

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 15215
[Redacted],	)	
	)	DECISION
Petitioners.	)	
_____	)	

On October 17, 2000, the Tax Discovery Bureau (Bureau) of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers), proposing additional individual income tax, penalty, and interest in the amount of \$2,555 for 1997.

The taxpayers filed a timely appeal and petition for redetermination. They did not request a conference. The Tax Commission has reviewed the file, is advised of its contents, and hereby issues its decision based thereon.

Idaho Code 63-3002 provides:

Declaration of intent. It is the intent of the legislature by the adoption of this act, insofar as possible to make the provisions of the Idaho act identical to the provisions of the Federal Internal Revenue Code relating to the measurement of taxable income, to the end that 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; . . .

The intent of the Idaho Legislature is to follow the federal determination subject only to modifications contained in Idaho law. [Redacted]. [Redacted].

The Bureau issued a Notice of Deficiency Determination, which the taxpayers appealed. The taxpayers explained the additional income was cancellation of a debt by [Redacted]. [Redacted] wrote that they moved to Idaho from California in 1994 leaving a house, which they rented out. In 1996, the house became vacant, and the taxpayers failed in their attempts to sell it. They were unable to make the payments and the bank started a foreclosure action. Before the foreclosure was

completed, the house sold for an amount that was less than the taxpayers owed. The bank, [Redacted], cancelled the balance of the debt. The taxpayers contend the amount reported by the bank to the IRS was in error because it included insurance proceeds from HUD and other fees such as attorney's fees.

Furthermore, the taxpayers said, they entered into an "Offer in Compromise" with the IRS in 1997 for which they borrowed \$5,000 which they are still repaying. They said they are sure the compromise included the debt cancellation.

The taxpayers' file was transferred to the Legal/Tax Policy Division for administrative review. The taxpayers did not respond to a letter outlining their right to request a hearing or submit additional information.

A Notice of Deficiency Determination issued by the Idaho State Tax Commission is presumed to be accurate. Parsons v. Idaho State Tax Com'n, 110 Idaho 572 (Ct. App. 1986). The burden is on the taxpayers to show that the tax deficiency is erroneous. Albertson's, Inc. v. State, Dept. of Revenue, 106 Idaho 810 (1984).

The Bureau prepared the deficiency notice [Redacted]. [Redacted]. The taxpayers have presented nothing to dispute the finding. The taxpayers argue that the amount of the cancelled debt might be less and the federal taxes were reduced by the compromise agreement.

The agreement with the IRS has little to do with the Idaho income taxes. A compromise is simply mutual consent to settle for a certain amount with specific terms. It does not change the facts related to the audit and does not change the taxable income amount. The fact that the IRS agreed to accept less money and close the matter is not binding on Idaho to do likewise. In fact, no such offer has been presented to the Tax Commission for consideration.

Idaho Code directs taxpayers to report the identical sum to Idaho as they report to the IRS

each year. [Redacted]. [Redacted]. Absence evidence to the contrary, the Tax Commission upholds the Bureau's determination.

WHEREFORE, the Notice of Deficiency Determination dated October 17, 2000, is APPROVED, AFFIRMED, AND MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayers pay the following tax, penalty, and interest for 1997:

<b><u>TAX</u></b>	<b><u>PENALTY</u></b>	<b><u>INTEREST</u></b>	<b><u>TOTAL</u></b>
\$2,036	\$102	\$530	\$2,668

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**

I hereby certify that I have on this \_\_\_\_\_ day of \_\_\_\_\_, 2001, served a copy of the within and foregoing DECISION by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED] Receipt No. [Redacted]  
[Redacted] [REDACTED]

ADMINISTRATIVE ASSISTANT 1 \_\_\_\_\_