

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of Protest of)	
)	DOCKET NO. 14572
[Redacted],)	
)	DECISION
Petitioners.)	
_____)	

On January 18, 2000, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers), proposing income taxes, penalties, and interest for the taxable year 1996 in the total amount of \$4,321.

On February 29, 2000, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not respond to the Tax Commission's letter setting forth their appeal rights and have not provided anything further for consideration. The Tax Commission, having reviewed the file, hereby issues its decision.

The Tax Discovery Bureau (Bureau) [Redacted]. When the Bureau went to review that information with the return that the taxpayers filed with the Tax Commission, the Bureau found the taxpayers did not file a 1996 return. The Bureau sent the taxpayers a letter asking about their filing with the Tax Commission. The taxpayers did not respond to the Bureau's letter.

The Bureau gathered additional information on the taxpayers and determined they were required to file a 1996 Idaho individual income tax return. The Bureau prepared a return for the taxpayers and sent them a Notice of Deficiency Determination. The taxpayers appealed the Bureau's determination and sent in a copy of the 1996 return they filed. The taxpayers also sent in a printout of an electronic check register showing a check written for the amount due as shown on the copy of the Idaho income tax return.

The Bureau contacted the taxpayers and requested a copy of the cancelled check in order to track the taxpayers' return in the Tax Commission's records. The taxpayers did not have the

check and later found that the check had not cleared their bank. In further discussions with the taxpayers, the Bureau told the taxpayers about the change [Redacted] made. The taxpayers did recall that a change had been made on their [Redacted] return. The Bureau asked the taxpayers to file a return showing the federal changes. The taxpayers failed to make any changes to their return. The Bureau then forwarded the taxpayers' case for administrative review.

The Tax Commission sent the taxpayers a letter setting forth their options in an administrative appeal. The taxpayers did not respond. Therefore, the Tax Commission issues its decision based upon the information available in the file.

Idaho Code § 63-3002 states that Idaho taxable income is to be identical to the taxable income reported to the Internal Revenue Service, subject to the modifications in the Idaho Code. Therefore, if a change is made to the taxable income reported on the federal income tax return, a corresponding change needs to be made on the Idaho income tax return. The change [Redacted] made to the taxpayers' return was to include omitted unemployment compensation. The Tax Commission found this income should have been included on the taxpayers' Idaho return too. The Idaho return the taxpayers presented to the Bureau did not include this income. Therefore, for the taxpayers' return to be accepted, a change must be made to include the unemployment compensation.

However, the taxpayers' return did provide information, which was not available to the Bureau when it prepared a return for the taxpayers. The taxpayers' return reported itemized deductions, which the Bureau did not include. The taxpayers' return also claimed a gasoline tax refund that the Bureau had no knowledge of.

Therefore, the Tax Commission found the best representative of the taxpayers' Idaho income tax liability was the taxpayers' return adjusted to include the unemployment compensation.

The Bureau added interest and penalty to the taxpayers' tax in accordance with Idaho Code §§ 63-3045 and 63-3046. The Tax Commission reviewed these additions and found them appropriate.

WHEREFORE, the Notice of Deficiency Determination dated January 18, 2000, is hereby MODIFIED, in accordance with the provisions of this decision and, as so modified, is APPROVED, AFFIRMED AND MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayers pay the following tax, penalty and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
1996	\$1,844	\$ 461	\$573	\$2,878

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

An explanation of the taxpayers' right to appeal this decision is enclosed with this decision.

DATED this _____ day of _____, 2001.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE BY MAIL

I hereby certify that on this ____ day of _____ 2001, 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. [Redacted]
[REDACTED]

ADMINISTRATIVE ASSISTANT 1