BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of	)	
	)	DOCKET NO. 1-381-982-208
[Redacted] ,	)	
	)	
Petitioners.	)	DECISION
	)	

On November 5, 2015, the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NODD) to **[Redacted]** (petitioners) proposing additional tax and interest for taxable year 2014 in the total amount of $936.61.

The petitioners filed a timely appeal and petition for reconsideration. The petitioners did not request a hearing and have only submitted the information presented in their protest letter. The Commission, having reviewed the file, hereby issues its decision.

The petitioners timely filed their 2014 Idaho individual income tax return. The return included copies of W-2 statements but the amount of withholding shown on the return did not match the total amounts reported on the petitioners' W-2's. Because the additional amount of withholding claimed could not be verified, the processing department of the Commission adjusted the petitioners' return and notified them of the additional tax due as a result of the change. The petitioners were then issued an NODD which afforded them an opportunity to submit a written petition for redetermination if they were not in agreement with the notice. The petitioners did submit a written protest and request for redetermination along with additional documentation for consideration. Their file was forwarded to the Tax Appeals unit of the Commission for administrative review.

As mentioned previously, the issue in this case is whether the petitioners are entitled to the amount of withholding shown on their 2014 Idaho income tax return. To substantiate the withholding shown on their return the petitioners provided W-2 statements along with documents

from Merrill Lynch Wealth Management which showed Idaho taxes paid. When the Idaho taxes from these documents were combined, the total amount equaled the amount claimed on the return.

The documents from Merrill Lynch show the exercising of restricted stock units (RSU). A restricted stock unit is compensation offered by an employer to an employee in the form of company stock. The employee does not receive the stock immediately, but instead receives it according to a vesting plan and distribution schedule after achieving required performance milestones or upon remaining with the employer for a particular length of time. The RSU are assigned a fair market value when they vest. Upon vesting, they are considered income, and a portion of the shares are withheld to pay income taxes. Stock received through RSUs is essentially compensation and is generally reported automatically on the employee's W-2, which appears to be what happened in the present case.

Mrs. **[Redacted]** W-2 shows an amount in box 12c, and a code, V. A code V is used to show the income from the exercise of non-statutory stock options. The amount shown in box 12 equals the fair market value of the units vested per the Merrill Lynch statement. Therefore, while the Merrill Lynch statements do show taxes paid to Idaho, the income from the RSU, along with the Idaho withholding, is included on the W-2. The amount of withholding shown on the petitioners' return is overstated by $919, the amount of state taxes paid per the Merrill Lynch statements.

Therefore, the NODD dated November 5, 2015, and directed to **[Redacted]** is hereby APPROVED AND MADE FINAL.

IT IS ORDERED that the petitioners pay the following tax and interest:

YEAR	TAX	INTEREST	TOTAL
2014	$919	$56	$975

Interest is calculated through October 20, 2016.

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 _____ 2016.

IDAHO STATE TAX COMMISSION

_____

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2016, 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.

_____