

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NOS. 18114 & 18423
[REDACTED],)	
)	DECISION
Petitioners.)	
_____)	

On April 12, 2004, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued Notices of Deficiency Determination to [Redacted] (taxpayers), proposing income tax, penalty, and interest for the taxable years 1997 through 2001 in the total amount of \$9,452.

On June 14, 2004, the taxpayers filed timely appeals and petitions for redetermination. The taxpayers did not request a hearing but rather chose to submit returns for the Tax Commission to consider. The Tax Commission, having reviewed the file, hereby issues its decision.

The Tax Discovery Bureau (Bureau) received information from the Idaho Department of Labor that showed the taxpayers received wages for working in the state of Idaho. The Bureau researched the Tax Commission's records and found that the taxpayers had not filed individual income tax returns for the years 1997 through 2001. The Bureau sent each of the taxpayers a letter asking them about their requirement to file Idaho income tax returns. Neither of the taxpayers responded. The Bureau obtained additional information [Redacted] and determined the taxpayers were required to file Idaho income tax returns. The Bureau prepared returns for each of the taxpayers and sent each a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination. They stated they had specific information that would establish an amount due far less than the amount the Bureau had determined. The Bureau acknowledged the taxpayers' protest and referred the matter for

administrative review. The Tax Commission sent the taxpayers a letter giving them two alternative methods for having the Notices of Deficiency Determination redetermined. The taxpayers did not respond. The Tax Commission sent a follow-up letter to the taxpayers and on February 28, 2005, the taxpayers provided income tax returns for the Tax Commission to consider.

The Tax Commission reviewed the returns the taxpayers provided and found the returns represented the taxpayers' taxable income better than the returns prepared by the Bureau, with the exception of tax year 2000. On the 2000 return, the taxpayers omitted income earned by Mr. [Redacted] from [Redacted]. Therefore, the Tax Commission added that income to the taxpayers' 2000 taxable income. The Tax Commission also increased the deduction for the self-employment tax on that income. The other returns, 1997, 1998, 1999, and 2001, the Tax Commission accepts, subject to the normal review processes of the Tax Commission.

The taxpayers' returns for 2000 and 2001 resulted in refunds, even after the addition of the omitted income for 2000. However, Idaho Code section 63-3072 states that a claim for credit or refund of tax must be made within three years of the due date of the return. The due date for the taxpayers' 2000 return was April 15, 2001. The Tax Commission received the taxpayers' 2000 return on February 28, 2005, well after the statute of limitations for giving credit or issuing a refund. Therefore, the Tax Commission denied the refund on the taxpayers' 2000 return. However, the 2001 refund is within the statute and is allowed as a credit against the taxes due for the other years.

The Bureau added interest and penalty to the taxpayers' deficiencies in accordance with Idaho Code sections 63-3045 and 63-3046. The Tax Commission reviewed those additions and found them to be appropriate for the tax due years for the returns submitted by the taxpayers.

WHEREFORE, the Notices of Deficiency Determination dated April 12, 2004, are hereby MODIFIED, in accordance with the provisions of this decision and, as so modified, are 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>
1997	\$ 108	\$ 27	\$ 54	\$ 189
1998	1,678	419	717	2,814
1999	1,327	332	470	2,129
2000	0	0	0	0
2001	(197)	0	0	(197)
			TOTAL DUE	<u>\$ 4,935</u>

An explanation of the taxpayers' right to appeal this decision is included with this decision.

DATED this ____ day of _____, 2005.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of _____, 2005, 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]
