

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-831-243-264
)	
Petitioners.)	DECISION
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(Petitioners) protested the Notice of Refund Determination dated April 21, 2023. Petitioners disagreed with the changes Taxpayer Accounting made to their 2022 Idaho part-year resident income tax return. The Tax Commission reviewed the matter and for the reason discussed below upholds the Notice of Refund Determination.

BACKGROUND

Petitioners filed a part-year resident Idaho individual income tax return for tax year 2022. During the processing of Petitioners’ return, the Tax Commission’s Revenue Operations Division could not match Petitioners’ withholdings from Mr. _____ employer, Taxpayer Accounting sent Petitioners a letter asking them to provide copies of their W-2 Wage and Tax Statement to verify the withholding claimed on their return. Petitioners provided a copy of the W-2 and Taxpayer Accounting researched the information on it but found no record of the withholding or even an Idaho withholding permit for

Taxpayer Accounting disallowed the withholding and made other adjustments to Petitioners’ Idaho return. The other adjustments included changing Petitioners’ income to report only the wages earned in Idaho, disallowing most of the credit for taxes paid to another state, disallowing the grocery credit, and disallowing the child tax credit. Taxpayer Accounting sent Petitioners a Notice of Refund Determination that they protested.

Petitioners stated the Tax Commission underestimated the amount of their refund due to the fact that they were living in Idaho for half the year and received income while working in Oregon. Petitioners stated the second half of the year they lived and worked in Utah. Petitioners stated the income earned from the _____ was earned in Oregon while they were residents of Idaho. Petitioners stated those wages are taxable by Idaho because they were Idaho residents when they received the income, and since that income is also taxable by Oregon, they are entitled to a credit for the taxes paid to Oregon. Petitioners stated they became Utah residents in July, and they also filed a part-year resident income tax return for Utah. Petitioners provided copies of their Oregon and Utah income tax returns and another copy of their

W-2.

Taxpayer Accounting acknowledged Petitioners' protest and sent the matter to the Tax Commission's Appeals Unit (Appeals). Appeals reviewed the case and sent Petitioners a letter that explained the fact that Mr. _____ employer did not have a withholding permit with Idaho. Appeals stated Idaho cannot give them credit for withholding that was never remitted to Idaho. Nevertheless, Appeals gave Petitioners the opportunity to prove the withholding was remitted to Idaho and should be credited on their return.

Petitioners' tax preparer contacted Appeals stating she needed more time to respond to the Tax Commission's letter. The preparer stated she needed time to review her records to verify which withholdings should be reported to Idaho. Preparer stated if she finds that the Tax Commission is correct, she will have Petitioners send a statement withdrawing their protest.

A couple of months passed with no further contact from either Petitioners or their tax preparer. Appeals contacted Petitioners' tax preparer leaving a message to call Appeals with her findings. Preparer did not respond. Seeing that Petitioners had an opportunity to present

information or documentation to support the withholding payment but chose not to, the Tax Commission decided the matter based on the information available.

LAW AND ANALYSIS

Petitioners filed their 2022 Idaho income tax return reporting the income they earned while they were residents of Idaho. During 2022, Petitioners earned wages from employment in Idaho, Oregon, and Utah. Petitioners stated they lived in Idaho for six months of 2022 and then moved to Utah for the remaining six months. Petitioners reported the income earned in Idaho and Oregon as income taxable by Idaho.

As part of Petitioners' return, Petitioners provided copies of their W-2 Wage and Tax Statements. Mr. [REDACTED] W-2 for his Utah employment was from [REDACTED]. The W-2 showed Idaho withholding in the amount of \$1,255. Petitioners claimed this amount on their Idaho income tax return.

When Revenue Operations processed Petitioners' 2022 Idaho return, it was unable to match the withholding reported on the [REDACTED] W-2 with a withholding return in the Tax Commission's records. The withholding permit number listed on the W-2 was not an Idaho number. As a result, Taxpayer Accounting did not allow the [REDACTED] withholding as Idaho withholding.

Petitioners stated they moved to Utah and lived and worked there the last six months of 2022. This being the case and considering the location of the [REDACTED] it is unlikely the [REDACTED] had any employees living in Idaho which would require Idaho withholding, and the [REDACTED] would certainly not make Idaho withholding for Mr. [REDACTED] if he was a resident of Utah. Therefore, based on the information available, the Tax Commission upholds the disallowed withholding from [REDACTED].

Taxpayer Accounting also changed Petitioners' Idaho income tax return for income not taxable by Idaho, reduced the amount of credit for taxes paid to another state, disallowed the child tax credit, and disallowed the grocery credit. The Tax Commission reviewed each of those changes and hereby reverses them.

Petitioners were part-year residents of Idaho, and while living in Idaho Mr. [redacted] worked in Ontario, Oregon. Because Petitioners were living in Idaho, the income earned in Oregon is taxable by Idaho. Petitioners included this income as income taxable by Idaho; however, Taxpayer Accounting excluded this income as not being taxable by Idaho. Taxpayer Accounting should not have excluded this income. But, because Taxpayer Accounting excluded the Oregon income, Taxpayer Accounting found it necessary to also correct the credits Petitioners claimed.

Taxpayer Accounting reduced Petitioners' credit for taxes paid to another state; however, when Taxpayer Accounting excluded the Oregon income from Idaho taxable income, there is no longer double taxed income on which the credit is based. Taxpayer Accounting should have disallowed the credit in total. Nevertheless, since Taxpayer Accounting only reduced credit claimed and because of a reduced tax on a smaller Idaho taxable income, Petitioners' tax was reduced to \$0 which made the child tax credit and the grocery credit unavailable to them.

Despite the errors made, the end result of disallowing only the withholding from [redacted] is the same as the reduced refund stated in the Notice of Refund Determination. For this reason, the Tax Commission upholds the Notice of Refund Determination.

CONCLUSION

Petitioners filed their 2022 Idaho income tax return claiming withholding that could not be verified in the Tax Commission's records. Taxpayer Accounting disallowed the withholding but also made other changes to Petitioners' Idaho return. Upon review, the Tax Commission found the

withholding adjustment appropriate due to the facts that Petitioners' employer was not permitted with Idaho, the employer is a _____ in central Utah, and no withholding payments were received from the employer. As for the other adjustments made to Petitioners' Idaho return, the Tax Commission found them to be in error and not applicable to Petitioners' situation.

However, because of the mechanics and limitations of the credits available to Petitioners, the end result of making only the withholding adjustment is the same as that in the issued Notice of Refund Determination. Therefore, the Tax Commission upholds the Notice of Refund Determination.

THEREFORE, the Tax Commission AFFIRMS the Notice of Refund Determination dated April 21, 2023, directed to

Since the Notice of Refund Determination REDUCED Petitioners refund, an ORDER for payment is not needed.

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.
