

- 2020 by mail on July 2, 2024
- 2021 electronically on July 3, 2024
- 2023 electronically on July 18, 2024
- 2022 electronically on July 22, 2024

The Bureau reviewed these returns and processed them, as they were more accurate regarding the filing status and dependents than the Bureau's provisional returns. On September 19, 2024, the Bureau sent a Billing Letter to adjust two items. The Bureau disallowed \$200 of grocery credit for tax year 2020 because it had already been claimed on Idaho returns previously filed. Additionally, the Bureau reduced the Idaho income tax withholding (\$4,615 for 2020; \$8,382 for 2021; \$6,037 for 2022; \$7,647 for 2023) which Petitioners claimed came from Mr. [REDACTED] employer, [REDACTED] [REDACTED] [REDACTED] [REDACTED] ([REDACTED] to the amount [REDACTED] reported and paid directly to the Tax Commission (\$0 for all four years).

Petitioners named their tax return preparer as their attorney-in-fact (AIF) and representative to the Tax Commission for these returns. AIF and Petitioners protested the Billing Letter. After several attempts to explain the adjustments via email with no success in convincing AIF and Petitioners that they were necessary, the Bureau issued the Notice on October 22, 2024, proposing the same adjustments as the Billing Letter. The protest to the billing Letter was carried forward to the Notice. The Bureau also sent a letter addressing the specific points in the protest and requesting that Petitioners withdraw their protest. Petitioners responded stating that they wished to continue their protest, so the Bureau forwarded the matter to the Tax Commission's Appeals unit (Appeals).

On March 18, 2025, Appeals sent a letter outlining the options available for redetermining a protested Notice. Petitioners elected to participate in an informal hearing on April 30, 2025. During the hearing, Mr. [REDACTED] stated that he had contacted [REDACTED] and requested corrected W-2s because he thought they may have sent his taxes to the wrong state. Mr. [REDACTED] explained the issues that he had with obtaining information. AIF explained why corrected W-2s were requested:

the original forms did not show federal information where it was expected, and the state portion indicated Indiana instead of Idaho. After several rounds of communication, “[AIF] was able to take, between both the corrected boxes and the state boxes that were correct, and she made a correction form that she sent in ... [AIF] took the correct forms and put those numbers together because they never did send us the absolutely correct ones.” Mr. [REDACTED] and AIF insisted that the information in the “compiled” W-2C was all provided to him by [REDACTED]

During the hearing, information was presented to Petitioners and AIF that contradicted the state withholding claimed on the “compiled” W-2Cs. This included end-of-year pay statements from [REDACTED] that showed Social Security taxes and Medicare taxes withheld, but no state or federal income tax withholding. It also included a copy of Form W-4² signed by Mr. [REDACTED] that indicated he was exempt from withholding requirements. This form did not list [REDACTED] as the employer, but it did indicate the first date of employment as March 30, 2020, and was dated March 16, 2020. Mr. [REDACTED] confirmed that is when he started working for [REDACTED] but he stated he was suspicious that it did not show [REDACTED] as the employer.

Mr. [REDACTED] also stated, “If in fact no taxes were paid into the state of Idaho and I owe you to pay that I get it and I understand. [sic]” However, he wanted to verify that the information was correct and not fraudulent. He stated he suspected that tax was withheld but went to another state besides Idaho. Appeals stated that Idaho did not receive any withholding, so Petitioners’ tax has not been paid.

² Form W-4, *Employee’s Withholding Allowance Certificate*, is completed by an employee to inform the employer of their tax situation. The employer uses the information provided by the employee to determine the amount of income tax to withhold and remit to tax authorities on the employee’s behalf.

Following the hearing, Petitioners presented two settlement offers, which the Commissioners declined. The Tax Commission now makes its final decision based on the information available.

Law & Analysis

There are two issues to be addressed in this decision, as there were two issues adjusted in the Notice. Both are fairly straight-forward matters of law.

Grocery Credit

Idaho Code section 63-3024A(1) allows qualifying residents who file an Idaho tax return for 2020 to claim a credit of \$100 for the taxpayer, the taxpayer's spouse, and each dependent claimed on the return. Idaho Code section 63-3024A(5) states that a credit for a specific person cannot be claimed by more than one person: "In no event shall more than one taxpayer be allowed a credit or refund for the same personal exemption." Petitioners claimed six personal exemptions on their 2020 Idaho return: one each for Mr. and Mrs. [REDACTED] and one each for four dependents born between 1997 and 2007. They claimed a total of \$600 of grocery credit under section 63-3024A.

In her reply to the Bureau's Billing Letter, AIF stated that "No one in this family had claimed the grocery credit for 2020." In spite of this insistence, the Tax Commission confirmed that two of the dependents Petitioners claimed on their 2020 income tax return had, in fact, filed their own returns and claimed the grocery credit for themselves. Therefore, the Tax Commission determined that Petitioners are not entitled to claim the grocery credit for these dependents, and the Bureau's reduction of Petitioners' grocery credit for 2020 from \$600 to \$400 is appropriate.

Idaho Income Tax Withholding

Idaho Code section 63-3035(a) begins,

Every employer who is required under the provisions of the Internal Revenue Code to withhold, collect and pay income tax on wages or salaries paid by such employer to any employee ... shall, at the time of such payment of wages, salary, bonus or other emolument to such employee, deduct and retain therefrom an amount substantially equivalent to the tax reasonably calculated by the state tax commission to be due from the employee under this chapter.

