

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 31138
[Redacted],)	
)	
Petitioners.)	DECISION
_____)	

[Redacted] and [Redacted] (Petitioners) protested the Notice of Deficiency Determination dated January 13, 2014, asserting income tax and interest in the total amount of \$30.65 for taxable year 2012. Petitioners disagreed that they had Idaho source gross income in excess of \$2,500. Petitioners argued they were not required to file a 2012 Idaho income tax return. The Tax Commission, having reviewed the file, hereby issues its decision.

BACKGROUND

Petitioners filed a nonresident Idaho individual income tax return for taxable year 2012 reporting income from rents, royalties, partnerships, S corporations, trusts, etc. on line 16 of Idaho Form 43. Petitioners stated on their Idaho income tax return that they were not required to file an Idaho income tax return. Petitioners did not include a copy of their 2012 [Redacted] income tax return, so the Tax Commission’s Revenue Operations Division (Revenue Operations) sent Petitioners a letter asking for a copy of their [Redacted] income tax return. Petitioners provided a copy of their [Redacted] schedule E showing their rental income from property located in Idaho. Petitioners’ [Redacted] schedule E reported only a small part of the net income reported on Petitioners’ Idaho Form 43, line 16. However, Petitioners’ schedule E did report rents received in the amount of \$40,720.

Revenue Operations reviewed Petitioner’s schedule E and determined Petitioners’ gross Idaho source income exceeded the threshold for filing a nonresident Idaho individual income tax

return. Revenue Operations corrected Petitioners' Idaho return and sent them a tax computation change letter asserting tax due of \$30. Petitioners did not respond to Revenue Operations' letter so the matter was forwarded to collection and a Notice of Deficiency Determination was sent to Petitioners. Petitioners protested the Notice of Deficiency Determination, stating they were not required to file an Idaho income tax return because their Idaho source gross income did not exceed \$2,500. Petitioners stated their Idaho source gross income was only \$1,473; therefore, according to Idaho's instruction booklet, they were not required to file an Idaho individual income tax return.

Revenue Operations acknowledged Petitioners' protest and referred the matter for administrative review. The Tax Commission reviewed the matter and sent Petitioners a letter that discussed the methods available for redetermining a protested Notice of Deficiency Determination. Petitioners did not respond, so the Tax Commission decided the matter based upon the information available.

LAW AND ANALYSIS

Idaho Code section 63-3030 states that any nonresident individual having a gross income from Idaho sources in excess of \$2,500 shall file an income tax return with the state of Idaho.

Idaho Code section 63-3011 defines gross income as "gross income" as defined in section 61(a) of the Internal Revenue Code (IRC).

IRC section 61(a) states,

(a) General definition.

Except as otherwise provided in this subtitle, gross income means all income from whatever source derived, including (but not limited to) the following items:

- (1) Compensation for services, including fees, commissions, fringe benefits, and similar items;
- (2) Gross income derived from business;
- (3) Gains derived from dealings in property;
- (4) Interest;

- (5) Rents;
 - (6) Royalties;
 - (7) Dividends;
 - (8) Alimony and separate maintenance payments;
 - (9) Annuities;
 - (10) Income from life insurance and endowment contracts;
 - (11) Pensions;
 - (12) Income from discharge of indebtedness;
 - (13) Distributive share of partnership gross income;
 - (14) Income in respect of a decedent; and
 - (15) Income from an interest in an estate or trust.
- (Underlining added)

Petitioners received rents from property located in Idaho in excess of \$40,000; well over the threshold of \$2,500. Petitioners argued their gross Idaho source income was only \$1,473. However, in looking at Petitioners' Idaho and partial [Redacted] returns, it is evident Petitioners are basing their argument on their net Idaho rental income rather than the rents received. Petitioners did have a requirement to file an Idaho individual income tax return.

CONCLUSION

Petitioners received rents from Idaho sources in excess of the filing threshold of Idaho Code section 63-3030. As a result, Petitioners were required to file an Idaho nonresident individual income tax return and the changes made by Revenue Operations were appropriate.

THEREFORE, the Notice of Deficiency Determination dated January 13, 2014, and directed to [Redacted] and [Redacted] is AFFIRMED.

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012	\$30	\$3	\$33

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.