

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 18404
[REDACTED],)	
)	DECISION
Petitioner.)	
_____)	

On August 27, 2004, the staff of the Income Tax Audit Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayer), proposing income tax and interest for the taxable years 2001 through 2002 in the total amount of \$77.

On October 21, 2004, the taxpayer filed a timely appeal and petition for redetermination. The taxpayer requested a hearing which was held on June 7, 2005. The Tax Commission, having reviewed the file, hereby issues its decision.

The Income Tax Audit Bureau (Bureau) reviewed the taxpayer's Idaho individual income tax returns for the taxable years 2001 through 2002. The Bureau adjusted the taxpayer's Idaho returns to correspond with an examination of the taxpayer's Subchapter S Corporation (S-corp.). (S corporation income flows through to the shareholder and is reported on the shareholder's individual income tax return.) The Bureau increased the taxpayer's 2001 and 2002 Idaho adjusted gross income which in turn increased the taxpayer's Idaho taxable income. The taxpayer disagreed with the adjustments made to the S-corp. He stated the income reported on the S-corp. returns as capital gain income was the proper classification. All properties acquired by the S-corp. were held for investment.

The Tax Commission addressed the adjustment to the taxpayer's S-corp. in its decision on Docket Number 18402 – [Redacted]. In that decision the Tax Commission stated the proper classification of the sales of property was capital gain. Therefore, based upon the nature and

character of Subchapter S corporations, the Tax Commission flowed through the S-corp.'s income to the taxpayer's Idaho individual income tax returns.

The resulting change to the taxpayer's individual returns is an adjustment to the Idaho capital gains deduction. Therefore, the Tax Commission recomputed the Idaho flow-through capital gains and the corresponding Idaho capital gains deduction.

WHEREFORE, the Notice of Deficiency Determination dated August 27, 2004, 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 taxpayer pay the following tax and interest:

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2001	\$ 0	\$ 0	\$ 0
2002	87	13	<u>100</u>
		TOTAL DUE	<u>\$100</u>

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

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

Receipt No.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
