

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 16885
[REDACTED] Taxpayer.)	
)	DECISION
)	
)	

On July 17, 2002, the Sales, Use and Miscellaneous Tax Audit Bureau (Bureau) of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination to [Redacted] (taxpayer). The Notice proposed additional use tax and interest in the total amount of \$4,814 for the period of March 1, 1999, through February 28, 2002. The taxpayer’s representative filed a timely appeal and petition for redetermination dated September 5, 2002.

In its petition, the taxpayer requested a redetermination of the deficiency based on facts and statutory interpretations. At the representative’s request, the Commission held an informal hearing by telephone on January 8, 2003, with the taxpayer and representative.

ANALYSIS

The taxpayer is a commercial printer. In the examination of the books and records of the taxpayer, the auditor found what he believed to be insufficiently documented untaxed sales (Idaho Code §63-3622) and untaxed purchases of items that do not qualify for the “production exemption,” an exemption available to those who buy items primarily and directly used in the production of goods that are ultimately sold at retail (Idaho Code §63-3622D).

On April 23, 2003, the Commission sent a letter to the taxpayer and representative outlining its opinions based on the hearing. As no agreement was reached, the taxpayer’s representative delayed a final decision of the Commission by signing a waiver of Idaho Code §63-3045B time limitations on June 24, 2003. At this time, the Commission was expecting documentation pertaining to the untaxed sales. On March 12, 2004, the Commission proposed in writing some adjustment to

the liability including an abatement of the penalty, and requested a response. The taxpayer paid the revised amount on May 18, 2004 but wished to retain its protest rights.

The taxpayer disputes one audit finding. The auditor held as taxable the taxpayer's purchase of a software package that he believes is used for job-cost and other accounting functions based on his conversation with the taxpayer's accountant. The taxpayer's representative stated in his letter of protest and during the informal hearing that the software should qualify for an exemption (Idaho Code §63-3622D) because it is used in production to inform press operators regarding type and amount of paper to use; space maximization information; hole-punching requirements; and the location of in-process inventory.

The Commission agrees that the use of software that performs the functions as described qualifies for the exemption sought. However, the Commission will rely upon the auditor's evidence in its decision.

The amount owed includes interest imposed pursuant to Idaho Code § 63-3045. The interest is accrued up to the day of the payment.

WHEREFORE, the Notice of Deficiency Determination dated July 17, 2002, is hereby MODIFIED, and as so modified is APPROVED, AFFIRMED and MADE FINAL. The taxpayer has paid the amount due, and no further demand for payment is made.

An explanation of taxpayer's right to appeal this decision is enclosed.

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.

[REDACTED]