

traveled between Idaho and [Redacted] in the first three quarters of that year and Mrs. [Redacted] came to Idaho late in August. Mr. [Redacted] was an inventor earning no income and Mrs. [Redacted] took temporary low paying jobs. The taxpayers stated they lived off the equity they received from the sale of their house in [Redacted], from the sale of personal assets, and from borrowed funds used in the development of Mr. [Redacted]'s products. As for their living arrangements, the taxpayers stated they lived with Mr. [Redacted]'s mother.

The taxpayers stated that from 1995 through the current time, they borrowed in excess of \$300,000 and sold just about everything of value that they had to allow Mr. [Redacted] to continue developing his products. The only income they had during those years was the income Mrs. [Redacted] earned. The taxpayers stated the withholdings on Mrs. [Redacted]'s wages were more than any tax they owed. The taxpayers requested additional time to prepare and submit income tax returns for consideration.

The Bureau allowed the taxpayers time to submit their income tax returns and, after six months, the taxpayers submitted a single return. Four months later, two more returns were submitted and a month after that the taxpayers provided another return. The taxpayers failed to provide the remaining returns, so the Bureau referred the matter for administrative review.

The Tax Commission sent the taxpayers a letter giving them two alternative methods for redetermining the Notice of Deficiency Determination. The taxpayers called and said the remaining returns were completed. The taxpayers said they would send the returns to the Tax Commission by the end of that week. However, two weeks later the Tax Commission still had not received the returns. The taxpayers called again to update the Tax Commission on their remaining returns. They said they needed to copy their returns onto clean forms before the

returns would be sent in. They stated they would have the returns in the mail by the end of the week.

The taxpayers did not meet that timeline either, but about a month later the Tax Commission received the final three returns. The Tax Commission reviewed all the returns the taxpayers submitted and found they represented the taxpayers' taxable income better than the returns prepared by the Bureau. Therefore, the Tax Commission accepted the taxpayers' returns, subject to the normal review processes of the Tax Commission, in lieu of the returns prepared by the Bureau.

All the returns the taxpayers submitted resulted in refunds. However, only the 2000 refund was within the statute of limitations for credit or issuing a refund. Idaho Code section 63-3072 states that a claim for credit or refund must be filed within three years of the due date of the return. The taxpayers submitted their 1994 return in April 2003. The taxpayers' 1995 through 1997 returns were also submitted in 2003. On all these returns, the taxpayers asked to have their refunds applied to their estimated tax for the succeeding year. However, the claim for their refunds was made well past the three-year statute of limitations.

The Tax Commission received the taxpayers' 1998 through 2000 returns on March 25, 2004. Consequently, only the taxpayers' 2000 return is within the statute of limitations for credit or refund. Again, the taxpayers did not request a refund of the excess withholdings for 2000; they requested the overpayment to be applied to their estimated tax for 2001.

WHEREFORE, the Notice of Deficiency Determination dated August 5, 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 following refund be credited to the taxpayers' 2001 Idaho income tax return:

<u>YEAR</u>	<u>CLAIMED</u>	<u>ALLOWED</u>	<u>TOTAL</u>
1994	\$ 118	\$ 0	\$ 0
1995	394	0	0
1996	300	0	0
1997	1,266	0	0
1998	1,827	0	0
1999	2,712	0	0
2000	3,169	457	<u>457</u>
	CARRYOVER CREDIT		<u>\$457</u>

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

An explanation of the taxpayers' rights 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][Redacted]

Receipt No.
