

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

|   |   |                          |
|---|---|--------------------------|
| In the Matter of the Protest of           | ) |                          |
|   | ) | DOCKET NO. 0-507-429-888 |
|   | ) |                          |
| Petitioners.                              | ) | DECISION                 |
| <hr style="width: 45%; margin-left: 0;"/> | ) |                          |

Taxpayer Accounting sent (Petitioners) a Notice of Refund Determination (Notice) for tax year 2022. Petitioners protested, and the case was transferred to the Tax Commission’s Appeals Unit (Appeals). An informal hearing was held telephonically and was considered in the final determination. The Tax Commission has reviewed the matter and hereby upholds the Notice.

**BACKGROUND**

Petitioners filed their 2022 Idaho income tax return reporting no income and \$1,393 in Idaho withholding. According to Petitioners’ W-2 form, they had Idaho wages of \$38,851 for 2022. Taxpayer Accounting accordingly adjusted their return to include the income and reduce their refund. Petitioners protested, stating in a letter: “Although it is true I work in Idaho, I am a resident of the state of Washington. Idaho tax was taken out of my paycheck throughout the year and is refunded to me at the time that taxes are filed.” Taxpayer Accounting acknowledged their protest and transferred the case to Appeals.

Appeals sent Petitioners correspondence providing them with information about the appeals process and their rights to an informal hearing. Petitioners requested a hearing, and one was held telephonically to discuss the case. The Tax Commission has reviewed the information presented and hereby issues its decision.

## **LAW AND ANALYSIS**

Idaho Code section 63-3026A(3) describes Idaho sourced income for nonresident and part-year resident individuals. In general, if a nonresident individual performs personal services, either as an employee, agent, independent contractor, partner, or otherwise, both within and without Idaho, the portion of his total compensation that constitutes Idaho source income is determined by multiplying that total compensation by the Idaho compensation percentage.

In Petitioners' case, they performed services in Idaho and were compensated \$38,851. Their federal adjusted gross income for 2022 was \$118,042. Therefore, their Idaho percentage is calculated to be 31.91%. With this Idaho percentage, they are allowed \$8,984 in standard deductions, resulting in \$29,867 in Idaho taxable income. From Idaho's income tax tables for 2022, their tax is calculated to be \$1,327. Petitioners' residence status is not relevant here, as all income derived from Idaho must be reported to Idaho.

## **CONCLUSION**

Petitioners performed services in Idaho and received compensation in the form of wages. Regardless of their Washington residency, they must report the Idaho wages on their return. Taxpayer Accounting made the appropriate adjustments to their return and to allow for the appropriate Idaho percentage.

THEREFORE, the Notice of Refund Determination dated March 8, 2023, is hereby APPROVED and MADE FINAL.

The Notice issued a reduction in refund, so no demand for payment is necessary.

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.

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