

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

In the Matter of the Protest of )  
 ) DOCKET NO. 20238  
[REDACTED], )  
 ) DECISION  
 )  
Petitioner. )  
\_\_\_\_\_ )

On March 30, 2007, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayer), proposing income tax, penalty, and interest for the taxable years 2001 through 2005 in the total amount of \$37,696.

On May 30, 2007, the taxpayer filed a timely appeal and petition for redetermination. The taxpayer did not request a hearing but responded to the Tax Commission's hearing rights letter with a packet of information for the Tax Commission's consideration. The Tax Commission, having reviewed the file, hereby issues its decision.

While researching the Tax Commission's records and the information available to the Tax Commission, the Tax Discovery Bureau (Bureau) found that the taxpayer stopped filing Idaho individual income tax returns after filing her 2000 tax return. The Bureau sent the taxpayer a letter asking her about her requirement to file Idaho income tax returns for the years 2001 through 2005. The taxpayer responded with an "OFFICIAL COMPLAINT" document. [Redacted]. In her complaint, the taxpayer stated the Tax Commission is requiring her to form a contract by asking her to complete a tax return form and sign her name to the form. She stated her signature on the form would be obtained under the terms of threat and duress, which is a criminal offense. The taxpayer stated she would complete and file any forms in addition to

paying any taxes that she has a legal, lawful liability to pay upon receipt of the documentation she requested. However, her letter did not request any documentation.

The Bureau obtained additional information [Redacted] and determined the taxpayer was required to file Idaho income tax returns. The Bureau prepared returns for the taxpayer [Redacted]. The Bureau then sent the taxpayer a Notice of Deficiency Determination for the tax years 2001 through 2005.

The taxpayer protested the Bureau's determination stating that her records do not show that she has a legal, lawful duty, obligation, liability, or debt with the Idaho State Tax Commission. The taxpayer asked that the Tax Commission provide her with documentation showing her lawful duty and lawful obligation to fill out forms and pay an individual income tax; that she has a liability with and a debt to the Idaho State Tax Commission; that she has a requirement to file forms or pay money to the Idaho State Tax Commission; that the Idaho State Tax Commission has the authority to apply the state's tax to someone other than a officer, an agency, or an instrumentality of the state of Idaho; and that the Idaho State Tax Commission has the authority to compel involuntary servitude for the profit, gain and enrichment of the state of Idaho. The Bureau recognized the taxpayer's responses as those similar to various tax protestor movements so the matter was referred for administrative review.

The Tax Commission sent the taxpayer a letter that discussed the methods available for redetermining a protested Notice of Deficiency Determination. The taxpayer responded with a packet of documents and research to support her position. The taxpayer stated that an IRS agent posted false and erroneous information on her Individual Master File, which created an income tax liability where none previously existed. She stated the documentation provided supports her

claim that she has no federal income tax liability, and where there is no federal tax liability there can be no state income tax liability.

The documents and information the taxpayer provided are specific to the Internal Revenue Service, its processing of income tax returns, and its posting of codes in the databases it maintains. The taxpayer discusses the Internal Revenue Service's status as an agency and its false postings of Individual Master File document codes. The taxpayer defines fraud as well as numerous other terms. She makes 16 declarations regarding her relationship, individually and contractually, with the United States, governmental agencies/departments, and U.S. territories and possessions. She makes some conclusions of facts regarding the Social Security program, a transaction code used by the IRS, her mistaken role [Redacted], and her liability for payment of tax by unknowingly entering into an implied contract indicating that she was an [Redacted]. The taxpayer made numerous demands for lawful documentation from the IRS and a demand for an administrative hearing before the IRS. She also demanded that the IRS correct its false and unlawful entries and cease and desist any and all collection activities, criminal investigations, and court actions against her.

The taxpayer's only statement that referred to the matter at hand was that she can have no state income tax liability when she has no federal income tax liability. The Tax Commission assumes the taxpayer gets this notion from Idaho Code sections 63-3002 and 63-3030. Idaho Code section 63-3002 states the intent of the Idaho Income Tax Act to impose a tax on the residents of this state measured by Idaho taxable income wherever derived. This section also states that the provisions of the Idaho act are to be as identical as possible to the federal Internal Revenue Code (IRC) relating to the measurement of taxable income, subject to specific modifications contained in the Idaho law. Idaho Code section 63-3030 provides the income

thresholds for individuals required to file Idaho income tax returns. It states that every resident individual required to file a federal return under section 6012(a)(1) of the IRC is required to file an Idaho income tax return.

Presumably, the taxpayer is arguing that the requirement to file an Idaho income tax return hinges on whether a federal income tax return was filed. In a way, that is true; however, just because an individual does not file or believes she is not required to file a federal return does not automatically exempt her from filing an Idaho individual income tax return. Idaho Code section 63-3030 provides filing thresholds by referencing the filing requirements of IRC section 6012(a)(1). IRC section 6012(a)(1) states that every individual having gross income in excess of the exemption amount is required to file a federal return. Therefore, for Idaho purposes, every individual having gross income in excess of the exemption amount is required to file an Idaho return. The information available [Redacted] shows that the taxpayer received wages far in excess of the exemption amount for all the years in question. Therefore, unless the taxpayer can show that her income is exempted, she is required to file an Idaho income tax return.

