

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

| | | |
|---|---|------------------|
| In the Matter of the Protest of |) | |
| |) | DOCKET NO. 16435 |
| [REDACTED], |) | |
| |) | DECISION |
| Petitioners. |) | |
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| |) | |

On January 17, 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 1998 and 1999 in the total amount of \$66,283.

On March 22, 2002, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers requested a hearing, but it was later decided that they would submit returns for the Tax Commission to consider. The Tax Commission, having reviewed the file, hereby issues its decision.

The taxpayers stopped filing Idaho individual income tax returns after filing a 1997 return. The Tax Discovery Bureau (Bureau) sent the taxpayers a letter asking if they had a requirement to file Idaho income tax returns for the taxable years 1998 and 1999. The taxpayers responded that they were unsure of their filing requirements. They stated that Mr. [Redacted] was unemployed in 1998 and that he started a business in 1999. They said the required forms would be filed when they get it figured out.

The Bureau allowed the taxpayers a reasonable amount of time to submit returns or to provide additional information, but nothing came from the taxpayers. The Bureau obtained information [Redacted] and determined the taxpayers did have a filing requirement for the tax years 1998 and 1999. The Bureau prepared returns for the taxpayers and sent them a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination. They stated there was an error in the adjusted gross income figures the Bureau used. They stated the Bureau included in their income the money Mr. [Redacted] had in an ESOP account that was to be distributed in six equal annual installments. The taxpayers stated they intended to get caught up with filing their returns as soon as possible. Since Mr. [Redacted] was now self-employed, it was going to take some time to get everything in order. After allowing more time with no results, 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 responded that they wanted a hearing before a representative of the Tax Commission. The Tax Commission sent the taxpayers a couple of letters regarding the hearing but received no response. The Tax Commission sent the taxpayers a letter giving them a final date to submit returns or to respond. The taxpayers responded saying they needed additional time to get their returns completed.

The Tax Commission agreed to give the taxpayers more time and, after several months and numerous phone calls, the taxpayers provided income tax returns for 1998 and 1999. In addition to those returns, the taxpayers also submitted the necessary returns to become current with their Idaho income tax filing requirement.

The Tax Commission reviewed the taxpayers' 1998 and 1999 returns and determined they represented the taxpayers' taxable income better than the returns the Bureau prepared. Therefore, the Tax Commission accepts the taxpayers' returns, subject to the normal review processes of the Tax Commission, in lieu of the returns prepared by the Bureau.

The taxpayers' returns reported tax due for each year. Since the returns were received past the filing due date of the returns, the Tax Commission added interest and penalty in

accordance with Idaho Code sections 63-3045 and 63-3046. Furthermore, the statute of limitations on these returns begins with the date the returns were received by the Tax Commission.

WHEREFORE, the Notice of Deficiency Determination dated January 17, 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> |
|-------------|------------|----------------|-----------------|-----------------|
| 1998 | \$5,149 | \$1,287 | \$1,917 | \$ 8,353 |
| 1999 | 5,149 | 1,287 | 1,543 | <u>7,979</u> |
| | | | TOTAL DUE | <u>\$16,332</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 enclosed with this decision.

DATED this ____ day of _____, 2004.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of _____, 2004, 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.