This section goes on to say that employers who withhold Idaho income tax as stated above must then remit that tax to the Tax Commission on a regular basis.

Idaho Code section 63-3035(f) states that an employer withholding tax for an employee does not relieve that employee from filing his return and paying any tax not covered by the withholding. Idaho Code section 63-3035(g) states that an employee is entitled to the same number of withholding allowances as he is entitled to under Internal Revenue Code (IRC), though he may claim fewer. Idaho Code section 63-3035(h) states that an employer shall use the same allowance certificate (W-4) filed by the employee with the employer under the provisions of IRC to determine the amount of tax to withhold for Idaho.

IRC section 3402 governs income tax withholding from wages, salaries, bonuses, etc. Section 3402(f) discusses withholding allowances and the use of allowance certificates. Section 3402(f)(2)(A) states that an employee must provide an allowance certificate to his employer on or before his first day of employment. Section 3402(f)(3)(A) states that the initial certificate takes effect as of the beginning of the pay period ending on or after the date the certificate is furnished. Section 3402(f)(4) states that this certificate is in effect until the employee provides a new one. Section 3402(n) describes employees for whom an employer is not required to withhold any tax (those who certify that they incurred no tax liability the prior year and anticipate they will incur no tax liability in the current year).

In his response to the Notice, Mr. [REDACTED] wrote, "I know I had asked to have Idaho withholdings out of each of my checks so that is why none if this makes any sense ... I do know I

signed paperwork asking to have Idaho withholdings held from each check ... After seeing my paystubs, I am very frustrated that they never held back Idaho taxes like I requested.” He states that he thinks [REDACTED] should be held responsible.

[REDACTED] not only provided the Tax Commission with documentation showing that it did not withhold Idaho income tax (year-end pay summaries for 2020, 2021, 2022, and 2023), it also provided documentation (Form W-4 signed by Mr. [REDACTED] and dated before his start of employment) to explain why it did not withhold and remit Idaho income tax on his behalf. The Form W-4 provided to the Tax Commission indicates that Mr. [REDACTED] certified he was exempt from withholding. The Tax Commission acknowledges that Mr. [REDACTED] questions the authenticity of this document, but he also has not provided any documentation of his own to show that Idaho tax was withheld from his wages and paid to the Tax Commission.

In the end, taxpayers are responsible for paying their Idaho income tax, whether that is through withholding and remittance to the Tax Commission by an employer, by estimated payments made during the tax year, or by reconciliation payments made when filing tax returns. Petitioners claimed Idaho income tax withholding on their 2020, 2021, 2022, and 2023 Idaho returns which the Tax Commission confirmed has not been paid to Idaho. Therefore, the Tax Commission determined that the Bureau’s disallowance of the Idaho withholding is appropriate.

Interest

The Bureau added interest and penalty to Petitioners’ tax deficiency. The Tax Commission reviewed those additions and finds the interest to be appropriate and in accordance with Idaho Code section 63-3045.

Penalties

Idaho Code section 63-3046(c)(1) states, “In the event the return required by this chapter is not filed on or before the due date (including extensions) of the return, there may be collected a penalty of five percent (5%) of the tax due on such returns *for each month elapsing* after the due date (including extensions) of such returns until the return is filed [emphasis added].” Idaho Code section 63-3046(g) limits such penalty to a maximum of 25% of the tax due on the return.

Petitioners’ 2020 return was due May 17, 2021; they filed it July 2, 2024 (37 full months after the due date). Their 2021 return was due April 18, 2022; they filed it July 3, 2024 (26 full months after the due date). Their 2022 return was due April 18, 2023; they filed it July 22, 2024 (15 full months after the due date). Their 2023 return was due April 15, 2024; they filed it July 18, 2024 (3 full months after the due date).

Based on the tardiness of Petitioners’ returns, the Tax Commission finds it appropriate to include a late-filing penalty of 25% of the tax due for 2020, 2021, and 2022, and a late-filing penalty of 15% of the tax due for 2023.

Conclusion

Petitioners disagreed with the Bureau’s disallowance of a portion of their grocery credit for 2020. The Tax Commission confirmed that Petitioners were not entitled to the full amount of the credit they claimed. Petitioners also disagreed with the Bureau’s disallowance of most of the Idaho withholding they claimed for 2020, 2021, 2022, and 2023. Petitioners have not met their burden to prove that the Notice is incorrect.

THEREFORE, the Notice dated October 22, 2024, is hereby UPHeld and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>* CREDIT FORWARD</u>	<u>** HELD REFUND</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$4,815	(\$1,634)	(\$1,829)	\$338	\$204	\$1,894
2021	8,382		(2,088)	1,574	814	8,682
2022	6,037		(2,872)	791	295	4,251
2023	7,647		(3,424)	633	172	<u>5,028</u>
						<u>\$19,855</u>

* This credit is comprised of the overpayment amounts on Petitioners' 2017, 2018, and 2019 Idaho returns that were not eligible for refund but were eligible to carry forward under Idaho Code section 63-3072. This credit reduces the tax due for 2020.

** The held refunds are the overpayments Petitioners' claimed on their 2020, 2021, 2022, and 2023 Idaho returns. These refunds were not issued and so do not need to be paid back. They reduce the tax due for each year.

The Tax Commission DEMANDS immediate payment of this amount. Interest is calculated in accordance with Idaho Code section 63-3045.

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

DATED this _____ day of _____ 2025.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2025,
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.

[REDACTED]

[REDACTED]