BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of [redacted] Petitioners.	DOCKET NO. 1-394-267-136 DECISION

[redacted] (Petitioners) protested the Notice of Deficiency Determination (Notice) dated December 8, 2025. The Tax Commission reviewed the matter and for the reasons set forth below upholds the Notice.

Background

Petitioners filed joint income tax returns in response to an inquiry about tax years 2021 and 2022. Both returns were filed July 14, 2025. The Tax Commission's Revenue Operations division (RO) sent Petitioners a letter requesting proof of payment for estimated payments claimed on their 2022 return. Petitioners responded to the letter but did not provide any documentation. RO issued the Notice on December 8, 2025, disallowing the estimated payments claimed on Petitioners' 2022 Idaho return.

On January 15, 2026, RO received a copy of the Notice with a hand-written note, "Looks like 2021 c/f credit has not been applied." Accompanying this was a letter from a third party stating, "[T]he state appears to be denying the carryover credit from the 2021 year," and a copy of Petitioners' 2021 Idaho return showing a $1,125 overpayment.

RO sent Petitioners a letter acknowledging the protest and informing them that the matter was being forwarded to the Tax Commission's Appeals unit (Appeals) to continue the redetermination process. Appeals sent Petitioners a letter outlining the options available for redetermining a protested Notice and attempted to reach them by telephone. Petitioners did not respond, so the Tax Commission must decide the matter based on information currently available.

Law & Analysis

Idaho Code section 63-3072(b) states that a taxpayer must claim a refund of tax, penalty, or interest within a three year period following the due date of the return, without regard to extensions. A taxpayer may claim a credit of tax, penalty, or interest within a ten year period following the due date of the return, without regard to extensions. For individual returns, the due date of the return is typically April 15 of the year following the tax year in question. "Without regard to extensions" means whether or not the taxpayer had a valid extension of time to file the return.

When a taxpayer files a return within three years of the original due date and that return results in an overpayment, there are three options for the treatment of the amount overpaid. The taxpayer may request that the amount:

- be refunded
- be applied as an estimated payment on the next year's return, or
- be split between the first two options

If the taxpayer's return is not filed within three years of the original due date, then these options are no longer available. The overpayment cannot be refunded, nor can it be applied as an estimated payment on a subsequent return; doing so could result in an overpayment on a timely filed return, and a taxpayer could request a refund that includes ineligible amounts. Idaho Code is clear that a refund claim must be made within a three year period following the due date of the return. If a claim is not made in time, the amount of overpayment is held on account to be applied against any tax, penalty, or interest that results from a subsequent return.

In the current case, Petitioners' 2021 and 2022 Idaho income tax returns were filed on July 14, 2025. Their 2021 income tax return was due April 18, 2022, so they were beyond the three-year timeframe to claim a refund of tax when they filed, even though the return showed a $1,125 overpayment of tax for the year. However, they were within the ten-year period for claiming a credit equal to the amount of overpayment.

On Petitioners' 2022 Idaho return, they claimed a rollover of overpayment from their 2021 return. To properly claim a rollover of overpayment on the 2022 return, Petitioners must have had an amount from their 2021 return that was eligible to be refunded. They did not, so RO disallowed the rollover and adjusted Petitioners' 2022 return accordingly.

The protest letter reads in part, "[T]he state appears to be denying the carryover credit from the 2021 year." Regarding this "carryover credit," this is where the difference between "claiming a refund" and "claiming a credit" comes into play. It is a nuanced but very important distinction. Petitioners were outside the prescribed timeframe to claim a refund or carryover from their 2021 return. The letter also indicates that Petitioners submitted a payment of the amount due as shown on their 2022 return. There is no indication that the Tax Commission received any payment matching that amount.

Based on available information, the Tax Commission finds that the correction in the Notice is necessary and accurate. Further, while the overpayment from 2021 cannot be refunded or claimed in part or in whole as an estimated payment on the 2022 return, it is available to offset tax, penalty, or interest resulting from a processed return.

Conclusion

Petitioners are not eligible to claim the overpayment from their late-filed 2021 return as an estimated payment for 2022. Instead, the overpayment will be applied on account against tax, penalty, and interest due from subsequent returns.

THEREFORE, the Notice dated December 8, 2025, and directed to [redacted] is hereby UPHELD and MADE FINAL.

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

YEAR	TAX	PENALTY	INTEREST	TOTAL
2022	$3,121	$780	$589	$4,490

The Tax Commission DEMANDS immediate payment of this amount. The above interest is calculated in accordance with Idaho Code section 63-3045 and may decrease depending on the application of the $1,125 credit from Petitioners' 2021 return.

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

DATED this _______ day of __________________ 2026.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this ________ day of ________________________________ 2026, 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:

[redacted]

Receipt No.

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