

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 26230
[Redacted],)	
)	
Petitioners.)	DECISION
_____)	

[Redacted] and [Redacted] (Petitioners) protested the Notice of Deficiency Determination dated April 16, 2013, asserting income tax, penalty, and interest in the total amount of \$1,047 for taxable year 2008. Petitioners disagreed that they were required to file an Idaho individual income tax return for taxable year 2008. Petitioners stated they filed their income tax return with the state of [Redacted] and were not required to file with both states. The Tax Commission, having reviewed the file, hereby issues its decision.

BACKGROUND

The Tax Discovery Bureau (Bureau) received information that showed Petitioners may have had a requirement to file an Idaho individual income tax return for taxable year 2008. The Bureau searched the Tax Commission’s records and found Petitioners did not file a 2008 Idaho income tax return. The Bureau sent Petitioners a letter asking about their requirement to file a 2008 Idaho income tax return. Petitioners did not respond to the Bureau’s letter, so the Bureau obtained additional information from the [Redacted]. The Bureau determined Petitioners were required to file a 2008 Idaho income tax return, so it prepared a return for Petitioners and sent them a Notice of Deficiency Determination.

Petitioners protested the Bureau’s determination, stating they filed with the state of [Redacted]. Petitioners stated that since they did not earn any income in Idaho, they were not required to file an Idaho income tax return. Petitioners subsequently provided a copy of the front

page of their [Redacted] income tax return, a copy of a letter from their tax preparer regarding the returns he prepared for Petitioners, and a 2008 Idaho income tax return showing they were not required to file an Idaho income tax return.

The Bureau acknowledged Petitioners' protest, reviewed the documentation Petitioners provided, made adjustments to its original audit report, and sent Petitioners notice of the adjustments made. Petitioners did not respond. The Bureau followed up with a couple more letters, but to no avail. Therefore, the Bureau referred the matter for administrative review.

The Tax Commission sent Petitioners a letter giving them two options for having the Notice of Deficiency Determination redetermined. Petitioners' representative (representative) contacted the Tax Commission to discuss the case and Petitioners' options. Representative stated he would talk with Petitioners and let the Tax Commission know what Petitioners decided. Representative contacted the Tax Commission and asked if the Bureau allowed Petitioners the grocery credit. The Tax Commission responded that if the grocery credit was not allowed it would be allowed. Representative asked that the Tax Commission send Petitioners a bill and he would recommend that they accept and pay the deficiency.

The Tax Commission prepared and sent Petitioners a Consent to Assessment and Withdrawal of Appeal to sign and return to the Tax Commission. Petitioners did not return the document. Seeing that Petitioners have had ample time to sign and return the document or to proceed in another fashion, but have failed to do so, the Tax Commission decided the matter based upon the information available.

LAW AND ANALYSIS

Idaho Code section 63-3002 states that a tax shall be imposed on residents of Idaho measured by income from all sources. Petitioners filed their 2008 [Redacted] income tax return

with an Idaho address and stated they were not residents of [Redacted]. Petitioners have a history of filing Idaho resident returns for multiple years surrounding taxable year 2008. Therefore, the presumption is that Petitioners were Idaho residents and, as such, Petitioners were required to file a 2008 Idaho individual income tax return and report their income from all sources.

Petitioners argued that since all their income was earned in [Redacted] and they filed a [Redacted] income tax return reporting all their income, they were not required to file an Idaho income tax return. Petitioners stated since all their income was earned in one state, they did not have to file returns for both states.

Idaho Code section 63-3030 states that every resident individual that is required to file a [Redacted] income tax return shall file an Idaho individual income tax return. Since Petitioners' income exceeded the [Redacted] threshold for filing an income tax return, Petitioners were required to file a [Redacted] return and, consequently, an Idaho return. And, because [Redacted] imposes a tax measured by income derived from sources within [Redacted], Petitioners were required to file a [Redacted] income tax return. Since Petitioners were required to file income tax returns in more than one state and since Petitioners are residents of Idaho, Petitioners are entitled to a credit for taxes paid to another state to help alleviate any double taxation of Petitioners' income. *See* Idaho Code section 63-3029.

As Idaho residents, Petitioners are also entitled to a food tax credit, commonly called the grocery credit, for each personal exemption claimed on their Idaho income tax return. *See* Idaho Code section 63-3024A. Petitioners' return reported three personal exemptions, therefore, Petitioners are eligible to receive the grocery credit for three individuals.

CONCLUSION

Petitioners were Idaho residents in 2008. As Idaho residents, Petitioners were required to report their income from all sources to Idaho. Petitioners earned income in 2008 in excess of Idaho's filing requirements. Petitioners were required to file Idaho individual income tax returns.

Petitioners earned their income in [Redacted]. Since [Redacted] requires individuals with [Redacted] source income to file [Redacted] income tax returns, Petitioners can claim the Idaho credit for taxes paid to another state on their Idaho return. Therefore, the Tax Commission allowed Petitioners a credit for the taxes paid to [Redacted].

Petitioners are also entitled to the grocery credit for each personal exemption. Therefore, the Tax Commission allowed Petitioners the grocery credit.

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

THEREFORE, the Notice of Deficiency Determination dated April 16, 2013, and directed to [Redacted] and [Redacted] is AFFIRMED as MODIFIED by this decision.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$320	\$80	\$85	\$485

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

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

DATED this _____ day of _____ 2015.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2015, 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.
