BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of	)	
	)	DOCKET NO. 15855
[Redacted],	)	
	)	DECISION
Petitioner.	)	
	)	

On June 27, 2001, the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayer), asserting additional income taxes, penalty and interest in the amount of $2,822 for the 1997 and 1998 taxable years. In response to the Notice of Deficiency Determination, the taxpayer sent in a letter that did not meet the minimum requirements of a perfected protest. See Idaho Code § 63-3045(1)(b) and Tax Commission Administration and Enforcement Rule 320.01 (discussing requirements of a perfected protest). The Commission's Tax Discovery staff then notified the taxpayer of the necessary requirements to perfect his protest. On August 24, 2001, the taxpayer provided the Commission with the necessary information to perfect the protest. As a result, this administrative appeal of the June 27, 2001 Notice of Deficiency Determination was initiated.

The taxpayer did not request an informal conference with a Commissioner of the State Tax Commission. The Tax Commission, having reviewed the file, hereby issues its final decision.

This is a nonfiler case. Mr. [Redacted] has not filed federal or Idaho individual income tax returns for at least the 1997 and 1998 taxable years. [Redacted]Mr. [Redacted] was a resident of [Redacted], Idaho, during both of the years under review and that he earned pension income of $20,520 in 1997, and $20,940 in 1998. Based on this information, the Tax Discovery Bureau issued the deficiency notice that is the subject matter of this protest.

The correspondence sent in by the taxpayer regarding the deficiency notice contained fairly typical tax protestor rhetoric. The general gist of the taxpayer's argument is that he believes that during the 1997 and 1998 taxable years he was not a "person" required to file a federal individual income tax return. From that initial premise, Mr. [Redacted] correctly points out that the Idaho income tax filing requirement for resident individual taxpayers is based on the federal income tax filing requirement. See Idaho Code § 63-3030(a)(1) (An Idaho income tax return is to be filed by "[e]very resident individual required to file a federal return under section 6012(a)(1) of the Internal Revenue Code."). Therefore, under the taxpayer's logical syllogism, he is not required to file an Idaho individual income tax return for 1997 or 1998. In support of his initial premise that he was not a person required to file a federal individual income tax return, Mr. [Redacted] cites to several letters he wrote to the Internal Revenue Service asking the service to prove that he was a taxpayer and to prove that he earned "income" subject to the federal income tax. Apparently the Internal Revenue Service did not respond to the taxpayer's letters, or provided him with a response that, in Mr. [Redacted]'s view, was inadequate. In any event, it is the lack of any convincing response (convincing in Mr. [Redacted]'s eyes) from the Internal Revenue Service that has apparently left Mr. [Redacted] with the unbending belief that he is not required to file federal income tax returns for either of the years at issue.

Unfortunately for [Redacted], his initial premise that he is not required to file federal individual income tax returns is flawed. The federal income tax is statutory law and, like it or not, it is valid and Constitutional. Whether or not the Internal Revenue Service has accepted the taxpayer's invitation to prove that he is a person who is required to file a federal individual income tax return, the tax code itself provides the legal authority for requiring Mr. [Redacted] to file a federal income tax return. Internal Revenue Code § 1 imposes the federal income tax on every individual that is a citizen or resident of the United States, and on certain nonresident aliens. See I.R.C. §1; Tres. Reg. § 1.1-1. Internal Revenue Code §6012(a)(1) goes on to provide the minimum amount of gross income that an individual must earn in a taxable year before that individual is required to file a federal individual income tax return. Gross income is defined in Internal Revenue Code § 61(a) as "all income from whatever source derived, including (but not limited to) the following items: (1) Compensation for services, including fees, commissions, fringe benefits, and similar items; . . . (11) Pensions; . . ." Thus, if an individual earns gross income (including wage income and pension income) in excess of the minimum amounts specified in IRC § 6012(a)(1), that individual is required to file a federal individual income tax return.

