncustodial parent for a calendar year if the requirements described in paragraph (2) or (3) are met.

(2) Exception where custodial parent releases claim to exemption for the year. For purposes of paragraph (1), the requirements described in this paragraph are met with respect to any calendar year if—

(A) the custodial parent signs a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such custodial parent will not claim such child as a dependent for any taxable year beginning in such calendar year, and

(B) the noncustodial parent attaches such written declaration to the noncustodial parent's return for the taxable year beginning during such calendar year.

IRC section 152(e)(2) clearly requires that the custodial parent sign a written declaration releasing the dependency exemption in order for the noncustodial parent to claim the child's dependency exemption.

The control over a child's dependency exemption conferred on the custodial parent by section 152(e)(2) was intended by Congress to simplify the process of determining who is entitled to claim dependency exemptions for children of a marriage. See H. Rept. 98-432 (Part 2), at 1498 (1984). To make section 152(e)(2) work as intended, that control must be preserved by insisting on adherence to the requirements of section 152(e)(2). Simply attaching a State court order that is not signed by the custodial parent to the return of the noncustodial parent does not satisfy the express statutory requirements of section 152(e)(2)(A). Miller v. CIR, 114 T.C. 184, (2000).

As previously stated, the taxpayer did not provide a statement from the custodial parent, and the court documents fall far short of an allowable substitute as provided in the Treasury Regulations. Since the signed release is a condition of IRC section 152(e) and no release form or statement was provided, the determination of whether the taxpayer can claim the dependent exemption reverts to IRC section 152(a).

IRC section 152(a) defines a dependent as either a “qualifying child” or a “qualifying relative.” A qualifying child is an individual who 1) bears a certain relationship to the taxpayer, such as the taxpayer's child, 2) has the same principal place of abode as the taxpayer for more

than one-half of the taxable year, 3) meets certain age requirements, 4) has not provided over one-half of the individual's own support for the taxable year, and 5) has not filed a joint return with the individual's spouse for the taxable year. IRC section 152(c)(1) through (3).

A qualifying relative is an individual 1) who bears a certain relationship to the taxpayer, such as the taxpayer's child, 2) whose gross income for the taxable year is less than the exemption amount, 3) with respect to whom the taxpayer provides over one-half of the individual's support for the taxable year, and 4) who is not a qualifying child of the taxpayer or of any other taxpayer for the taxable year. IRC section 152(d)(1) and (2).

Therefore, to claim [Redacted] as a dependent, the taxpayer must show that [Redacted] is either a qualifying child or a qualifying relative. Regarding a qualifying child, the taxpayer has not shown that [Redacted] principal place of abode was with him for more than one-half the taxable year. Consequently, he has not met his burden of proof of showing that [Redacted] was a qualifying child in taxable year 2009.

As for a qualifying relative, the taxpayer did not show that he provided over one-half of [Redacted] support for the taxable year or that [Redacted] was not a qualifying child of any other taxpayer for the taxable year. Since the taxpayer was not the custodial parent in 2009, the presumption is that [Redacted] was a qualifying child of the custodial parent. Therefore, [Redacted] cannot be a qualifying relative for the taxpayer.

Because [Redacted] does not meet the requirements for either a qualifying child or a qualifying relative as defined in IRC section 152, the Tax Commission finds that the taxpayer is not entitled to a dependent exemption deduction [Redacted] for taxable year 2009. And since the taxpayer is not entitled to the dependent exemption, the taxpayer cannot claim the additional grocery credit [Redacted] per Idaho Code section 63-3024A.

WHEREFORE, the Notice of Deficiency Determination dated July 10, 2010, is hereby APPROVED, AFFIRMED, and MADE FINAL.

The taxpayer paid the amount of the deficiency determination, so no further DEMAND for payment is needed or necessary.

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

IDAHO STATE TAX COMMISSION

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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.