

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 19558
[REDACTED],)	
)	DECISION
Petitioners.)	
_____)	

On May 3, 2006, the Tax Discovery 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 \$277 for the taxable year 2003.

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.

[Redacted]. The Bureau reviewed the change and determined it was applicable to the taxpayers' Idaho income tax return. The Bureau adjusted the taxpayers' Idaho return and sent the taxpayers a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination stating that they were not responsible for the additional tax. The additional tax was the result of debt forgiveness that was supposed to be paid by community property proceeds from the [Redacted]. The taxpayers stated that they paid the additional federal tax rather than dispute it for personal reasons. They stated that, since the additional income was the result of the forgiveness of community debt, the income was community income; and [Redacted] was responsible for his share of the tax on the community income. The taxpayers stated they reported more than 50 percent of the forgiven debt income; the balance is income to [Redacted].

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 did not respond to the Tax Commission's initial letter so a follow-up letter was sent to the taxpayers. The Tax Commission's follow-up letter and check from the taxpayers, payable to the Tax Commission, crossed in the mail. The taxpayers' check was well in excess of the additional tax for tax year 2003. The Tax Commission reviewed its records and found the taxpayers had an outstanding balance owed for the tax year 2005. However, even with the two amounts combined, the amount paid by the taxpayers was still not fully accounted for. Since the taxpayers' check had no payment instructions with it, the Tax Commission wrote the taxpayers asking them what their intention was for the payment. The Tax Commission's letter listed the amounts due for 2003 and 2005, and showed the remaining balance of the additional payment. The Tax Commission asked the taxpayers if they were conceding the additional tax for 2003 and asked for a withdrawal of their appeal. The taxpayers responded that they would like the overpayment sent back to them. They said nothing about withdrawing their appeal.

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] [Redacted]

The taxpayers did not specifically disagree with the adjustment made by the Bureau. They argued that it was not their responsibility because of [Redacted] and the community property laws. The taxpayers did not contest the adjustment [Redacted] instead they chose to pay the deficiency. The Tax Commission sees the state adjustment no different [Redacted]; both are forgiveness of debt

income reportable on the taxpayers' return. Therefore, the Tax Commission upholds the [Redacted] adjustment to the taxpayers' 2003 Idaho income tax return.

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 five percent 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 May 3, 2006, 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>
2003	\$234	\$12	\$33	\$279
			Less Remittance	<u>279</u>
			Balance Due	<u>\$ 0</u>

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

DATED this _____ day of _____, 2006.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2006, 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.
