Numbers and Operations: Tax Analyst

Idaho State Tax Commission

Job Description: Analyzes and audits tax returns prepared by State of Idaho residents.

Problem:

A person has $20,000 that is taxable at a tax rate of 7%. She files the return 35 days after the due date.

The interest rate for late payment is 9% a year, assessed on a daily basis.

The late payment penalty is 5% per month for each month or partial month after the due date, to a maximum of 25%, or $10.00 whichever is greater.

1. What is the total tax?
2. What is the penalty?
3. What is the interest due?
4. What is the total due?

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Solution:

1. The total tax due is found by multiplying the taxable amount ($20,000) times the tax rate (7%). **$20,000 x .07 = $1,400 tax**

2. The total penalty due is calculated by multiplying the taxable amount ($20,000) times the tax rate (7%) times the interest rate (9%) times the number of days late (35) divided by the number of days in the year (365).
($20,000 x .07 x .09 x 35 days) ÷ 365 days/yr = $12.08 penalty

3. The total interest due is calculated by multiplying the taxable amount ($20,000) times the tax rate (7%) times the months late (2) times the payment penalty (5%).
$20,000 x .07 x 2 months x .05 = $140 interest

4. Therefore, the total tax, penalty and interest due is calculated by adding these three amounts together. **$1,400.00 + $12.08 + $140.00 = $1,552.08 total**

This type of calculation would be done by anyone filing tax returns and by Tax Commission personnel in positions ranging from clerical staff to auditors or compliance officers. The salary range of those positions ranges from $14,000 to $35,000.