

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

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|---------------------------------|---|--------------------------|
| In the Matter of the Protest of |) | |
| |) | DOCKET NO. 0-521-913-344 |
| |) | |
| |) | |
| Petitioners. |) | DECISION |

(Petitioners) protested the Notice of Refund Determination (Notice) issued by the Idaho State Tax Commission’s Revenue Operations division (RO) dated March 20, 2023. The Tax Commission has reviewed the matter and hereby issues its final decision to uphold the Notice as modified by Revenue Operations and dated April 18, 2023. Petitioners paid the total due shown on the modified Notice. Therefore, no demand for payment is made.

Background

Petitioners electronically filed their 2022 Idaho individual income tax return claiming a credit for income tax paid to other states (CTPOS) on Form 40. RO sent a letter requesting complete copies of Form 39R and returns filed for any other states. Petitioners provided a printed copy of Form 39R but did not submit a copy of any other state returns.

RO issued its first Notice on March 20, 2023, reducing Petitioners’ CTPOS. Petitioners protested the change and provided additional documentation. RO modified its initial Notice and issued a second one on April 18, 2023, increasing (but not restoring to the amount claimed on their return) Petitioners’ CTPOS.

Petitioners did not withdraw their protest, so RO forwarded their file to the Tax Commission’s Appeals unit (Appeals) for administrative review. Appeals reached out to Petitioners explaining the alternatives available for redetermining a protested Notice. Petitioners did not respond, so the Tax

Commission decided this matter based on information currently available.

Law & Analysis

Idaho Code section 63-3029 allows an individual a credit for income tax imposed by another state on income derived from sources within the other state while the individual is a resident of Idaho. The taxed income must also be subject to Idaho income tax. The credit is limited to the smaller of the individual's tax liability to the other state after all credits are applied or the proportion of Idaho income tax that the individual's adjusted gross income derived from sources in the other state bears to the individual's Idaho adjusted income. For resident individuals, the credit is calculated on Form 39R and then the value is copied to Form 40.

Petitioners filed as Idaho residents for tax year 2022. They did not report any type of income other than wages on their federal income tax return. Of the seven W-2s reported, six showed Idaho as the source state; the other showed Colorado. We confirmed that the employers, wages earned, and taxes withheld as reported on the six Idaho W-2s match employer records submitted to the Tax Commission. We have no reason to suspect incorrect reporting of the Colorado W-2 on Petitioners' tax returns.

On Form 39R, Petitioners used the following amounts in their calculation of the CTPOS: income from Colorado sources of \$16,552; Idaho adjusted income of \$68,540; Idaho tax of \$2,092; and Colorado tax of \$729 after income tax credits. They calculated an allowable credit of \$505 but claimed a credit of \$964 on Form 40 and a refund of \$112.

On the 2022 Colorado income tax return Petitioners filed, they reported an adjusted gross income from sources within the state of \$26,606. The Tax Commission is unable to explain the discrepancy in the amounts reported on the Colorado return and on Form 39R. All other figures – Idaho adjusted income, Idaho tax, and Colorado tax – were reported on Form 39R correctly. The

calculation of the credit using the correct income from Colorado sources results in an allowable credit of \$729 and a tax due on Form 40 of \$123. This is the amount reflected on RO's modified Notice.

Conclusion

Petitioners claimed an incorrect credit for income tax paid to other states on their 2022 Idaho income tax return. The Tax Commission finds the determination by Revenue Operations, as modified, is correct, and Petitioners' tax due should be \$123.

THEREFORE, the modified Notice dated April 18, 2023, and directed to
and _____ is hereby APPROVED and MADE FINAL.

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.
