

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 17572
[REDACTED],	)	
	)	DECISION
Petitioners.	)	
_____	)	

On July 2, 2003, the Income Tax Audit Bureau (Bureau) of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers), proposing additional individual income tax, penalty, and interest in the total amount of \$3,399 for the years ending December 31, 1999, through December 31, 2001.

The taxpayers filed a timely appeal and petition for redetermination. The Tax Commission reviewed the file, is advised of its contents, and hereby issues its decision.

The Income Tax Audit Bureau (Bureau) received information [Redacted] that a change was made to the taxpayers' [Redacted] income tax returns for the taxable years 1999 through 2001. The Bureau reviewed the changes and determined they were applicable to the taxpayers' Idaho income tax returns. The Bureau adjusted the taxpayers' Idaho income tax returns and sent the taxpayers a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination stating that there were no legal issues involved but rather a factual determination with regard to itemized deductions and schedule C income and expenses. The Bureau referred the matter for administrative review, and the Tax Commission gave the taxpayers two alternative methods for having the Notice of Deficiency Determination redetermined. The taxpayers' representative requested a hearing; but, after discussing the matter, it was decided to postpone a hearing until the representative could thoroughly review the

facts behind the changes [Redacted].

For a period of six to eight months, the Tax Commission and the taxpayers' representative had numerous discussions regarding the matter. The representative indicated he reviewed the [Redacted] information and discussed the [Redacted] adjustments with the taxpayers. The representative stated he and the taxpayers were willing to concede most of the adjustments; however, he still needed to confirm the adjustment to cost of goods sold.

In the final conversation with the representative, he stated that he understood the adjustment made to cost of goods sold but still needed to consult with the taxpayers to determine whether or not it would be feasible for them to gather additional information for the Tax Commission to consider. Since that time, nothing further has been discussed or presented for consideration.

Idaho Code section 63-3002 states it is the intent of the Idaho legislature to make the provisions of the Idaho Income Tax Act identical to the provisions of the Internal Revenue Code relating to the measurement of taxable income, subject only to modifications contained in the Idaho law. It follows then that the intent of the Idaho legislature is to follow a federal determination of taxable income. [Redacted]

A Notice of Deficiency Determination issued by the Idaho State Tax Commission is presumed to be accurate. Parsons v. Idaho State Tax Com'n, 110 Idaho 572 (Ct. App. 1986). Having presented no information in support of their argument that the federal audit determination was incorrect, the taxpayers have failed to meet their burden of proving error on the part of the deficiency determination. Albertson's, Inc. v. State, Dept. of Revenue, 106 Idaho 810 (1984).

Idaho Code section 63-3069 requires taxpayers to immediately send written notice to the Tax Commission upon a final determination of a deficiency in federal tax or be subject to penalty. The

taxpayers did not notify the Tax Commission of the federal determination; therefore, the Bureau imposed the 5% penalty provided by that section. The Tax Commission reviewed the penalty and found the addition of the penalty appropriate.

WHEREFORE, the Notice of Deficiency Determination dated July 2, 2003, is hereby 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>
1999	\$677	\$34	\$213	\$924
2000	1,386	69	325	1,780
2001	748	37	118	<u>903</u>
			TOTAL DUE	<u>\$3,607</u>

An explanation of the taxpayers' right to appeal this decision is included 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]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

[Redacted]

[Redacted]