

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

| | | |
|---------------------------------|---|------------------|
| In the Matter of the Protest of |) | |
| |) | DOCKET NO. 14580 |
| [REDACTED], |) | |
| |) | DECISION |
| Petitioners. |) | |
| _____ |) | |

On January 19, 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 tax, penalty, and interest for the taxable years 1994, 1995, and 1997 in the total amount of \$8,486.

On March 21, 2000, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not request a hearing but rather chose to submit income tax returns for the Tax Commission to consider. The Tax Commission, having reviewed the file, hereby issues its decision.

While reviewing the Tax Commission's records, the Tax Discovery Bureau (Bureau) found that the taxpayers requested an extension of time for filing their 1994, 1995, and 1997 Idaho income tax returns but failed to follow-up the extensions with their income tax returns. The Bureau sent the taxpayers a letter asking them to file their returns. The taxpayers did not respond.

The Bureau researched the taxpayers further and found the taxpayers had wages in excess of Idaho's filing requirement for each of the years. The Bureau used the information it gathered on the taxpayers and prepared income tax returns for the taxpayers. The Bureau sent the taxpayers a Notice of Deficiency Determination, which the taxpayers appealed.

The taxpayers stated that they wanted to submit returns and that their completed returns would all result in refunds. The taxpayers stated all the returns would be to the Tax Commission

by April 15. The Bureau assumed the taxpayers meant April 15, 2000 since their letter was dated March 20, 2000.

The taxpayers did not supply the returns by April 15, 2000 as they stated in their letter. Therefore, the Bureau referred the matter for administrative review. The Tax Commission sent the taxpayers a letter setting forth two alternative methods for redetermining the Notice of Deficiency Determination. The taxpayers responded by telephone saying they were still gathering all the information to file their returns. The taxpayers stated a letter would be forthcoming and possibly a return by August 27, 2000.

August 27, 2000, passed and nothing was received from the taxpayers. The Tax Commission sent the taxpayers a follow-up letter giving them a deadline by which to submit their returns. The taxpayers responded by submitting a letter and their 1994 Idaho return. The taxpayers stated in their letter the other returns would be sent as soon as they could.

The Tax Commission allowed the taxpayers additional time to submit the remaining two returns. However, after a couple of months and nothing further received from the taxpayers, the Tax Commission sent the taxpayers another letter with a deadline date. The deadline passed and the taxpayers did not provide anything.

The Tax Commission was preparing its decision on the matter when it received the taxpayers' 1997 Idaho return on April 16, 2001. Therefore, the Tax Commission included the receipt of that return in this decision.

The Tax Commission reviewed the 1994 and 1997 returns the taxpayers submitted and found they were a better representation of the taxpayers' taxable income for those years. Therefore, the Tax Commission accepted the taxpayers' returns, subject to the normal review processes of the Tax Commission, in lieu of the 1994 and 1997 returns prepared by the Bureau.

The taxpayers' 1994 and 1997 returns both resulted in refunds. However, Idaho Code sections 63-3035 and 63-3072 provide that no credit or refund can be allowed if a claim for credit or refund is not filed within three (3) years of the due date of the return. The taxpayers' 1994 return had a due date of April 15, 1995. The Tax Commission received the taxpayers 1994 return on November 9, 2000, well beyond the three-year statute of limitations.

The Tax Commission received the taxpayers' 1997 return on April 16, 2001. The statute of limitations for credit or refund of withholdings for tax year 1997 expired on April 15, 2001. Idaho Code section 63-3035(e) is specific that a claim for credit or refund must be filed within three years of the due date of the return. Therefore, the Tax Commission cannot refund the amount claimed on the return submitted by the taxpayer.

As for the 1995 taxable year, the taxpayers have provided no additional information. The Tax Commission reviewed the information the Bureau used to prepare a 1995 return for the taxpayers and found the income information accurate. However, the Tax Commission does not believe the Bureau allowed the taxpayers the correct amount of exemptions. Looking at the 1994 and 1997 returns, it is evident the taxpayers had five additional exemptions besides their two personal exemptions. Therefore, the Tax Commission adjusted the 1995 return prepared by the Bureau to reflect a total of seven exemptions.

WHEREFORE, the Notice of Deficiency Determination dated January 19, 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>REFUND</u> | <u>TAX</u> | <u>INTEREST</u> | <u>PENALTY</u> | <u>TOTAL</u> |
|-------------|---------------|------------|-----------------|----------------|--------------|
| 1994 | \$0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 1995 | 0 | 398 | 169 | 100 | 667 |
| 1997 | 0 | 0 | 0 | 0 | <u>0</u> |
| | | | BALANCE DUE | | <u>\$667</u> |

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

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

DATED this _____ day of _____, 2001.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

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][REDACTED]

ADMINISTRATIVE ASSISTANT 1