

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
[Redacted],) DOCKET NO. 39308
)
)
Petitioner.) DECISION
)
_____)

On December 19, 2014, the Idaho State Tax Commission (the Commission) issued a Notice of Deficiency Determination (Notice) to [Redacted](Petitioner) proposing income taxes, penalties, and interest for taxable year 2011 in the total amount of \$902. Subsequently, Petitioner provided additional material and evidence to the Commission leading it to recalculate his deficiency, modifying the income taxes and interest owed for taxable year 2011 to the total amount of \$518. The Commission hereby issues its decision and approves this Notice, as modified, as set forth herein.

BACKGROUND

The Income Tax Audit Bureau (the Bureau) performed an audit of Petitioners’ Idaho individual income tax return after receiving a federal audit report issued by the IRS. The IRS disallowed the Petitioner’s claimed filing status, head of household, and determined his status to be single. The IRS further disallowed all exemptions and credits associated with claiming dependents on the Petitioner’s federal return. The Bureau applied the same adjustments made by the IRS to Petitioner’s 2011 Idaho individual income tax return.

Specifically, the Bureau changed Petitioner’s filing status from head of household to single and disallowed the grocery credit Petitioner claimed for the disallowed dependents. Additionally, the Bureau assessed a five percent penalty for failure to report a final determination

from the IRS within 60 days of the receipt of the determination. On December 19, 2014, the Bureau sent Petitioner the Notice reflecting these adjustments.

Petitioner appealed the Notice and requested that the Commission provide him with time to appeal the federal determination. On June 3, 2015, the Commission sent a letter to Petitioner advising him of his right to a hearing and his right to supply additional information for the Commission's review. The Petitioner responded to this letter by calling the Commission and advising it that the Internal Revenue Service (IRS) made its final determination. Petitioner provided the Commission with a copy of this determination along with additional documentary evidence that Petitioner included to support his claim.

Upon reviewing the additional facts provided by petitioner, the IRS again disallowed Petitioner's claimed filing status of head of household and determined his filing status to be single. The IRS also disallowed two of the Petitioner's three claimed dependents, but has allowed Petitioner's claim to one of his claimed dependents.

ANALYSIS

Petitioner's gross income and Idaho taxable income are calculated from his federal taxable income as defined by the Internal Revenue Code. Idaho Code § 63-3002 states that the Idaho income tax code is to be identical to the Internal Revenue Code for the purpose of calculating taxable income. In matters where the IRS has reached a determination following a federal audit, the Commission's calculation of taxable income is not necessarily bound by the IRS decision; however the Commission may reach the same conclusion based on the facts and law presented by the Petitioner.

The Commission requires taxpayers to report when they have received a final federal determination. Idaho Code § 63-3069 requires that any final federal determination be

immediately reported to the Commission by written notice. Income Tax Administrative Rule 890.03 clarifies this requirement, stating that the taxpayer must submit written notice within 60 days of the final determination. See IDAPA 35.01.01.890. A failure to report the final federal determination within this time frame results in the Commission assessing a 5 percent negligence penalty against the taxpayer. See Idaho Code § 63-3046.

Despite providing additional documentation, the Petitioner has failed to provide any evidence to support his claim that his tax status should be head of household instead of single. In particular, the federal definition of head of household requires that the taxpayer provide for more than one-half “of the cost of maintaining the household during the taxable year.” 26 U.S.C. § 2(b). Petitioner has not provided any evidence demonstrating that he provided more than one-half of the household costs during the year. As such, the Petitioner does not qualify to have his tax status treated as head of household. Petitioner’s status is single.

The Petitioner has provided sufficient evidence to receive the benefits associated with claiming one of the three dependents he listed on his original return. Petitioner has failed to provide sufficient evidence to support his claim to the two remaining dependents. One of the requirements necessary for the Petitioner to claim the named individuals as dependents is that the claimed individuals reside in the “same principal place of abode as the taxpayer for more than one-half of such taxable year.” 26 U.S.C. § 152. Petitioner has provided sufficient documentation to meet the requirements for one of the claimed individuals; however, he has not provided any documentation to evidence that the remaining two individuals resided with him for more than one-half of the taxable year. As such, the Petitioner does not qualify to receive the tax benefits associated with claiming all three of the dependents he listed on his original return. Rather, Petitioner is entitled to only the tax benefits associated with claiming one dependent.

THEREFORE, the Notice of Deficiency Determination dated December 19, 2014, directed to [Redacted], is MODIFIED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011	\$432	\$22	\$64	<u>\$518</u>
			TOTAL DUE	<u>\$518</u>

Interest is calculated through March 31, 2016.

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

An explanation of the Petitioner's 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.
