

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of Protest of)	
)	DOCKET NO. 15500
[Redacted],)	
)	DECISION
Petitioners.)	
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On March 26, 2001, 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 1991, 1992, 1993, and 1995 in the total amount of \$2,644.

On March 28, 2001, the Tax Commission received a timely appeal and petition for redetermination from the taxpayers. However, the taxpayers did not respond to the Tax Commission's hearing rights letter and have not provided any other additional information. Therefore, the Tax Commission, having reviewed the file, hereby issues its decision.

While reviewing information available to the Tax Commission and comparing it to the Tax Commission's records of returns filed, the Tax Discovery Bureau (Bureau) found that the taxpayers did not file Idaho income tax returns for the taxable years 1991 through 1998. The Bureau sent the taxpayers a letter asking about their Idaho filing requirements. The taxpayers contacted the Bureau and in time the taxpayers submitted income tax returns for 1991 through 1998.

[Redacted]. The Bureau corrected the taxpayers' returns citing Idaho Code section 63-3002 and sent the taxpayers notification of its corrections. The taxpayers disputed the Bureau's figures and asked for a detailed explanation of the changes. The Bureau contacted the taxpayers to explain the correction, but failed to receive a response from the taxpayers. The Bureau sent

the taxpayers a Notice of Deficiency Determination and referred the matter for administrative review.

The Tax Commission reviewed the case and sent the taxpayers a letter setting forth the methods available for redetermining protested Notices of Deficiency Determination. In that letter the Tax Commission explained, in detail, the corrections made by the Bureau. The taxpayers did not respond. Therefore, the Tax Commission decided this matter based upon the information available.

The returns the taxpayers submitted for 1991, 1992, 1993, and 1995 did not include complete copies of the federal income tax return. However, included with their Idaho returns, the taxpayers had copies of the federal form for child and dependent care expenses. That form includes a line item for federal adjusted gross income. [Redacted]. However, when the taxpayers completed their Idaho income tax returns they used a different adjusted gross income figure.

Idaho Code section 63-3002 states the intent of the Idaho Legislature for the Idaho income tax act. It states in pertinent part,

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; . . .

To arrive at Idaho taxable income, which is identical to federal taxable income, the Idaho Form 40 income tax return uses a starting point of federal adjusted gross income. With federal adjusted gross income as a starting point and no special Idaho modifications, Idaho taxable income will be identical to federal taxable income. Therefore, the taxpayers should have started their Idaho Form 40 with the adjusted gross income figure they reported on their federal income

tax return. The correction the Bureau made was to increase the taxpayers' adjusted gross income figures to the amount of adjusted gross income reported to the IRS.

The Bureau also corrected the amount of the child and dependent care deductions the taxpayers claimed on their Idaho returns. The Idaho Code provides for a deduction against federal adjusted gross income for employment-related expenses incurred during the year for child and dependent care services (Idaho Code section 63-3022D). The Idaho Code follows the provisions of the Internal Revenue Code in determining the amount of the deduction. However, rather than computing a credit against tax, as the Internal Revenue Code does, the Idaho Code provides for a deduction against adjusted gross income.

The taxpayers claimed a deduction on their Idaho returns in the amount of the federal credit. The Bureau corrected this amount to the total amount of the child and dependent care expenses up to the limitation provided in the Internal Revenue Code. This resulted in a larger deduction for the taxpayers in each year.

The taxpayers have not provided any additional information to show the corrections made by the Bureau were in error. Therefore, they have not met their burden of proof. Albertson's, Inc. v. State, Dept. of Revenue, 106 Idaho 810, 814, 683 P.2d 846, 850 (1984). Nevertheless, the Tax Commission finds the Bureau made the appropriate corrections.

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

WHEREFORE, the Notice of Deficiency Determination dated March 26, 2001, is hereby 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>
1991	\$235	\$ 59	\$200	\$ 494
1992	319	80	233	632
1993	349	87	218	654
1995	549	137	254	940
			TOTAL DUE	<u>\$2,720</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