BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of	of))	DOCKET NO. 1-763-697-664
Pe	etitioner.)	DECISION

(Petitioner) protested the Notice of Deficiency Determination (Notice) dated September 13, 2024. Petitioner disagreed with the Income Tax Audit's (Audit) determination of her Idaho taxable income for tax year 2021. The Idaho State Tax Commission (Tax Commission) reviewed the matter and hereby upholds the Notice for the reasons stated below.

BACKGROUND

Audit selected Petitioner's 2021 return for review, specifically the Other Subtractions she claimed for unemployment on Form 39R. Audit determined the subtraction was incorrect and issued Petitioner a Notice, removing the subtraction for unemployment. Petitioner protested the Notice, arguing the following:

- 1. **Reporting of Unemployment Income**: I reported all income earned, including unemployment benefits, on my tax return. The information provided on my 1099-G from the Idaho Department of Labor clearly states that I received \$12,600.00 in unemployment income. This income was accurately reported in accordance with IRS guidelines. Idaho Code § 63- 3003 defines gross income to include all income received, which I adhered to in my filing.
- 2. **Idaho's Participation in Tax Relief**: It is important to note that Idaho was among the states that opted not to participate in the federal relief for taxation on unemployment benefits for the 2021 tax year. I filed my taxes based on the information available at that time, and I was not aware of this tax treatment until after my return was submitted. The IRS stated that if taxpayers had already filed their returns, they were not required to take any additional action, which I followed. 3. **TurboTax Guidance**: I utilized TurboTax to prepare my return. The software
- 3. **TurboTax Guidance**: I utilized TurboTax to prepare my return. The software provided guidance based on the questions asked, and I relied on its recommendations, which did not indicate any disallowance of the unemployment deduction for Idaho residents. The software's processing and acceptance of my return by both the state and federal systems indicate that it was filed correctly based on the information available at the time.

- 4. **Idaho Code § 63-3045**: According to Idaho Code § 63-3045, the Tax Commission must provide clear reasons for any adjustments and ensure that all computations are accurate. In this case, the computations provided in the notice do not reflect the total income and deductions accurately reported in my return.
- 5. **Previous Payments and Tax Due**: I have already paid the tax due as of the previous notices, totaling \$122.00, and I believe the additional charges stated in your recent communication (tax due of \$628.00, penalty of \$32.00, and interest of \$69.00) are unjustified based on the accurate reporting of my income and adherence to the applicable tax laws.

Given these reasons, I respectfully request a thorough review of my case, including the documentation provided with my tax return and the applicable Idaho codes. I believe that upon review, the determination of additional taxes owed will be found incorrect.

Audit acknowledged Petitioner's protest and referred the matter to the Tax Commission's Tax Appeals Unit (Appeals) for administrative review. Appeals reviewed the matter and sent Petitioner a letter that discussed the methods available for redetermining a Notice. Petitioner did not respond. Therefore, the Tax Commission decides the matter based on the information available.

LAW AND ANALYSIS

The American Rescue Plan Act enacted on March 11, 2021, allowed a person to exclude up to \$10,200 of unemployment compensation paid in **2020** on the federal return. Petitioner is correct, Idaho did not follow this Act, so all unemployment received was taxable under Idaho Code for tax year 2020 as well as the year under review, 2021.

Petitioner correctly reported her unemployment compensation on the 2021 federal return, and she carried that adjusted gross income (AGI) to the Idaho return. However, she subtracted \$10,000 on the Idaho return using Form 39R line 23, Other Subtractions listing it as unemployment. Audit correctly denied this subtraction. All unemployment is taxable income in Idaho and in addition, the American Rescue Act, which Petitioner referenced in her protest, was for the prior tax year.

The Tax Commission is authorized by Idaho Code section 63-3040 to examine the correctness of an income tax return submitted to the Tax Commission. Any changes the Tax Commission makes to Petitioner's returns are to bring them into compliance with Idaho income tax statutes.

Petitioner stated in her protest she had received a prior Notice for tax year 2021, also proposing additional tax. The Tax Commission's Revenue Operations Division did issue Petitioner a prior Notice as the estimated payments she claimed on her 2021 Idaho return did not match Tax Commission records. This Notice corrected the error which changed Petitioner's return from a refund to a tax due. She did not protest this adjustment and paid the additional amount due.

CONCLUSION

Audit adjusted Petitioner's 2021 Idaho income tax return to remove the subtraction for unemployment. The Tax Commission reviewed the adjustment and found it appropriate. Therefore, the Tax Commission upholds Audit's Notice.

Audit added interest and penalty to Petitioner's 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, respectively.

THEREFORE, the Notice dated September 13, 2024, and directed to hereby AFFIRMED and MADE FINAL.

IT IS ORDERED that Petitioner pay the following tax, penalty, and interest calculated per Idaho Code Section 63-3045:

<u>YEAR</u> <u>TAX</u> <u>PENALTY</u> <u>INTEREST</u> <u>TOTAL</u> 2021 \$638 \$32 \$76 \$746

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

An explanation of	Petitioner's right	ht to appeal this decision is enclosed.
DATED this	day of	2025.
		IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this a copy of the within and foregoing DECI mail, postage prepaid, in an envelope add	SION was served by	2025, sending the same by United States
	Receip	t No.
	I	