

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 15602
[Redacted],)	
)	DECISION
Petitioner.)	
_____)	

On January 3, 2001, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayer), proposing income tax, penalty, and interest for the taxable year 1998 in the total amount of \$1,082.

On January 30, 2001, the taxpayer filed a timely appeal and petition for redetermination. Prior to the Tax Commission sending out its hearing rights letter, the taxpayer submitted a 1998 Idaho individual income tax return for the Tax Commission to consider. He has since provided no other information. The Tax Commission, having reviewed the file, hereby issues its decision.

While reviewing Department of Labor information and the Tax Commission's records, the Tax Discovery Bureau (Bureau) found that the taxpayer received wages in 1998. The wages were in excess of Idaho's filing requirements, but the taxpayer failed to file an Idaho income tax return. The Bureau sent the taxpayer a letter asking the taxpayer about his filing requirement but received no response. The Bureau determined the taxpayer was required to file a 1998 return, so it prepared a return based upon the information available and sent the taxpayer a Notice of Deficiency Determination.

The taxpayer appealed the Bureau's determination and provided a copy of the return he submitted to the Internal Revenue Service (IRS). The taxpayer stated that based upon the return he submitted to the IRS, he would not owe Idaho any tax. The Bureau revised its return based upon the figures submitted and sent a modified determination to the taxpayer. The taxpayer

responded with a completed 1998 Idaho income tax return but not before the Bureau had referred the matter for administrative review.

The Tax Commission sent the taxpayer a letter asking if he had anything in addition to the 1998 return that he wanted the Tax Commission to consider. The taxpayer did not respond. Therefore, the Tax Commission decides this matter based upon the information currently available.

The Tax Commission reviewed the returns prepared by the taxpayer and by the Bureau. Both returns began with the wages that were reported to the Idaho Department of Labor and both returns were filed as a single individual with one personal exemption. This is where the similarities ended.

The taxpayer claimed itemized deductions on his Idaho return in the amount of \$14,093. He subtracted that amount from his earnings to arrive at \$14,886. From there he subtracted his personal exemption to arrive at Idaho taxable income of \$12,186.

The Bureau started with the taxpayer's earnings and subtracted his personal exemption and an amount for itemized deductions obtained from federal information sources. The itemized deduction amount from the federal sources was less than half the amount the taxpayer claimed on his return and was not the same as the amount shown on the federal return supplied by the taxpayer.

Idaho Code section 63-3002 states that Idaho taxable income is to be identical to federal taxable income subject only to modifications provided for in the Idaho Code. Therefore, the Tax Commission must begin with federal taxable income in determining the taxpayer's Idaho taxable income. However, the Tax Commission was presented with two different amounts for the taxpayer's federal taxable income. One from the federal return submitted by the taxpayer and the

other from the federal information source available to the Tax Commission. From the federal return the taxpayer submitted, the Tax Commission was unable to verify federal taxable income from the information provided on the return. However, the Tax Commission was able to verify the federal taxable income from its federal information source.

Since the federal taxable income amount could be verified from the federal information, the Tax Commission found it was the most accurate starting point for determining Idaho taxable income. The Tax Commission then looked for modifications as provided for in the Idaho Code that would apply to the taxpayer. The only modification the Tax Commission found that could apply to the taxpayer was the addback of state and local taxes claimed as an itemized deduction. (Idaho Code section 63-3022(k)(2)).

However, in reviewing the federal information, it became apparent that federal taxable income did not include an itemized deduction for state and local taxes. Total itemized deductions as shown in the federal information equaled the total itemized deductions as shown on the taxpayer's federal return less the 2% floor for miscellaneous deductions. Therefore, it would appear the taxpayer only claimed miscellaneous itemized deductions, which do not include state and local taxes.

Since the Bureau's revised return followed the federal information and the federal information appears to be the most accurate, the Tax Commission finds the Bureau's revised return to be the return that best represents the taxpayer's Idaho taxable income.

WHEREFORE, the Notice of Deficiency Determination dated January 3, 2001, 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 taxpayer pay the following tax, penalty and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
1998	\$560	\$140	\$118	\$818

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

An explanation of the taxpayer's 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