

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 15726
[Redacted],)	
)	DECISION
Petitioners.)	
)	
)	
)	

On May 4, 2001, the staff of the Income Tax Audit Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers), proposing additional income tax and interest for the taxable year 1998 in the total amount of \$493.

On June 28, 2001, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not respond to the Tax Commission's hearing rights letter nor have they contacted the Tax Commission since the receipt of their protest letter. The Tax Commission, having reviewed the file, hereby issues its decision.

[Redacted]. The Bureau asked the taxpayers to explain the discrepancy, but the taxpayers failed to respond. The Bureau corrected the taxpayers' Idaho itemized deductions [Redacted] and sent the taxpayers a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination and provided a revised Idaho income tax return. The revised return showed the same amount of itemized deductions that the taxpayers claimed on their federal return. The Bureau noted the revision and saw the revised return as being the same as the audit adjustment it had made. The Bureau then sent the case for administrative review.

The Tax Commission sent the taxpayers a letter setting forth their options for having the Notice of Deficiency Determination redetermined. The taxpayers did not respond. Therefore, the Tax Commission decided the matter based upon the information currently available.

The Tax Commission reviewed both the taxpayers' original return and the taxpayers' revised return. The Tax Commission found that the taxpayers' error on their original return was twofold. The taxpayers overstated their total itemized deductions and they overstated the amount of state and local taxes that are required to be added back on the Idaho return. The end result of these overstatements, on the original return, was that the taxpayers' taxable income was higher on the original return than on the revised return.

On the taxpayers' revised return, the itemized deductions claimed were less than on the original return. Generally, this would result in a larger taxable income figure. However, the overstatement of the taxpayers' state and local tax add back on the original return exceeded the difference of the itemized deductions on the original return and the revised return. Therefore, the end result of the revised return was a lower taxable income for the taxpayers.

The Bureau's audit adjustment was based solely upon the difference between total itemized deductions. Consequently, the adjustment resulted in a deficiency in tax. However, the taxpayers significantly reduced their state and local tax add back, which resulted in a lower taxable income. A lower taxable income equals a lower tax.

The taxpayers' revised Idaho income tax return reflects the same taxable income as reported to the Internal Revenue Service, therefore putting it in compliance with Idaho Code section 63-3002. Since the taxpayers' revised Idaho income tax return resulted in a lower tax, the taxpayers are entitled to a refund of the excess tax.

WHEREFORE, the Notice of Deficiency Determination dated May 4, 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 Tax Commission refund to the taxpayers the following tax and interest:

<u>YEAR</u>	<u>TAX/(REFUND)</u>	<u>INTEREST</u>	<u>TOTAL</u>
1998	(\$169)	(\$42)	(\$211)

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

DATED this ____ day of _____, 2002.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of _____, 2002, 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]
[REDACTED]
[REDACTED][REDACTED]

Receipt No. [Redacted]

ADMINISTRATIVE ASSISTANT 1