

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 2-145-567-744
)	
Petitioner.)	DECISION
<hr style="width: 45%; margin-left: 0;"/>)	

(Petitioner) protested the Notice of Refund Determination (Notice) dated March 31, 2023. The Tax Commission reviewed the matter and hereby issues its final decision to modify the Notice. This means Petitioner’s refund for tax year 2022 is reduced. As no additional tax is due, the Tax Commission makes no demand for payment.

Background

Petitioner filed an Idaho income tax return for tax year 2022, reporting Idaho taxable income of \$11,321 and tax based on this amount of \$0. The Tax Commission’s Revenue Operations Division (RO) issued the Notice on March 31, 2023, to correct the amount of tax based on Petitioner’s reported taxable income, as well as correct the calculation of Petitioner’s reported refund.

On April 18, 2023, RO received a protest of the Notice stating, “My return does not meet the minimum gross income filing requirements and is not required to be filed.”

On April 21, 2023, RO sent a letter acknowledging the protest and informing Petitioner that the matter was being forwarded to the Tax Commission’s Appeals unit (Appeals) for administrative review.

On May 17, 2023, Appeals sent Petitioner a letter outlining two options for redetermining a protested Notice. Petitioner did not respond to this letter. Therefore, the Tax Commission decided this matter based on the information currently available.

Law and Analysis

Petitioner's response to the Notice states that he is not required to file an Idaho income tax return for 2022. Idaho Code section 63-3030 includes among those required to file an Idaho income tax return "Every resident individual required to file a federal return under section 6012(a)(1) of the Internal Revenue Code." An individual whose gross income is greater than the applicable basic standard deduction is required to file a federal tax return.

Petitioner filed his federal income tax return for tax year 2022, reporting wages of \$3,231 and "Scholarship and fellowship grants not reported on Form W-2" of \$11,721. The Tax Commission didn't find any exception that would exclude Petitioner's wages from gross income. Scholarship and grant income is generally excluded from gross income, but it is taxable to the extent that it is not used for qualified tuition and related expenses (defined in Internal Revenue Code section 117(b)(2)). A scholarship or grant recipient may elect to deem some or all of such income as used for non-qualifying expenses to be able to claim the American Opportunity Tax Credit under Internal Revenue Code section 25A (see also Treasury Regulation 1.25A-5). Scholarships and grants that would normally be excluded from gross income are no longer exempted. Since Petitioner included scholarship and grant income as taxable on his federal return, the Tax Commission determined that it is not excluded from gross income in determining whether he met the requirements to file a federal tax return. With a gross income of \$14,952, Petitioner was required to file a federal income tax return for tax year 2022 and therefore an Idaho return, as well.

From his federal adjusted gross income of \$14,952, Petitioner subtracted the standard deduction amount of \$12,950 for a filer using the "Single" filing status, resulting in taxable income of \$2,002.

Petitioner's 2022 Idaho income tax return appropriately reflects the federal adjusted gross income of \$14,952. From this amount, Petitioner subtracted \$3,631 for the standard deduction amount, resulting in Idaho taxable income of \$11,321. He then claimed Idaho tax of \$0.

Idaho Code section 63-3002 states, "the taxable income reported each taxable year by a taxpayer to the internal revenue service shall be the identical sum reported to this state, subject only to modifications contained in the Idaho law." Idaho Code section 63-3022(j) allows individuals to subtract either the standard deduction amount or itemized deductions except for state and local income or general sales taxes. Petitioner claimed the standard deduction amount on his federal tax return and didn't provide any information regarding itemized deductions. The Tax Commission found no evidence suggesting that Petitioner's Idaho taxable income should not be the same amount reported to the internal revenue service on his federal return.

Idaho Code section 63-3024(a) and Idaho Income Tax Administrative Rule 075.01 relate to the calculation of tax measured by the Idaho taxable income of an individual, trust, or estate. Idaho tax based on taxable income of \$2,002 is \$28 for an individual using the "Single" filing status. Each Idaho return required to be filed must report the \$10 permanent building fund tax. As determined earlier, Petitioner was required to file an Idaho tax return. Therefore, his total tax for 2022 is \$38.

Petitioner claimed Idaho income tax withholding of \$97. The Tax Commission confirmed withholding using information provided by employer records. Petitioner did not claim any Idaho credits or report any other payments toward tax.

The Tax Commission determined that Petitioner was due a refund of \$59 for tax year 2022.

Conclusion

Based on his 2022 federal income tax return, Petitioner met the requirements to file an Idaho return, but his Idaho taxable income was not reported correctly on the Idaho return he filed. Using the correct Idaho taxable income, Petitioner is due a smaller refund than that which he claimed, but he does not owe the tax due as shown on the Notice.

THEREFORE, the Notice dated March 31, 2023, and directed to _____ is hereby
MODIFIED and MADE FINAL.

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

DATED this _____ day of _____ 2023.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2023,
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.
