BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of	)	
	)	DOCKET NO. 25135
[Redacted],	)	
	)	
Petitioners.	)	DECISION
	)	

[Redacted] (Petitioners) protested the Notice of Deficiency Determination dated July 18, 2012, asserting additional income tax and interest for taxable year 2011 in the total amount of $333. Petitioners disagreed with the disallowance of the dependent exemption deduction claimed for [Redacted]. The Tax Commission, having reviewed the file, hereby issues its decision.

BACKGROUND

Petitioners timely filed their 2011 Idaho individual income tax return. During the processing of their return it was found that Petitioners claimed a dependent exemption deduction for [Redacted] that was also claimed on the personal income tax return filed by [Redacted]. The Taxpayer Accounting Section (Taxpayer Accounting) determined Petitioners were not entitled to claim the dependent exemption, and disallowed it on Petitioners' Idaho income tax return. Taxpayer Accounting sent Petitioners a Notice of Deficiency Determination, which Petitioners protested.

Petitioners stated [Redacted] lived with them in the same principal place of abode for the entire year of 2011. Petitioners stated they provided over half of [Redacted] support in 2011, while he saved to purchase a vehicle. Petitioners stated [Redacted] failed to check the box on his personal return stating he could be claimed by someone else. Taxpayer Accounting reviewed the information and referred the matter for administrative review.

The Tax Commission reviewed the matter and sent Petitioners a letter discussing the options available for redetermining a protested Notice of Deficiency Determination. Petitioners did not respond. Therefore, the Tax Commission decided the matter based upon the information available.

LAW AND ANALYSIS

Internal Revenue Code (IRC) section 151 provides for the allowance of deductions for personal exemptions and exemption deductions for dependents. In this case, Petitioners claimed a dependent exemption deduction for their [Redacted] son, [Redacted], who lived with them and was supported by them for the entire taxable year 2011. However, [Redacted] also claimed himself as a personal exemption on the 2011 income tax return he filed.

IRC section 151(d)(2) disallows the exemption amount in the case of certain dependents. It states that in the case of an individual with respect to whom an exemption deduction is allowable to another taxpayer in the same taxable year, the exemption amount for such individual shall be zero. In other words, a personal exemption will not be allowed on an individual's income tax return if that individual can be claimed as a dependent by another taxpayer.

IRC section 152(a) defines a dependent as either a qualifying child or a qualifying relative. A qualifying child must meet five requirements to qualify as a dependent. IRC section 152(c) states:

> (c) Qualifying child. – For purposes of this section –
>
> (1) In general. – The term "qualifying child" means, with respect to any taxpayer for any taxable year, an individual –
>
> (A) who bears a relationship to the taxpayer described in paragraph (2), [a child of the taxpayer, a descendant of such child, or a brother, sister, stepbrother, or stepsister of the taxpayer or a descendant of any such relative] I.R.C. § 152(c)(2)

(B) who has the same principal place of abode as the taxpayer for more than one-half of such taxable year,
(C) who meets the age requirements of paragraph (3), [the qualifying child has not attained the age of 19 as of the close of the calendar year in which the taxable year of the taxpayer begins, or is a student who has not attained the age of 24 as of the close of such calendar year] I.R.C. § 152(c)(3)
(D) who has not provided over one-half of such individual's own support for the calendar year in which the taxable year of the taxpayer begins, and
(E) who has not filed a joint return (other than only for a claim of refund) with the individual's spouse under section 6013 for the taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.

A qualifying relative must meet four requirements to qualify as a dependent. IRC section 152(d) states:

(d) Qualifying relative.--For purposes of this section--

(1) In general.--The term "qualifying relative" means, with respect to any taxpayer for any taxable year, an individual--
(A) who bears a relationship to the taxpayer described in paragraph (2), [a child of the taxpayer, a descendant of such child, or a brother, sister, stepbrother, or stepsister of the taxpayer or a descendant of any such relative] I.R.C. § 152(c)(2)
(B) whose gross income for the calendar year in which such taxable year begins is less than the exemption amount (as defined in section 151(d)), [the exemption amount for purposes of this section means $3,700] I.R.C. § 151(d)(1).
(C) with respect to whom the taxpayer provides over one-half of the individual's support for the calendar year in which such taxable year begins, and
(D) who is not a qualifying child of such taxpayer or of any other taxpayer for any taxable year beginning in the calendar year in which such taxable year begins.

Petitioners argued that because [Redacted] lived with them for all of 2011, and that they provided over 50 percent of his support for the year, they should be entitled to claim [Redacted] as a dependent. However, Petitioners' reasoning is flawed because it is in conflict with the applicable IRC statutes.

While [Redacted] may have lived with his parents for the entire year and had over half of his support provided for him by his parents, he does not qualify as a dependent either as a qualifying child or a qualifying relative. [Redacted] was [Redacted] years old during taxable year 2011. Therefore, [Redacted] was too old to qualify as a qualifying child as the age requirements are defined in IRC section 152(c)(3). [Redacted] also reported gross income in excess of the exemption amount in taxable year 2011. He therefore earned too much to qualify as a qualifying relative. *See* IRC section 152(d)(1)(B).

CONCLUSION

During taxable year 2011, [Redacted] was age [Redacted] and his gross income for the year was in excess of the exemption amount. Even if as Petitioners stated, [Redacted] inadvertently failed to check the box that he could be claimed as a dependent by someone else, based upon the requirements of IRC section 152, [Redacted] could not be claimed as a dependent by someone else. [Redacted] was not a qualifying child or a qualifying relative of Petitioners. Therefore, the Tax Commission upholds the Notice of Deficiency Determination.

THEREFORE, the Notice of Deficiency Determination dated July 18, 2012, is hereby AFFIRMED.

Since Petitioners' 2011 claim for refund was reduced during processing by the amount of the tax deficiency, DEMAND for payment is not necessary.

An explanation of the Petitioners' 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.

_____