

For tax year 2018, Petitioners filed a nonresident Idaho individual income tax return and claimed the Idaho child tax credit for their two children. Accordingly, based on the information submitted, Petitioners are nonresidents, therefore, they do not qualify for the Idaho child tax credit per Idaho Code section 63-3029L(1).

In their appeal, Petitioners did not dispute the disallowance of the Idaho child tax credit. Instead Petitioners argued the amount of Idaho source income that they reported on their Idaho individual income tax return should be reduced to exclude paid time off.

Income from Idaho Sources

Under Idaho Code section 63-3026A(3) paid time off (paid holidays, vacation and sick leave) received by a nonresident is Idaho compensation if from a business, trade, profession, or occupation carried on within Idaho. If a nonresident individual performs personal services, either as an employee, agent, independent contractor, partner, or otherwise, both within and outside of Idaho, the portion of paid time off that constitutes Idaho source income is determined by multiplying total compensation by the Idaho compensation percentage. The Idaho compensation percentage is the percentage computed by dividing Idaho workdays by total workdays.

In the present case, based on the information available, Mr. [REDACTED] lived in Washington and worked only in Idaho for [REDACTED] during the year. Therefore, all of his compensation, including paid time off, is Idaho compensation. Petitioners have not provided any information showing that services were provided both within and outside of Idaho for the employer. In their appeal, Petitioners argued:

I would like to protest the amount of money that was taxed while I was not in the state of Idaho. I live in Washington and in 2018 I took 194.25 hours of paid time off. In 2018 I was making \$22.74 an hour so I made 4417.24 while still in the state of Washington and should not be taxed on that amount [sic].

Although not entirely clear, it appears Petitioners' interpretation of Idaho compensation does not include paid time off and focuses solely on days or hours worked in Idaho. However, Petitioners' interpretation is not supported by Idaho statute. The economic reality of the situation is the paid time off is related to an economic activity that occurred in Idaho.

Conclusion

THEREFORE, the Modified Notice of Deficiency Determination dated November 13, 2019, is hereby canceled, in accordance with the provisions of this decision, and is AFFIRMED and MADE FINAL.

AND

THEREFORE, the Notice of Deficiency Determination dated May 8, 2019, is hereby REINSTATED and APPROVED, in accordance with the provisions of this decision, and is AFFIRMED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2018	\$410	\$12	\$422
		Credit	(213)
			<hr/>
			\$209
			<hr/>



Interest is calculated through July 3, 2020 and will continue to accrue at the rate set forth in Idaho Code section 63-3045(6) until paid.

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

An explanation of Petitioners' right to appeal this decision is included with this decision.

DATED this _____ day of _____, 2020.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2020 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:

Receipt No.


