

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
[Redacted])	DOCKET NO. 0-772-012-032
)	
)	
Petitioner.)	DECISION
_____)	

[Redacted] (Trustee) sent a letter to the Idaho State Controller asking about interest that was not paid on a refund request from [Redacted] (Trust) for the tax years 2014 through 2017. The matter was sent to the Tax Commission whereupon, Trustee was contacted and told the Tax Commission does not pay interest on voluntary tax payments. Trustee did not accept the Tax Commission’s explanation stating it would like to pursue a protest of the issue. Revenue Operations Division created a Notice of Deficiency Determination, sent it to Trustee, and referred the matter to the Tax Commission’s Appeal’s Unit (Appeals). The Tax Commission reviewed the matter and hereby upholds the Notice of Deficiency Determination.

BACKGROUND

Trustee filed amended Idaho income tax returns for Trust asking for a refund of all taxes paid for tax years 2014 through 2017. The Tax Commission accepted Trust’s amended returns and sent Trust a refund of all taxes paid. Trustee realizing that no interest was paid with the refunds sent a letter to the Idaho State Controller asking why no interest was paid. Trustee cited Idaho Estate and Transfer Tax Administrative Rule 35.01.04.017 to support the contention that the Tax Commission should have paid interest with the refund.

The matter was sent to the Tax Commission, whereupon the Trustee was told that since Trust was not required to file an Idaho income tax return, any return filed with a payment of tax is a voluntary payment, and voluntary payments do not accrue interest. Trustee stated it did not agree

and wanted to protest. Revenue Operation Division acknowledged Trustee's protest and sent the matter to Appeals.

Appeals reviewed the case, but prior to the hearing rights letter being sent out, Trustee contacted Appeals. During that conversation it was decided to forego sending the hearing rights letter to Trustee since Trustee stated it would like a telephone hearing. Appeals asked Trustee to send it a list of dates and times Trustee would be available for the hearing. Trustee said it would get a list of dates to send to Appeals. After several months passed with nothing received from Trustee, Appeals sent Trustee a letter requesting action. Trustee did not respond. Seeing that Trustee had plenty of time to get a hearing scheduled or provide whatever additional information it wanted considered, the Tax Commission decided the matter based on the information available.

LAW AND ANALYSIS

Trustee filed Idaho fiduciary income tax returns for Trust for the tax years 2014, 2015, 2016, and 2017. Trustee believed Trust had a filing requirement with Idaho. Trustee later found out that Trust was not required to file Idaho income tax returns. Trustee timely filed Idaho amended fiduciary returns claiming refunds of the tax Trust paid. *See* Idaho Code section 63-3072(b). The Tax Commission accepted Trust's amended returns and issued refunds.

Trustee protested the amount of the refunds stating the Tax Commission should have paid interest on the taxes refunded. Trustee cited IDAPA Rule 35.01.04.017 as authority for the Tax Commission to pay interest.

The Tax Commission reviewed Trustee's protest and cited Rule. The Tax Commission found Trustee's reliance on IDAPA Rule 35.01.04.017 is misplaced. The rule Trustee cited is a rule for the Idaho Estate and Transfer Tax Reform Act of 1988. That portion of the Idaho Code, Title 14 Chapter 4, is the tax on the transfer of a taxable estate. It does not apply to the income tax, Idaho Code Title 63 Chapter 30, that a trust might have to pay to the state of Idaho.

Idaho Code § 63-3073 addresses interest on refunds and credits for income tax purposes. It states, in pertinent part, that in the case of a voluntary or unrequested payment in excess of an actual tax liability, no interest will be allowed when such excess is refunded. Trust voluntarily filed and paid Idaho income tax when no income tax return was required, and no tax was owed. Trust did not have a filing requirement with Idaho. When Trustee filed Trust's amended returns, the Tax Commission, after its normal review, promptly refunded the tax Trust paid in error. Upon review of the facts and circumstances, the Tax Commission found Revenue Operations correctly applied the Idaho statute by not paying interest on the refunds.

CONCLUSION

The Income Tax Act has a provision for paying interest on refunds. However, when a payment is made that is not required or is unsolicited (a voluntary payment) the statute is clear that the Tax Commission not pay interest when a request for a refund of the overpayment is made. In this case, even though the overpayment was substantial and the State held the funds for a few years, the payments were still voluntary payments, and the Tax Commission is precluded, by statute, from paying interest on Trust's refund claims.

THEREFORE, the Tax Commission AFFIRMS [Redacted] denied interest claim on the refunds for tax years 2014, 2015, 2016, and 2017.

Since the Tax Commission is denying a request for interest on refunds, no ORDER and DEMAND for payment is needed.

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

DATED this _____ day of _____ 2019.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2019,
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.
