

Petitioners protested the Notice, continuing to argue that [REDACTED] was a Washington resident by providing utility bills and property tax statements for his home in Otis Orchards. The Bureau acknowledged their protest and transferred the case to the Tax Commission's Appeals Unit (Appeals) for administrative review. Appeals sent Petitioners a letter outlining the appeals process and their right to a hearing. Petitioners requested an informal hearing to continue the redetermination process. After the hearing, Petitioners requested time to provide additional information to resolve both the domicile issue and retirement distribution. Petitioners eventually provided that information. The Tax Commission has reviewed all the relevant information on this matter and issues its decision.

LAW AND ANALYSIS

Domicile:

Idaho Code section 63-3013(a) provides that any individual who is domiciled in Idaho is an Idaho resident. Domicile means the place where an individual has his true, fixed, permanent home - the place he intends to return to whenever he is absent. Once domicile is established in a particular place, it remains there until the individual (1) intends to acquire a specific new domicile, (2) intends to abandon the old domicile, and (3) has physical presence in the place of new domicile. All individuals who have been domiciled in Idaho for the entire taxable year are residents for Idaho income tax purposes even though they may have resided outside Idaho for all or part of the taxable year except as provided in Idaho Code section 63-3013(2).

Idaho determines the residency of a taxpayer based on several primary and secondary factors. The primary factors include their home, time, near and dear items, business activity, and family connections. Secondary factors include driver's licenses, where they register to vote, Fish and Game licenses, vehicle registration, etc. No one factor determines domicile, rather a

combination of factors with consideration of all facts and circumstances determines domicile. Idaho Income Tax Administrative Rule 030.020 states, “An individual can have several residences or dwelling places but can have only one domicile at a time.” The Tax Commission now provides the following analysis regarding Petitioners’ domicile for tax years 2020 through 2022:

Home

Kootenai County records show that [REDACTED] acquired a property in Spirit Lake, ID on March 30, 1998. A quit claim deed was executed on April 19, 1998, which added [REDACTED] as a co-owner. Both [REDACTED] and [REDACTED] signed the Homeowner’s Exemption application on May 7, 1998, which stated that the house was their primary residence. The exemption wasn’t changed since it was initially granted. By signing this document, Petitioners certified under penalty of perjury that they were Idaho residents and used the home as their primary dwelling place.

The house was built in 1989 and is 1,848 square feet. It has three bedrooms and two bathrooms. The property is approximately 14 ½ acres and includes several outbuildings and a detached garage. In 2022, the assessed value of the property was \$756,237.

Petitioners also own property in Otis Orchards, WA. Spokane County records describe it as a “91 Double Wide” with 1,304 square feet of living area, with one bedroom and one bathroom. The property sits on approximately 6 ½ acres. In 2022, the assessed value of the property was \$118,420.

The two properties are 28.8 miles away from each other. Both properties are just across the Idaho and Washington border. It would be reasonable to assume there was consistent movement between the two properties due to their proximity to each other. To determine which property is their primary residence, the Tax Commission considers the difference in size, bedrooms and bathrooms, the homeowner’s exemption status, driver’s licenses, and where Petitioners receive

mail. Considering the Idaho property is larger in square footage, more bedrooms and bathrooms, has the homeowner's exemption, and is listed on their driver's licenses, all point to the Idaho property being their primary residence. Petitioners receive general mail and their important tax documents to a PO Box in Spirit Lake, ID. This factor indicates both [REDACTED] and [REDACTED] are Idaho residents.

Active Business Involvement

Petitioners reported wages from both Idaho and Washington during the years in question. [REDACTED] reported wages from Idaho and [REDACTED] reported wages from Washington. It does not appear that they have any other business involvement in other states. This factor indicates [REDACTED] as an Idaho resident and [REDACTED] as a Washington resident.

Time

According to the questionnaire filled out by Petitioners, [REDACTED] spent most of her time in Idaho and [REDACTED] spent most of his time in Washington. There are some overlapping times where [REDACTED] spent in Idaho, but he still spent the majority of his time in Washington. While these claims are self-reported, it is reasonable to assume that [REDACTED] spent most of his time in Washington due to his employment. This factor indicates that [REDACTED] was an Idaho resident, and [REDACTED] was a Washington resident.

Near and Dear Items

According to the questionnaire, [REDACTED] kept her near and dear items in Idaho and [REDACTED] kept his in Washington. Without any evidence to indicate otherwise, it is reasonable to assume this is accurate. This factor indicates that [REDACTED] was an Idaho resident, and [REDACTED] was a Washington resident.

Family Connections

There is no information to make any conclusive statements regarding this factor. This factor is to remain neutral in determining residency.

Secondary Factors

Driver's Licenses

- [REDACTED] received and renewed his Idaho driver's license in 2006, 2010, 2014, 2018, and 2022. When asked about why he does not have a Washington driver's license, he replied with: "seemed like a good idea at the time." No other explanation was given.

