

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 16370
[Redacted])	
)	DECISION
Petitioners.)	
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On January 3, 2002, 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 1996 through 1999 in the total amount of \$6,309.

On February 27, 2002, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers requested a hearing, which was held October 3, 2002. In attendance at the hearing were [Redacted] and [Redacted], Tax Policy Specialist. The Tax Commission, having reviewed the file, hereby issues its decision.

The Tax Discovery Bureau (Bureau) received information that the taxpayers may have had a filing requirement with the state of Idaho for the tax years 1996 and 1997. The Bureau researched the Tax Commission's records and found that the taxpayers had not filed Idaho income tax returns for the years 1996 through 1999. The Bureau sent the taxpayers a letter asking about their filing requirement with Idaho, but the taxpayers did not respond.

The Bureau obtained additional information [Redacted] and determined the taxpayers were required to file Idaho income tax returns. The Bureau prepared returns for the taxpayers and sent them a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination stating that they were part-year residents in 1997 and that in 1998 and 1999 they were residents of [Redacted]. The taxpayers

stated they lived in [Redacted] from 1997 through most of 2000. They stated they did not have information for 1996 but that they were getting a copy of their 1996 information [Redacted].

The Bureau gave the taxpayers additional time to provide support for their position, but the taxpayers made no further contact. Therefore, the Bureau referred the matter for administrative review. The Tax Commission sent the taxpayers a letter giving them two options for having the Notice of Deficiency Determination redetermined. The taxpayers did not respond to the initial letter but they did respond to the follow-up letter. The taxpayers asked to meet with a representative of the Tax Commission. During the meeting, the taxpayers provided documentation in support of their position.

The taxpayers provided copies of their 1997, 1998 and 1999 [Redacted] income tax returns. The 1997 [Redacted] return was a part-year resident return showing the income earned and reported to [Redacted]. The 1998 and 1999 [Redacted] returns were resident returns reporting all the taxpayers' income to [Redacted]. The taxpayers did not provide a return for 1996; however, they did provide two documents to establish at least part of their 1996 income.

[Redacted] was an active duty member of the armed forces. In 1997, the U.S. Army changed [Redacted] duty post to Phoenix, Arizona. [Redacted] and his family moved to Arizona in 1997. The family stayed in Arizona until June 2000. [Redacted] left Arizona in September 2000. While in Arizona, the taxpayers established themselves as Arizona residents.

The Tax Commission reviewed the information the taxpayers presented and found that the taxpayers were not required to file Idaho income tax returns for the years 1998 and 1999. The taxpayers did not have any Idaho source income in those years and even if their domicile remained with Idaho while the taxpayers were in Arizona, the taxpayers met the safe harbor

provisions of Idaho Code section 63-3013. Therefore, the Tax Commission cancelled the Notice of Deficiency Determination for the years 1998 and 1999.

However, for the years 1996 and 1997, the taxpayers were residents or part-year residents of Idaho. The Tax Commission found that for both 1996 and 1997 the taxpayers had sufficient income to require filing a return with the state of Idaho. Idaho Code section 63-3030. The documentation the taxpayers provided for 1996 was information the Tax Commission had previously obtained. The taxpayers' documentation did not provide any additional information. The taxpayers had no other information to present to the Tax Commission regarding 1996. Therefore, the Tax Commission finds the 1996 return the Bureau prepared an accurate representation of the taxpayers' Idaho taxable income.

As for 1997, the Tax Commission found that the taxpayers provided sufficient documentation and information to establish that they were part-year residents of Idaho. Therefore, the Tax Commission modified the return the Bureau prepared to reflect a part-year resident status and Idaho source income.

The Bureau added interest and penalty to the taxpayers' Idaho income tax liability. The Tax Commission reviewed those additions and found that they were correctly applied and in accordance with Idaho Code sections 63-3045 and 63-3046.

WHEREFORE, the Notice of Deficiency Determination dated January 3, 2002, 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 taxpayers pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
1996	\$676	\$169	\$344	\$1,189
1997	71	18	31	120
1998	0	0	0	0
1999	0	0	0	<u>0</u>
			TOTAL DUE	<u>\$1,309</u>

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

An explanation of the petitioners' rights to appeal this decision is enclosed with this decision.

DATED this ____ day of _____, 2003.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of _____, 2003, 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]
