

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

In the Matter of the Protest of )  
[Redacted], ) DOCKET NO. 23255  
 )  
 )  
Petitioner. ) DECISION  
 )  
\_\_\_\_\_ )

[Redacted] (Petitioner) protested the Notice of Deficiency Determination dated July 21, 2010, asserting income tax, penalty, and interest in the total amount of \$9,942 for taxable year 2006. Petitioner disagreed with the Idaho taxable income the Tax Discovery Bureau determined. Petitioner stated the income he received was a lump sum payment from his pension plan for disability wages from an accident while he was living and working in [Redacted]. The Tax Commission, having reviewed the file, hereby issues its decision.

**BACKGROUND**

The Tax Discovery Bureau (Bureau) received information that showed Petitioner may have had a requirement to file an Idaho individual income tax return for taxable year 2006. The Bureau searched the Tax Commission’s records and found that Petitioner did not file Idaho income tax returns for taxable years 2006 and 2007. The Bureau sent Petitioner letters asking about his requirement to file Idaho income tax returns. Petitioner failed to respond. The Bureau obtained additional information from the [Redacted] and prepared a 2006 Idaho income tax return for Petitioner. The Bureau chose not to pursue taxable year 2007 based upon the information available.

The Bureau sent Petitioner a Notice of Deficiency Determination, which Petitioner protested. Petitioner stated he moved to Idaho in 2006, and he did not know that he was required

to file a state income tax return on the disability income he received. The Bureau acknowledged Petitioner's protest and referred the matter for administrative review.

The Tax Commission reviewed the matter and sent Petitioner a letter that discussed the methods available for redetermining a protested Notice of Deficiency Determination. Petitioner contacted the Tax Commission and explained his situation. In 2001, Petitioner was in a head-on collision in [Redacted] where he was living and working. He has had problems with his short-term memory ever since. A lot happened the next five years that Petitioner is not very clear on. In 2006, Petitioner received a lump sum payment from his pension plan when it was finally determined Petitioner was disabled. The lump sum payment was for Petitioner's disability pay backdated to the date of his accident. Petitioner thought he received the payment while he was a resident of [Redacted]. Petitioner stated he would try to get the date he received the lump sum payment. Petitioner stated most of the lump sum payment went to the Social Security Administration and workmen's compensation to reimburse them for the cost of his injury care. Petitioner stated he would try to get the amounts paid back to workmen's compensation and Social Security.

The Tax Commission allowed Petitioner time to provide documentation of when the lump sum payment was received; however, when nothing was provided, the Tax Commission contacted Petitioner and was told he had requested a copy of the deposit of the payment into Petitioner's [Redacted] bank account. Petitioner believed he would have the information in a week or two. When the Tax Commission did not receive the documentation, it contacted Petitioner again. Petitioner stated he had been in contact with the bank to get the needed documentation. Petitioner thought the information would be available in a few weeks. Petitioner stated he would call for an appointment at that time.

Several months later, Petitioner still had not contacted the Tax Commission or submitted documentation of when he received the lump sum payment. The Tax Commission attempted to contact Petitioner through telephone calls and letters, but had no success. In the final letter sent to Petitioner, the Tax Commission gave Petitioner a final date on which to contact the Tax Commission or provide additional documentation. Petitioner contacted the Tax Commission and stated he had been in contact with his union and the [Redacted]bank. Petitioner stated the union was sending him a copy of the lump sum check, and from that he could get deposit information from his old bank. Petitioner also stated it looked as if he received the payment after he moved to Idaho. Petitioner stated regardless of the outcome of the lump sum payment, he did receive other disability payments after he moved to Idaho in 2006.

A couple of weeks later the Tax Commission received a packet of information from Petitioner. Included in that information was a letter from Petitioner's union stating he would be receiving a lump sum payment for the period of June 2002 to June 2006 as his disability pension. The letter was dated June 30, 2006; after Petitioner moved to Idaho. The letter stated Petitioner's disability payment in the amount of \$65,024.64 was being processed. The letter also stated Petitioner would receive monthly pension checks beginning in July that would be mailed on the last working day of the month.

### **LAW AND ANALYSIS**

Idaho Code section 63-3030 states that all resident individuals are required to file a return of income if they meet the filing threshold stated in Internal Revenue Code section 6012(a)(1). Part-year residents are required to file a return of income on all sources of income after becoming a resident of Idaho and on any Idaho source income before becoming a resident if they received more than \$2,500 from Idaho sources during the taxable year. Petitioner stated he

moved to Idaho in June 2006. Petitioner received disability pension payments for the months of July through December. Each monthly payment was over \$1,800; these payments by themselves put Petitioner over the filing threshold for the year.

Petitioner also received a lump sum payment from his pension plan late in June 2006, or early July 2006. Because Petitioner received the lump sum payment after he became a resident of Idaho, the lump sum payment is reportable to Idaho even though the payment was for payments Petitioner should have received when Petitioner was a resident of [Redacted]. *See State Tax Commission v. Stang*, 135 Idaho 800, 25 P.3d 113, (2001).

Petitioner provided information indicating his right to claim an additional dependent exemption. The Tax Commission reviewed that information and found it appropriate to allow Petitioner the dependent exemption. Also included in Petitioner's documentation was information regarding Petitioner's payments for medical insurance coverage. The Tax Commission finds these payments are allowable deductions as provided in Idaho Code section 63-3022P.

### **CONCLUSION**

Petitioner received income in excess of the filing requirement threshold for taxable year 2006. Petitioner was required to file an Idaho individual income tax return. Petitioner verified that the income received was all received after Petitioner moved to Idaho. Petitioner also provided documentation substantiating certain deductions against the income received. Therefore, based upon the information available, the Tax Commission upholds the Bureau's determination Petitioner was required to file an Idaho individual income tax return, but modifies the return prepared by the Bureau for the allowable deductions substantiated by Petitioner.

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

THEREFORE, the Notice of Deficiency Determination dated July 21, 2010, and directed to [Redacted] is AFFIRMED AS MODIFIED by this decision.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$5,944	\$1,486	\$1,868	\$9,298

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

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

IDAHO STATE TAX COMMISSION

\_\_\_\_\_  
COMMISSIONER

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2013, 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.  
  
\_\_\_\_\_