

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 24228
[Redacted],)	
)	
Petitioners.)	DECISION
_____)	

On July 29, 2011, the staff of the Revenue Operations Division of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NODD) to [Redacted] (taxpayers) proposing additional tax and interest for taxable year 2010 in the total amount of \$527.48.

The taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not request a hearing. The Commission, having reviewed the file, hereby issues its decision.

The taxpayers timely filed their 2010 Idaho individual income tax return. During the processing of the taxpayers' return, the Taxpayer Accounting Section (Taxpayer Accounting) found that another taxpayer claimed a dependent exemption for the same children, [Redacted] [Redacted], as the taxpayers claimed on their income tax return. Taxpayer Accounting sent the taxpayers a letter requesting information to support the dependency exemption claims. The taxpayers responded, and based on the information provided, Taxpayer Accounting determined the taxpayers were not entitled to the dependent exemptions. Taxpayer Accounting disallowed the exemptions on the taxpayers' return and sent them a Tax Computation Change letter that shows the tax effect of disallowing the dependent exemptions and grocery credits.

The taxpayers protested the change in tax by sending in a copy of [Redacted] Paternity and Child Support Judgment and Order. The Order required [Redacted] to pay child support and stated that dependency exemptions for [Redacted] would be assigned to [Redacted], per child

support guidelines. Taxpayer Accounting reviewed the information and determined the taxpayers were not entitled to the dependent exemptions for the minor children. Taxpayer Accounting issued a Notice of Deficiency Determination to the taxpayers and sent the matter for administrative review.

The Commission reviewed the matter and sent the taxpayers a letter that discussed the methods available for redetermining a protested NODD. The taxpayers did not respond to the Commission's hearing rights letter and have failed to make further contact with the Commission. The Commission, having reviewed the file, hereby issues its decision.

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.

IRC section 152(c) defines a "qualifying child" as 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, and (4) has not provided over one-half of the individual's own support for the taxable year. IRC section 152(c)(1) through (3).

IRC section 152(d) defines a "qualifying relative" as 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).

To claim a dependent exemption, the taxpayers must show the dependent is either a qualifying child or a qualifying relative. Regarding a qualifying child, the taxpayers have not shown that [Redacted] principal place of abode was with them for more than one-half the taxable year. Consequently, the taxpayers have no qualifying child for taxable year 2010. As for meeting the requirements for a qualifying relative of the taxpayers, the taxpayers failed to show that they provided over one-half the support of [Redacted] for taxable year 2010, or that the children were not the qualifying children of any other taxpayer for taxable year 2010.

It is presumed from the fact that [Redacted] is required to pay child support that the taxpayers may have provided nearly one-half, one-half, or over one-half of his children's support. However, the taxpayers did not provide any evidence to show the children's total support or the amount they paid toward their support. The taxpayers have not carried their burden of proving this requirement of a qualifying relative. In addition to the support issue, [Redacted] likely qualify as the qualifying children of their mother, another taxpayer. In either case, the three children do not meet the requirements of a qualifying relative for the taxpayers.

Because [Redacted] do not meet the requirements for either a qualifying child or a qualifying relative as defined in IRC section 152, the Commission finds that the taxpayers are not entitled to a dependency exemption deduction for any of the three children for taxable year 2010. And, since the taxpayers are not entitled to the dependency exemptions, the taxpayers cannot claim the additional grocery credit for the children per Idaho Code section 63-3024A.

THEREFORE, the NODD dated July 29, 2011, and directed to [Redacted], is hereby AFFIRMED.

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

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL DUE</u>
2010	\$518	\$16	\$534

Interest is calculated through January 13, 2012.

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.