Idaho Fish and Game Licenses

- According to Tax Commission records, [REDACTED] purchased the following licenses:
 - Idaho Resident Sportsman Package - 2000 through 2012.
 - Idaho Resident Fishing and Idaho Resident Hunting licenses - 2013.
 - Resident Adult Life Combo 3-year licenses - 2017 and 2020.
 - Resident Adult Lifetime Combo license - 2023.

The addresses listed on the licenses were either the house in Spirit Lake or a PO Box in Spirit Lake. The residence dates listed on the licenses were either 6/6/1996 or 11/21/1997. During the informal hearing, [REDACTED] indicated he never purchased fish and game licenses in Washington.

Idaho Motor Vehicles

- According to Tax Commission records, Petitioners have registered six vehicles in Idaho. No vehicles were registered in Washington.

Voting

- To qualify as a resident of Idaho for voting purposes, a qualified elector's principal or primary home or place of abode must be in Idaho. According to Kootenai County, [REDACTED] registered to vote in Idaho in 2000 and he stated he resided in Idaho for two years. Voting records show he voted in Idaho in 2012, 2014, 2016, 2018, 2020 and 2022. According to Kootenai County, [REDACTED] registered to vote in Idaho in 2000 and she stated she resided in Idaho for sixteen years. Voting records show she voted in Idaho in 2012, 2016, 2018, 2020 and 2021. During the informal hearing, [REDACTED] indicated he has never voted in a Washington election.

In analyzing the primary factors presented in this case, some facts lead towards a Washington residency for [REDACTED] and others an Idaho residency. However, when including the secondary factors, [REDACTED] appears to be domiciled in Idaho for the years in question. While he does work in Washington and owns property there, he votes in Idaho, purchases Idaho resident fish and game licenses, registers his vehicles in Idaho, and consistently renewed his Idaho driver's license since 2006. Working in Washington and owning a secondary residence there is not sufficient to establish domicile. Therefore, the Tax Commission upholds the Bureau's decision to adjust [REDACTED] residency status to Idaho, making all income no matter where the source, taxable to Idaho.

Missing Income:

Petitioners were initially confused about the adjustments made to their investment distributions. Namely, the Bureau identified in Tax Commission records a 1099-R that reported taxable distributions of an IRA. Petitioners insist this was a nontaxable IRA rollover. To document the rollover, Petitioners provided one page of their brokerage statement from Morgan Stanley. The page stated their dividends, nontaxable dividends, and IRS withholding. The IRS withholding amount

of \$4,500 in the brokerage statement corresponds to the 1099-R received by the Tax Commission. According to the 1099-R, Petitioners had a taxable distribution of \$41,167 and a federal tax withholding of \$4,500. The 1099-R had a distribution code 7, which is a “normal distribution.”

According to the IRS, distribution code 7 refers to:

Use Code 7: (a) for a normal distribution from a plan, including a traditional IRA, section 401(k), or section 403(b) plan, if the employee/taxpayer is at least age 59 1/2; (b) for a Roth IRA conversion if the participant is at least age 59 1/2; and (c) to report a distribution from a life insurance, annuity, or endowment contract and for reporting income from a failed life insurance contract under section 7702(g) and (h).

Petitioners’ 1099-R clearly shows a taxable distribution. Petitioners did not specifically protest the other adjustments made to investment distributions. The Tax Commission reviewed the other adjustments, and they appear to be accurate and reasonable. Therefore, the Bureau’s adjustments to Petitioners’ missing income are upheld.

CONCLUSION

Petitioners received a Notice adjusting their residency status and investment distributions for tax years 2020 through 2022. While Petitioners strongly insist [REDACTED] was a resident of Washington during the years in question, the cumulative evidence presented in this case favors an Idaho domicile. [REDACTED] co-owned a home in Idaho with the homeowner’s exemption, registered all his vehicles in Idaho, purchased Idaho resident fish and game licenses, obtained and renewed his Idaho driver’s license since 2006, and voted in Idaho. Working and owning a secondary home in Washington alone does not meet the criteria of establishing a Washington domicile. Additionally, the Tax Commission reviewed the 1099s issued to Petitioners and found them to be accurate. Petitioners have the burden of proof to establish why the 1099s are inaccurate and have not met that burden.

The Bureau added interest and penalty to Petitioners' tax deficiency. The Tax Commission reviewed those additions and found them to be appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046.

THEREFORE, the Notice dated March 20, 2024, and directed to [REDACTED] [REDACTED] [REDACTED] [REDACTED]

[REDACTED] is hereby APPROVED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$8,595	\$430	\$937	\$9,962
2021	4,915	246	432	5,593
2022	5,252	263	273	<u>5,788</u>
			TOTAL	\$21,343

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

DATED this _____ day of _____ 2025.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2025,
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.

