

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 1-657-772-032
,)	
)	
Petitioner.)	DECISION
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(Petitioner) protested the Notice of Refund Determination dated April 30, 2021. Petitioner disagreed with the disallowance of the child and dependent care deduction on her 2020 Idaho income tax return. The Tax Commission reviewed the matter and affirms the Notice of Refund Determination.

BACKGROUND

Petitioner filed her 2020 Idaho individual income tax return claiming the deduction for child and dependent care expenses. Petitioner filed her return as married filing separate. Because of the deduction and Petitioner’s filing status, Petitioner’s return was identified as a return with a potential error. The Taxpayer Accounting Unit (Taxpayer Accounting) reviewed Petitioner’s return and sent her a letter asking for specific information regarding the child and dependent care deduction. Petitioner responded that she and her spouse lived together the last six months of the year, that the qualifying person lived in her home for the full year, that she paid more than half the cost of maintaining her home, and that her employer did not pay for any of the cost of the care.

Taxpayer Accounting reviewed Petitioner’s responses and determined from them that Petitioner did not qualify for the child and dependent care deduction. Taxpayer Accounting corrected Petitioner’s return and sent her a Notice of Refund Determination; the adjustment to Petitioner’s return reduced her refund claim.

Petitioner protested Taxpayer Accounting's determination. Petitioner stated the reasons she believes the notice was in error is she because is married and lives with her husband. She is the primary breadwinner in the household and makes most of the money for the family. Petitioner stated she pays all the household expenses and all the childcare. Petitioner stated both she and her husband work full time, so they are not able to care for their child at home. Petitioner stated her salary goes to supporting their family while her husband's salary goes toward paying off his debts. Petitioner also provided evidence of the cost of the childcare she paid during the year.

Taxpayer Accounting acknowledged Petitioner's protest and referred the matter to the Tax Commission's Appeals Unit (Appeals). Appeals sent Petitioner a letter explaining the adjustment to her 2020 return and asked how she wanted to continue her appeal. Petitioner responded stating she had been out of town. Petitioner acknowledged her response was after the Appeals deadline and stated she was willing to accept whatever decision the Tax Commission makes. Appeals replied giving Petitioner additional time to provide whatever additional information or documentation she wanted the Tax Commission to consider. Petitioner responded that she had nothing further to submit. Petitioner stated again that she and her husband file their taxes separately, and she pays all their childcare costs. Petitioner stated her husband makes far less than she does, so his salary just goes toward his student loans and she pays for everything else. Petitioner stated since she doesn't have documentation, she will just accept the Tax Commission's decision. Therefore, the Tax Commission decided the matter based upon the information available.

ANALYSIS AND FINDINGS

Idaho Code section 63-3022D allows a deduction for dependent care services. The allowable expenses are determined by the provisions of Internal Revenue Code (IRC) section 21. IRC section 21(e) states special rules for claiming the federal credit and therefore the Idaho

deduction. Subsection (2) of IRC section 21(e) states that if a taxpayer is married, the credit (Idaho deduction) shall only be allowed if the taxpayer and her spouse file a joint income tax return for the taxable year. There is an exception to this rule if the married individuals live apart from each other, but in this case, Petitioner stated she and her husband lived together the entire year. Because the statute requires married individuals to file a joint return to claim the credit/deduction and Petitioner filed a married filing separate return, Petitioner cannot claim the Idaho child and dependent care deduction.

CONCLUSION

Petitioner filed her 2020 Idaho income tax return claiming a deduction for child and dependent care. Petitioner filed her return as married filing separate. IRC section 21 requires that married individuals file a married filing joint return to be eligible for the deduction. Since Petitioner did not file a married filing joint return, the Tax Commission must uphold the Notice of Refund Determination.

THEREFORE, the Tax Commission AFFIRMS the Notice of Refund Determination dated April 30, 2021 directed to _____.

Since the Tax Commission REDUCED Petitioner's refund, an order for payment is not needed.

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

DATED this _____ day of _____ 2021.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2021,
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.