The minimum amount of gross income that must be earned in a taxable year before that individual taxpayer is required to file a federal income tax return is dependent on that individual's filing status and age. Generally speaking, the beginning minimum filing amount is equal to the "exemption amount" that individual is entitled to claim under Internal Revenue Code § 151(d). For the 1997 taxable year the exemption amount allowed under IRC § 151(d) was $2,650. For the 1998 taxable year the exemption amount was increased to $2,700. If the individual is not married, or if the individual is married and entitled to file a joint individual income tax return, or qualifies as a "surviving spouse" or as a "head of a household," the minimum filing amount is increased to include both the exemption amount and the basic standard deduction amount applicable to that individual. IRC § 6012(a)(1)(A)(i) – (iv). The minimum filing amount is increased again if the individual is 65 years of age or older. IRC § 6012(a)(1)(B).

During 1997 and 1998, the minimum filing amounts established in Internal Revenue Code § 6012(a)(1) were as follows:

	1997	1998
Single, under the age of 65	$6,800	$6,950
Single, age 65 or older	7,800	8,000
Married filing jointly, both spouses under the age of 65	12,200	12,500
Married, one spouse age 65 or older	13,000	13,350
Married, both spouses age 65 or older	13,800	14,200
Married filing separate return (regardless of age)	2,650	2,700
Head of a Household, under the age of 65	8,700	8,950
Head of a Household, age 65 or older	9,700	10,000
Surviving spouse, under the age of 65	9,550	9,800
Surviving spouse, age 65 or older	10,350	10,650

RIA, 1998 Federal Tax Handbook, ¶ 4701.

In the present case, there is little doubt that Mr. [Redacted] was a United States resident during 1997 and 1998. In addition, there is no question that he earned gross income in 1997 and 1998 in excess of the minimum filing amount. Regardless of which filing status he falls within, and regardless of his age, his pension income received in 1997 and 1998 far exceeds the minimum amount required under Internal Revenue Code § 6012(a)(1).

Mr. [Redacted] seems to quibble with the fact that the term "income" is not statutorily defined in the Internal Revenue Code. But the term "gross income" is defined, and the federal individual income tax return filing requirements are based on the amount of gross income earned by the individual during the taxable year. Mr. [Redacted] earned gross income in excess of the minimum filing amount applicable to him. He, therefore, is a person required to file a federal individual income tax return.

In addition to being a United States resident with a federal individual income tax return filing requirement, Mr. [Redacted] is also an Idaho resident and is required to file Idaho individual income tax returns for 1997 and 1998. He has not done so. As a result, the Commission's Tax Discovery Bureau has determined a tax deficiency for Mr. [Redacted] pursuant to Idaho Code § 63-3045(1)(a). The deficiency determination appears to be valid and accurate on its face, and Mr. [Redacted] has not provided any information to establish that the deficiency is in error or is otherwise invalid. His legal argument that he was not a "person" required to file a federal or Idaho income tax return is not convincing and, therefore, the Tax Commission has no alternative but to uphold the deficiency determination in its entirety. See Albertson's Inc. v. State, Dept. of Revenue, 106 Idaho 810, 814 (1984) (a determination of the State Tax Commission is presumed to be correct); Parsons v. Idaho State Tax Com'n, 110 Idaho 572, 574-575 n.2 (Ct. App. 1986) (a State Tax Commission deficiency notice is presumed to be correct and the burden is on the taxpayer to show that the deficiency is erroneous).

WHEREFORE, the Notice of Deficiency Determination dated June 27, 2001, is hereby APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayer pay the following taxes, penalty and interest:

YEAR	TAX	PENALTY	INTEREST	TOTAL
1997	$947	$237	$278	$1,462
1998	968	242	208	1,418
			TOTAL	$2,880

Interest is calculated through January 31, 2002, and will continue to accrue at the rate set forth in Idaho Code § 63-3045(6) until paid.

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 enclosed with this decision.

DATED this ______ day of ____________________, 2002.

IDAHO STATE TAX COMMISSION

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

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ADMINISTRATIVE ASSISTANT 1