BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of

Petitioner.

DOCKET NO. 0-913-504-256

DECISION

This case arises from a timely protest of a Notice of Deficiency Determination (Notice) issued to (Petitioner) for taxable year 2020. The Idaho State Tax Commission (Commission) after a thorough review of the matter upholds the Notice issued to Petitioner.

THEREFORE, the Notice dated January 4, 2022, and directed to Petitioner is AFFIRMED. IT IS ORDERED that Petitioner pay the following tax and interest.

YEAR	TAX	INTEREST	TOTAL
2020	\$1,800	\$16	\$1,816
		Held Refund	(1,406)
			\$410

Interest is computed through November 9, 2022.

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

The Commission upholds the Notice for the reasons discussed below.

BACKGROUND

The Income Tax Audit Bureau (Audit) during a review of Petitioner's 2020 Idaho individual income tax return, noted that Petitioner included \$1,800 Idaho claim of right credit. After their review, Audit sent Petitioner a billing letter denying the Idaho claim of right credit and Petitioner did not respond. Audit issued Petitioner a Notice and Petitioner protested the Notice stating her tax return is done correctly because she used the Free Tax USA software and wanted an explanation in plain English what was done wrong. Audit accepted Petitioner's protest and transferred the matter for administrative review.

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The Tax Commission's Appeals Unit (Appeals) reviewed the matter and sent Petitioner a letter with two options for redetermining a protested Notice. Petitioner did not respond to the letter, nor did she provide any additional information. Appeals didn't get a response from the Petitioner, and decided the matter based upon the information available.

LAW AND ANALYSIS

Idaho Code section 63-3022F states in part: In computing the deduction allowable under this section, no deduction shall be allowed if the item of gross income for a prior taxable year was not included in Idaho taxable income.

Idaho Income Tax Administrative Rule 35.01.01.120.07 states in part: The deduction is allowed to the extent such deduction would have been allowed to the taxpayer under Section 1341, Internal Revenue Code, had the taxpayer claimed the deduction instead of the recalculation of federal tax, but only to the extent the item was included in Idaho taxable income in the prior taxable year.

Petitioner is not allowed the claim of right credit per Idaho code and rule. She claimed an Idaho tax credit in 2020 for taxes she claims were paid in the 2019 tax year. The claim of right credit pertains to the paying of income taxes on a received item of income in one year and not being allowed to keep said item of income for whatever reason the following year. Here Petitioner filed her 2020 tax return asking for an \$1,800 claim of right credit even though she did not file a 2019 income tax return. She did not pay tax on an item of income she did not get to keep. Idaho only allows a credit if an individual paid Idaho tax on income they later did not get to keep. Petitioner filed her first Idaho income tax return in taxable year 2020 which means she does not qualify to file for a claim of right credit

CONCLUSION

Audit adjusted Petitioner's 2020 Idaho individual income tax return to remove the Idaho claim of right credit. Petitioner did not file a 2019 Idaho return; therefore, she did not pay tax on an item of income she did not get to keep. Upon review, the Commission found the adjustment Audit made was in accordance with Idaho law. As such the Commission upholds the Notice issued to Petitioner.

An explanation of Petitioner's right to appeal this decision is enclosed.

DATED this _____ day of _____ 2022.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2022, 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.