

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

In the Matter of the Protest of )  
[Redacted], ) DOCKET NO. 24474  
Petitioner. ) DECISION  
\_\_\_\_\_ )

[Redacted] (Petitioner) protested the Notice of Deficiency Determination dated July 27, 2011, issued by the staff of the Income Tax Audit Bureau of the Idaho State Tax Commission proposing additional income tax and interest for the taxable year 2008 in the total amount of \$1,212. Petitioner disagreed that her income was not taxed by both Idaho and Utah. The Tax Commission, having reviewed the file, hereby issues its decision modifying the Notice of Deficiency Determination.

**BACKGROUND**

Petitioner filed a 2008 part-year Idaho resident individual income tax return claiming a credit for taxes paid to Utah. The Income Tax Audit Bureau (Bureau) selected Petitioner’s 2008 return to examine the credit claimed. The Bureau reviewed the information presented on Petitioner’s Idaho return and determined Petitioner did not pay any tax to Utah in 2008. The Bureau adjusted Petitioner’s Idaho return and sent her a Notice of Deficiency Determination.

Petitioner protested the Bureau’s determination. Petitioner stated she did have an income tax liability to Utah after Utah reviewed her return and made corrections. Petitioner provided a copy of the information she received from Utah showing the additional tax owed to Utah.

The Bureau reviewed the information Petitioner provided and determined Petitioner was entitled to a credit for taxes paid to Utah. The Bureau corrected its original audit report and sent Petitioner a modified deficiency determination and a request that Petitioner withdraw her protest.

Petitioner did not respond to the Bureau's modified determination, so the Bureau referred the matter for administrative review.

The Tax Commission sent Petitioner a letter giving her two options for having the Notice of Deficiency Determination redetermined. Petitioner did not respond, so the Tax Commission decided the matter based upon the information available.

#### LAW AND ANALYSIS

Idaho Code section 63-3029 states, in pertinent part,

Credit for income taxes paid another state or territory. --

(9) A part-year resident is entitled to a credit, determined in the manner prescribed by the state tax commission, for income taxes paid to another state in regard to income which is:

- (a) Earned while the taxpayer is domiciled in this state; and
- (b) Subject to tax in such other state.

Idaho's credit for taxes paid to another state is for residents and part-year residents of Idaho that have income from sources in another state that is subject to tax in Idaho and the other state. (Idaho Code section 63-3029(1) and (9).) Idaho's credit for taxes paid to another state is intended to ease the burden of paying state income taxes on the same income to more than one state. However, in order to receive the credit, the income has to be subject to tax in both Idaho and the other state.

In this case, Petitioner was a part-year resident of Idaho in 2008, moving back to Idaho in mid-June. Petitioner's employer remained the same throughout the year and her employer allocated her wages between Idaho and Utah on Petitioner's W-2 statement. Based upon Petitioner's W-2 statement, Petitioner's double taxed income is the difference between her total wages reported to Idaho and Utah, and her total wages reported for federal income tax purposes, or \$3,495. No other income was taxed by both states.

The Bureau based its original determination on the Utah tax return Petitioner provided with her Idaho income tax return. Petitioner's Utah tax return showed income reported to Utah but no tax being paid. Consequently, the Bureau determined no double taxed income and allowed no credit for taxes paid to another state. However, Petitioner incorrectly completed her Utah income tax return as evidenced by the Utah State Tax Commission sending Petitioner a notice of taxes due. Upon review of the Utah State Tax Commission's notice of taxes due, the Bureau revised its determination and allowed a credit for taxes paid to Utah.

The Tax Commission reviewed the Bureau's revised determination and found it did not correctly determine the amount of double taxed income. The Bureau based its double taxed income on Petitioner's adjusted gross income from each state as compared to Petitioner's federal adjusted gross income. However, this method takes into account income that was not taxed by both states. The income taxed by both Idaho and Utah was Petitioner's wages; therefore, the double taxed income is the difference between Petitioner's federal taxable wages and the sum of the wages taxed by Idaho and Utah.

#### CONCLUSION

Petitioner had wages that were taxed by both Idaho and Utah. Petitioner became a part-year resident of Idaho in 2008. Because Petitioner was a resident of Idaho and part of her wages were taxed by both Idaho and Utah, Petitioner was entitled to claim a credit for taxes paid to another state. Petitioner's only double taxed income was a portion of her wages for 2008. Therefore, the allowable credit for taxes paid to another state is computed only on Petitioner's double taxed wages.

THEREFORE, the Notice of Deficiency Determination dated July 27, 2011, is hereby AFFIRMED as MODIFIED by this decision.

IT IS ORDERED and THIS DOES ORDER that Petitioner pays the following tax and interest:

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$949	\$125	\$1,074

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

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

IDAHO STATE TAX COMMISSION

\_\_\_\_\_  
COMMISSIONER

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2012, 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.  
  
\_\_\_\_\_