

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

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|---------------------------------|---|------------------|
| In the Matter of the Protest of |) | |
| |) | DOCKET NO. 38963 |
| [Redacted], |) | |
| |) | |
| Petitioner. |) | DECISION |
| _____ |) | |

[Redacted] (taxpayer) submitted a timely protest of the Notice of Deficiency Determination issued on July 9, 2014, by the Revenue Operations Division of the Idaho State Tax Commission (Commission) reducing the taxpayer’s refund by \$357 for taxable year 2013. The taxpayer disagreed with the adjustment disallowing the dependency exemption deduction for [Redacted], his daughter from a previous marriage. The Commission hereby issues its decision based upon the information contained in the file.

BACKGROUND

The taxpayer filed his 2013 Idaho individual income tax return claiming a dependency exemption deduction for his daughter, [Redacted]. The taxpayer’s return was identified as one of two returns that claimed a dependency exemption deduction for [Redacted]. The Taxpayer Accounting Section (Taxpayer Accounting) requested additional information from the taxpayer in the form of a questionnaire. The taxpayer responded to the questionnaire, stating that he was [Redacted] father. The taxpayer provided a Decree for Paternity and Child Support (Decree) issued by the Fifth Judicial District Court on July 3, 2013, which allowed him to claim the dependency exemption deduction for [Redacted].

Taxpayer Accounting reviewed the information, determined that the taxpayer was not entitled to the dependency exemption deduction, and issued a Notice of Deficiency Determination denying the deduction. The taxpayer filed a timely protest of the Notice of

Deficiency Determination. The file was referred to the Legal/Tax Policy Division for administrative review. The taxpayer was sent a letter explaining the methods available for redetermining a protested Notice of Deficiency Determination. The taxpayer did not respond.

LAW AND ANALYSIS

The sole issue for decision is whether the taxpayer is entitled to the dependency exemption deduction for his daughter, [Redacted]. Deductions are granted by legislative action and the taxpayer bears the burden of proving he is 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). The 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(a) defines a dependent as either “a qualifying child” or “qualifying relative”. A qualifying child is an individual who (1) bears a certain relationship to the taxpayer, (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, (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 such taxpayer or of any other taxpayer for the taxable year. IRC section 152(d)(1) and (2).

The dependency exemption, as a general rule, is limited under IRC section 152(e)(1) as follows: if the child received over one-half of his support during the calendar year from one or both parents who live apart at all times during the last 6 months of the calendar year and the child is in the custody of one or both parents for more than one-half of the calendar year, then the child is treated as the qualifying child of the noncustodial parent if certain requirements are met. Under the Treasury Regulations, section 1-152-4(b)(3), the requirements for a release of claim is met if (1) the custodial parent signs a written declaration (in such manner and form as the Secretary may prescribe) identifying the taxable year or years the custodial parent will not claim the child as a dependent and (2) the noncustodial parent attaches the written declaration to his or her return for each taxable year the exemption is being claimed.

The noncustodial parent may only claim the dependency exemption when the custodial parent provides the noncustodial parent a release of the dependency exemption on Form 8332 or other document whose sole purpose is to serve as a written declaration releasing the dependency exemption. The form must be signed and dated by the custodial parent identifying the year or years that the custodial parent will not claim the dependency exemption. The noncustodial parent receiving the right to claim the dependency exemption must attach the waiver to their tax return, then the waiver will be honored and the noncustodial parent may claim the dependency exemption for the child.

The term “custodial parent” is defined in section 1.152-4(d) as the parent having custody for the greater portion of the calendar year. In the present case, the taxpayer responded to a request for information from the Commission which he stated he was the custodial parent and that [Redacted] had spent seven months of the taxable year with him.

In his protest letter, the taxpayer provided an explanation of how he determined [Redacted] resided with him for seven months. He stated that for two months [Redacted] and her mother both resided with him at his apartment in February and March 2013. In July 2013, "I started claiming [Redacted] at my place of employment." The only other information provided by the taxpayer was a copy of the Decree which requires that he pay child support and pay sixty-eight percent of medical costs.

CONCLUSION

Based on the information the taxpayer has presented, he has not demonstrated that he is the custodial parent. When the taxpayer does not meet the requirements of a custodial parent he must provide a written release on a completed Form 8332 as noncustodial parent in order to claim the dependency exemption. Therefore in order to claim the dependency exemption, the taxpayer must have a written release using the Form 8332. Form 8332 was not provided by the taxpayer. The taxpayer has not demonstrated that he meets the requirements to claim the dependency exemption for his daughter. It is determined that the taxpayer is not entitled to the dependency exemption deduction.

THEREFORE, the Notice of Deficiency Determination directed to [Redacted] dated July 9, 2014, is AFFIRMED.

Since the taxpayer's refund was reduced, no demand for payment is made or necessary.

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

DATED this _____ day of _____ 2014.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2014, 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.
