

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-043-467-776
)	
)	
)	DECISION
Petitioners.)	

The Central Processing Bureau (Bureau) at the Idaho State Tax Commission (Tax Commission) issued a Notice of Deficiency Determination (Notice) to

(Petitioners) for tax year 2022. Petitioners filed a timely appeal and petition for redetermination of the Notice. The issue in this case is the credit for taxes paid to another state. Petitioners didn't request a hearing or submit additional documentation during the appeals process. The Tax Commission has reviewed the file and hereby issues its decision to affirm the Notice.

BACKGROUND

Petitioners claimed a \$1,687 credit for taxes paid to Oregon on their Idaho Form 40, line 22. With their Idaho return, Petitioners provided a copy of their Oregon return, which showed Oregon adjusted gross income (AGI) of \$23,235 and Oregon tax due of \$1,320. The Bureau determined Petitioners overstated the credit and issued a Notice. The Bureau calculated Petitioners' credit as follows:

1 Idaho tax, Form 40, line 20	9,253
2 AGI earned in other state	23,235
3 Idaho adjusted income	187,867
4 Divide line 2 by line 3. Enter percentage here	12.37%
5 Multiply line 1 by line 4	1,144
6 Other state's tax due minus its income tax credits	1,320
7 Enter the smaller of lines 5 or 6 here and on Form 40, line 22	1,144

PETITIONER'S POSITION

Petitioners appealed contending the Bureau erred in its determination. In support of their position, Petitioners referred to their Form W-2, which showed \$1,687 in Oregon tax withheld. Petitioners didn't cite any laws in support of their position.

Petitioners calculated the correct amount of taxes paid to Oregon on Form 39R, Part C, line 7, submitted with their return. However, instead of carrying over the \$1,144 to Form 40, line 22, Petitioners entered their Oregon withholding. Withholding amounts are simply estimates paid from a taxpayer's paycheck throughout the year, not the actual tax calculated on their return from the tax tables.

ANALYSIS

Idaho Code section 63-3029(3)(a) guides the limitations for the credit for income taxes paid another state or territory:

"The credit provided under this section to an individual shall not exceed the proportion of the tax otherwise due under this chapter that the amount of the adjusted gross income of the taxpayer derived from sources in the other state as modified by this chapter bears to the adjusted gross income of the taxpayer as modified by this chapter."

Petitioners received 12.37% of their total income from the state of Oregon. Petitioners' Idaho tax calculated from the tax tables is \$9,253. Under Idaho Code, Petitioners' tax credit is limited to their Idaho tax multiplied by their Oregon income percentage, which is \$1,144. (\$9,253 x 12.37%). According to Petitioners' Oregon tax return, their tax due was \$1,320, so they must enter the smaller amount calculated of \$1,144.

Based on the information available, the Bureau didn't make an error in its determination. The Bureau calculated Petitioners' credit for taxes paid to Oregon in accordance with Idaho Code section 63-3029. Petitioners claimed their Oregon withholding as a credit for taxes paid to another state, which Idaho Code section 63-3029 doesn't permit.

THEREFORE, the Notice of Deficiency Determination dated March 7, 2023, is hereby APPROVED, in accordance with the provisions of this decision, and is AFFIRMED and MADE FINAL.

IT IS ORDERED that Petitioners pay the following tax and interest.

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	\$542	\$10	\$552

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

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

DATED this _____ day of _____ 2023.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2023,
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.
