

On December 9, 2022, the Bureau received Petitioner's protest of the Notice. She stated that: 1) she did not owe Idaho income tax on the income she earned in Minnesota and North Dakota (only for wages earned in Idaho); 2) she is a resident of Idaho, returning permanently in 2020 as she has a CDL and was working and paying taxes in other states; and 3) she was being taxed twice on all her income.

On January 5, 2023, the Bureau sent Petitioner a letter acknowledging the protest and requesting copies of her 2020 state returns for Minnesota and North Dakota. Petitioner responded on February 2, 2023, requesting additional time as she had not yet received a copy of her North Dakota return. On June 29, 2023, after not having received the requested information, the Bureau transferred the protested case to the Tax Commission's Appeals unit (Appeals).

Appeals sent a letter on August 15, 2023, outlining two options for redetermining a protested Notice. Petitioner responded via email on August 20, 2023, stating that she had mailed her 2020 tax returns twice and "[she] filed in North Dakota because that's where [she] 'lived' and worked." Appeals responded via email with information about how Idaho taxes residents. The email also explained that the Bureau had prepared the Notice based on her being a resident of Idaho, requested any information she may have that would show she was not a resident, and discussed credits available for income tax paid to other states on double-taxed income.

Petitioner has not responded to the email from Appeals. Petitioner has had more than adequate time to submit her 2020 Idaho income tax return or provide information to show that the Notice is incorrect but has not done so. Therefore, the Tax Commission decided this matter based on the information currently available.

Law and Analysis

Idaho Code section 63-3030(a)(1) requires each individual who is a resident to file an Idaho income tax return if required to file a federal return. Internal Revenue Code section 6012 states that the requirement to file a federal return is based on gross income, which Petitioner meets. The Bureau determined that Petitioner was an Idaho resident for tax year 2020. She filed resident tax returns for 2019 and 2021 and did not provide any information to show that she moved away from Idaho with the intention to make her new permanent home in another state during 2020. She received the homeowner's exemption on her Idaho property, which is a benefit reserved for residents. She registered to vote in Idaho in 2020, and she voted on an Idaho ballot. The Tax Commission agrees that she was an Idaho resident working in other states while intending to return to Idaho. Since Petitioner was an Idaho resident for 2020, Idaho taxes all her income from all sources, including wages earned in other states.

In Idaho, it is well established that a Tax Commission Notice is presumed to be correct, and the taxpayer bears the burden of showing the deficiency is erroneous. *See Parsons v. Idaho State Tax Commission*, 110 Idaho 572, 574-575 n.2 (Ct. App. 1986) (citing *Albertson's Inc. v. State, Dept. of Revenue*, 106 Idaho 810, 814 (1984)). The Tax Commission requires Petitioner to provide adequate evidence to establish that the amount asserted in the Notice is incorrect. Petitioner has failed to do so. She has not filed an actual return or provided any substantive argument or documentation to show why all her income should not be taxed by Idaho.

As a resident, Petitioner is eligible under Idaho Code section 63-3029 to claim a credit for income tax paid to another state on income that is taxed by both the other state and Idaho. Petitioner earned wages in North Dakota and Minnesota, in addition to Idaho. To substantiate the credit for income tax paid to any other state, the Tax Commission requires a copy of the return filed with the

other state.¹ The Bureau did not have a copy of any other state returns when the Notice was issued and so did not calculate any allowable credit. After the Bureau issued the Notice, Petitioner provided a copy of her North Dakota return; the Tax Commission received information indicating she did not file a return with Minnesota. For this reason, the Tax Commission calculated the credit allowable for income tax paid to North Dakota but did not allow a credit for income tax paid to Minnesota.

Petitioner filed her North Dakota return as if she were a resident there. However, since she was an Idaho resident, she could not also have been a North Dakota resident.² As filed, Petitioner's North Dakota tax liability after all credits was \$181. However, this amount is overstated as it is based on 100% of her income being taxable in that state. Petitioner should be taxed in North Dakota and Minnesota only on the wages earned in the respective state. Petitioner provided copies of three W-2s showing the following: North Dakota wages of \$14,627; Minnesota wages of \$9,439; and Idaho wages of \$4,738. Based on these figures, Petitioner's tax liability to North Dakota should be \$92 ($\$14,627 / \$28,804 \times \181).

The credit for income tax paid to another state is limited by the following: 1) Idaho tax (\$1,314 per the Notice); 2) the percentage of Idaho tax that the income taxed in the other state bears to Idaho income (\$667; $\$14,627 / \$28,804 \times \$1,157$); and 3) the income tax to be paid to the other state after the application of all credits (\$92). In this case, the smallest of these is the income tax to be paid to North Dakota. Therefore, the Tax Commission determined that Petitioner is entitled to a \$92 credit for income tax paid to North Dakota and will reduce the tax due in the Notice by this amount.

¹ Idaho Code section 63-3029(4)

² According to Idaho Income Tax Administrative Rule 030.02, a person may have only one domicile at any given time. If Petitioner was domiciled in Idaho, she legally cannot be domiciled in North Dakota at the same time.

The Bureau added interest and penalty to Petitioner’s tax deficiency. The Tax Commission reviewed those additions and finds them to be appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046, respectively.

Conclusion

Based on available information, Petitioner was an Idaho resident and received income exceeding the gross income threshold for filing an Idaho income tax return for tax year 2020. Petitioner has not provided any compelling evidence or argument that the return prepared by the Bureau is incorrect. The Tax Commission finds the return prepared by the Bureau to be a reasonable representation of Petitioner’s Idaho taxable income and related tax due for the year in question, with the exception of the credit for income tax paid to North Dakota discussed above.

THEREFORE, the Notice dated November 25, 2022, and directed to _____ is hereby MODIFIED and MADE FINAL.

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

| <u>YEAR</u> | <u>TAX</u> | <u>PENALTY</u> | <u>INTEREST</u> | <u>TOTAL</u> |
|-------------|------------|----------------|-----------------|--------------|
| 2020 | \$1,065 | \$266 | \$113 | \$1,444 |

The Tax Commission DEMANDS immediate payment of this amount. Interest is calculated through March 25, 2024.

An explanation of Petitioner’s 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.
