

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-192-472-064
██████████ ██████████)	
)	
Petitioners.)	DECISION
_____)	

██████████ | ██████████ (Petitioners) protested the Notice of Deficiency Determination (Notice) dated July 22, 2024. Petitioners disagreed with the disallowance of the Idaho Child Tax Credit for ██████████ | ██████████ (██████████). The Tax Commission reviewed the matter and hereby upholds the Notice.

BACKGROUND

Petitioners filed a 2023 Idaho resident individual income tax return (Return). Petitioners claimed three Idaho Child Tax Credits. During the processing of Petitioners' return, it was flagged for potential error. The Taxpayer Accounting Unit (Taxpayer Accounting) reviewed Petitioners' return and found they only listed two dependents on both the federal and state return. Taxpayer Accounting adjusted Petitioners' return, removing one Idaho Child Tax Credit and sent a Notice.

Petitioners protested the Notice. Petitioners stated they, "have 3 children that lived and attended school in Idaho for the 2023 year, as identified in our 2023 return." Petitioners also included copies of each child's school transcripts with their protest. Taxpayer Accounting acknowledged Petitioners' protest and referred the matter to the Tax Commission's Appeals Unit (Appeals) for administrative review.

Appeals sent Petitioners a letter explaining their options available for redetermining a Notice. Petitioners responded, requesting an informal hearing. Petitioners did not provide any

additional documentation during the informal hearing, but did reference Idaho code section 63-3029L.

Mr. [REDACTED] stated according to a court order the other parent has the legal right to claim [REDACTED] as a dependent. He argues since the other parent did not file an Idaho return; they can claim the Idaho Child Tax Credit for [REDACTED]

The Tax Commission, having reviewed the information contained in the file as well as that provided in the informal hearing, hereby decides the matter.

LAW AND ANALYSIS

Deductions are a matter of legislative grace, and taxpayers bear the burden of proving that they are entitled to the deductions claimed. *INDOPCO, Inc. v. Commissioner*, 503 U.S. 79, 84, 112 S. Ct. 1039, 117 L.Ed.2d 226 (1992); *New Colonial Ice Co. v. Helvering*, 292 U.S. 435, 440, 54 S. Ct. 788, 78 L.Ed. 1348 (1934).

Idaho Code section 63-3029L Child Tax Credit states:

1) For taxable years beginning on or after January 1, 2018, and before January 1, 2026, there shall be allowed to a taxpayer a nonrefundable credit against the tax imposed by this chapter in the amount of two hundred five dollars (\$205) with respect to each qualifying child of the taxpayer. For purposes of this section, the term "qualifying child" has the meaning as defined in section 24(c) of the Internal Revenue Code. In no event shall more than one (1) taxpayer be allowed this credit for the same qualifying child. This credit is available only to Idaho residents. Any part-year resident entitled to a credit under this section shall receive a proportional credit reflecting the part of the year in which the part-year resident was domiciled in Idaho.

(2) In the case of divorced parents or parents who do not live together, if the qualifying child is in the custody of one or both of the child's parents for more than one-half of a calendar year, such child is the qualifying child of the custodial parent for the taxable year beginning during such calendar year. However, the child may be the qualifying child of the noncustodial parent if either of the following requirements are met: (a) A court of competent jurisdiction has unconditionally awarded, in writing, to the noncustodial parent the tax benefits associated with the child pursuant to section 32-706, Idaho Code, and the noncustodial parent attaches a copy of the court order to the noncustodial parent's income tax return for the

taxable year; or (b) The custodial parent signs a written declaration that such custodial parent will not claim the credit of this section with respect to such child for any taxable year beginning in such calendar year and the noncustodial parent attaches such written declaration to the noncustodial parent's income tax return for the taxable year beginning during such calendar year.

Idaho Code section 32-706, states, in relevant part:

(6) If the court awards one (1) parent the right to claim tax benefits associated with his child or children, the court order need not list every applicable tax benefit. The parent who was awarded the tax benefits for the child or children shall attach a copy of the court order to his income tax return. **The state tax commission shall recognize the award of tax benefits with respect to the child or children as applying to the child tax credit under section 63-3029L.(emphasis added)**

Based on information provided, [REDACTED] lived with Petitioners for more than half of 2023. Mr. [REDACTED] stated during the informal hearing that he did not claim [REDACTED] as a dependent on his federal return to comply with the court order. The Tax Commission must do the same when awarding tax benefits associated with a child. The Idaho Legislature has made this clear with the strict language in Idaho Code section 32-706.

CONCLUSION

Petitioners filed their 2023 Idaho income tax return claiming the child tax credit for Mr. [REDACTED] son, [REDACTED]. However, according to Mr. [REDACTED] the court awarded [REDACTED] tax benefit to the other parent. Since the Tax Commission is required to follow the provisions as prescribed by the court, Petitioners cannot receive the Idaho child tax credit for [REDACTED].

THEREFORE, the Notice of Deficiency Determination dated July 22, 2024, directed to [REDACTED] 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>
2023	\$205	\$ 10	\$215

Interest is calculated through February 02, 2025.

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 _____ 2024.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2024,
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.
