

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 20940
[Redacted],)	
)	DECISION
Petitioners.)	
_____)	

On January 16, 2008, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers) proposing additional income tax, penalty, and interest for the taxable year 2004 in the total amount of \$5,207.

On February 7, 2008, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not request a hearing, but did provide additional information for the Tax Commission to consider. The Tax Commission, having reviewed the file, hereby issues its decision.

The Tax Discovery Bureau (Bureau) received information [Redacted]. The Bureau reviewed the change and found that the taxpayers' federal adjusted gross income was increased for that year. The Bureau determined that the increase in income should have been reported on the taxpayers' Idaho income tax return. The Bureau corrected the taxpayers' Idaho return and sent them a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination. The taxpayers stated in their protest that the income attributed to them was the result of a home foreclosure and subsequent debt cancellation that occurred while they were residents of Utah and, therefore, should not be taxable to Idaho. The taxpayers also stated that they never received a 1099-C from [Redacted] and just recently learned the meaning and ramifications of debt "forgiveness."

The Bureau referred the matter to the Legal/Tax Policy Division of the Tax Commission for administrative review. The policy specialist reviewed the taxpayers' case and sent them a letter that gave them two options for having the Notice of Deficiency Determination redetermined. The taxpayers did not request a hearing, but did provide additional information. The policy specialist phoned the taxpayers to obtain clarification concerning the new information and to ask more in-depth questions. Based on the additional information provided by the taxpayers, the Tax Commission decided the matter.

The Bureau adjusted the taxpayers' Idaho taxable income to include income realized from the discharge of indebtedness based on the information [Redacted]. The information was sent to the state of Idaho as opposed to the state of Utah, the taxpayers' former state of residency, due to the fact the taxpayers filed as full-year residents of Idaho for tax year 2004. A copy of the taxpayers' Utah state income tax return was requested pursuant to the agreement for the exchange of tax information that exists between Idaho and Utah. The taxpayers checked the part-year resident box on the Utah return and indicated they were residents of Utah from January 2004 through September 2004.

The taxpayers claim to have moved to Idaho in October 2004; which would have made them part-year Idaho residents for 2004 instead of full-year residents. The information available in Tax Commission records appears to support that claim. The Idaho Department of Labor shows wages for year 2004 in the fourth quarter only. Idaho privileges, driver's licenses, and resident fish and game licenses were not obtained by the taxpayers until 2005.

A 1099-A, Abandonment of Property, was issued to [Redacted] by [Redacted], in June 2003 pertaining to property in [Redacted], Utah, that was owned by [Redacted] since 1998. In

2004, a 1099-C, Cancellation of Debt, was issued to [Redacted] while he was still a resident of Utah.

The information does not support a finding that the additional income from debt cancellation is taxable to Idaho. Therefore, the Notice of Deficiency Determination dated January 16, 2008, is hereby cancelled.

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

DATED this _____ day of _____, 2008.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2008, 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.
