

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-628-196-352
)	
Petitioner.)	DECISION
<hr style="border: 0; border-top: 1px solid black; width: 100%;"/>)	

Taxpayer Accounting sent (Petitioner) a Notice of Refund Determination (Notice) for tax year 2021. Petitioner protested, and the case was transferred to the Tax Commission’s Appeals Unit (Appeals). The Tax Commission has reviewed the case and hereby upholds the Notice.

BACKGROUND

Petitioner filed a 2021 Idaho income tax return reporting no income and \$605 in Idaho withholding. Taxpayer Accounting sent Petitioner a letter requesting additional information before processing the return. Petitioner claimed she had no Idaho taxable income but received a W-2 showing \$21,839 in Idaho wages. Taxpayer Accounting requested Petitioner to provide either a legible copy of her corrected W-2 or a clear and complete statement signed by her employer identifying Idaho wages and withholding. Petitioner did not respond, so Taxpayer Accounting sent Petitioner a Notice adjusting the return to include the income on her W-2, ultimately changing her \$595 refund into a tax due of \$210.

Petitioner protested the Notice, stating she had moved to Alaska in July of that year and provided her W-2 forms to verify the Idaho income tax withheld. Taxpayer Accounting acknowledged her protest and transferred the case to Appeals. Appeals sent Petitioner correspondence providing information about the appeals process and her rights to an informal hearing. Petitioner did not request an informal hearing, but an explanation of the situation was

offered over the phone. It appeared Petitioner understood the adjustment, but discontinued communication with Appeals after some time. The Tax Commission has reviewed the information presented and hereby issues its decision.

LAW AND ANALYSIS

Petitioner appeared to be under the impression that the Tax Commission did not recognize her Idaho withholding. On the contrary, the Tax Commission did recognize her withholding, but Petitioner did not report the income made while in Idaho. Idaho Code section 63-3026A(3) describes Idaho sourced income for nonresident and part-year resident individuals. In general, if a part-year resident 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.

For part-year resident taxpayers, Idaho Form 43 requests they report their federal adjusted gross income in “Column A” and their Idaho sourced income in “Column B.” Then, a taxpayer would include either itemized deductions or the standard deduction laid out by the Internal Revenue Code (IRC). For Petitioner, her standard deduction for 2021 per the IRC was \$12,550. To calculate Petitioner’s Idaho standard deduction, she then must calculate her “Idaho income percentage” which is her Idaho sourced income divided by her federal adjusted gross income. In Petitioner’s case, she performed services in Idaho and was compensated \$21,839. Petitioner’s federal adjusted gross income for 2021 was \$48,035. Therefore, her Idaho percentage is calculated to be 45.46% ($\$21,839 / \$48,035$). With this Idaho percentage, she is allowed \$5,705 ($\$12,550 \times 45.46\%$) in standard deductions, resulting in \$16,134 ($\$21,839 - \$5,705$) in Idaho taxable income.

From Idaho’s income tax tables for 2022, her tax is calculated to be \$805. With her tax withholding of \$605 and permanent building fund of \$10, her total tax due is \$210.

CONCLUSION

Petitioner performed services in Idaho and received compensation in the form of wages. Regardless of her change in residency to Alaska, she must report the Idaho wages on her return. Taxpayer Accounting made the appropriate adjustments to her return and calculated her Idaho percentage correctly.

THEREFORE, the Notice of Refund Determination dated April 25, 2022, is hereby APPROVED 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>
2021	\$210	\$16	\$226

Interest is calculated through February 8, 2024.

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

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.