The taxpayer made numerous other claims and statements about the Internal Revenue Service. These claims and allegations are better addressed by the IRS, not the Tax Commission. The Idaho Code is clear in its intended purpose to tax the residents of this state. The United States Supreme Court, in Shaffer v. Carter, 252 U.S. 37, 40 S.Ct. 221 (1920), made the following statement about state taxation,

In our system of government the states have general dominion, and, saving as restricted by particular provisions of the federal Constitution, complete dominion over all persons, property, and business transaction within their borders; they assume and perform the duty of preserving and protecting all such persons, property, and business, and, in consequence, have the power normally pertaining to governments to resort to all reasonable forms of taxation in order to defray the governmental expenses. . . .That the

state, from whose laws property and business and industry derive the protection and security without which production and gainful occupation would be impossible, is debarred from exacting a share of those gains in the form of income taxes for the support of the government, is a proposition so wholly inconsistent with fundamental principles as to be refuted by its mere statement.

In Cohn v. Graves, 300 U.S. 308, 57 S.Ct. 466 (1937), the Supreme Court echoed this position stating,

That the receipt of income by a resident of the territory of a taxing sovereignty is a \*313 taxable event is universally recognized. Domicil itself affords a basis for such taxation. Enjoyment of the privileges of residence in the state and the attendant right to invoke the protection of its laws are inseparable from responsibility for sharing the costs of government. 'Taxes are what we pay for civilized society,' see Compania General de Tabacos v. Collector, 275 U.S. 87, 100, 48 S.Ct. 100, 105, 72 L.Ed. 177. A tax measured by the net income of residents is an equitable method of distributing the burdens of government among those who are privileged to enjoy its benefits. The tax, which is apportioned to the ability of the taxpayer to pay it, is founded upon the protection afforded by the state to the recipient of the income in his person, in his right to receive the income and in his enjoyment of it when received. These are rights and privileges which attach to domicil within the state. To them and to the equitable distribution of the tax burden, the economic advantage realized by the receipt of income and represented by the power to control it, bears a direct relationship. See \*\*468 Lawrence v. State Tax Comm., 286 U.S. 276, 52 S.Ct. 556, 76 L.Ed. 1102, 87 A.L.R. 374; Maguire v. Trefry, 253 U.S. 12, 14, 40 S.Ct. 417, 418, 64 L.Ed. 739; Virginia v. Imperial Coal Sales Co., 293 U.S. 15, 19, 55 S.Ct. 12, 13, 79 L.Ed. 171; compare Shaffer v. Carter, 252 U.S. 37, 50, 40 S.Ct. 221, 224, 64 L.Ed. 445.

The taxpayer has provided nothing to show that she was not a resident of Idaho during the years in question. Furthermore, the taxpayer has provided nothing to show that her income as determined by the Bureau was incorrect. In Idaho, it is well established that a State Tax Commission deficiency determination is presumed to be correct and the burden is on the taxpayer to show that the deficiency is erroneous. Parsons v. Idaho State Tax Commission, 110

Idaho 572, 574-575 n.2, 716 P.2d 1344, 1346-1347 n.2 (Ct. App. 1986). The taxpayer has not met her burden.

The taxpayer claims she is not a tax protester or tax resister. However, all the arguments and statements she made against the IRS have all the ear-markings of a tax protester. “Some people believe with great fervor preposterous things that just happen to coincide with their self-interest. . . These beliefs all lead--so tax protesters think--to the elimination of their obligation to pay taxes. The government may not prohibit the holding of these beliefs, but it may penalize people who act on them.” Coleman v. C.I.R., 791 F.2d 68 (1986).

“It is an important function of the legal system to induce compliance with rules that a minority firmly believes are misguided. Legal penalties change the balance of self-interest; those who believe taxes wicked or unauthorized must nonetheless pay. When the legal system depends on honest compliance as much as the income tax system does--and when disobedience is potentially rewarding to those affected by the rule--it is often necessary to impose steep penalties on those who refuse to comply.” Coleman, *Ibid.*

WHEREFORE, the Notice of Deficiency Determination dated March 30, 2007, is hereby APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayer pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2001	\$ 2,198	\$ 550	\$ 762	\$ 3,510
2002	4,413	1,103	1,247	6,763
2003	5,228	1,307	1,201	7,736
2004	7,199	1,800	1,222	10,221
2005	7,702	1,926	845	<u>10,473</u>
			TOTAL DUE	<u>\$38,703</u>

Interest is computed to December 15, 2007.

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.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

IDAHO STATE TAX COMMISSION

\_\_\_\_\_  
COMMISSIONER

### CERTIFICATE OF SERVICE

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_, 2007, 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]

Receipt No.