

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 20913
[Redacted],)	
)	DECISION
Petitioners.)	
_____)	

On January 3, 2008, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers) proposing income tax, penalty, and interest for the taxable year 2004 in the total amount of \$9,579.

On January 30, 2008, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not respond to the Tax Commission’s hearing rights letter and have provided nothing further 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] that the taxpayers failed to include all their income on their [Redacted] income tax return for 2004. The Bureau reviewed the information and found that the taxpayers omitted the same income from their 2004 Idaho individual income tax return. The Bureau corrected the taxpayers’ Idaho income tax return and sent them a Notice of Deficiency Determination.

The taxpayers protested the Bureau’s determination. The taxpayers stated the income attributed to the discharge of indebtedness was essentially the sale of their personal residence. Therefore, any gain qualified for the exclusion of a gain on the sale of a personal residence. The taxpayers stated the remaining income was unemployment compensation they received [Redacted]. They stated the credit for taxes paid to another state would cover any additional tax owed Idaho. The taxpayers provided copies of the documentation they received [Redacted] and

information to show that the discharge of indebtedness was from the relinquishment of their personal residence.

The Bureau reviewed the information and obtained updated information [Redacted]. The Bureau found that [Redacted] accepted the taxpayers' position with regard to the discharge of indebtedness. Subsequently, the Bureau modified its audit report. The Bureau sent the modified audit report to the taxpayers and asked them to withdraw their appeal. The taxpayers did not respond. Therefore, the Bureau referred the matter for administrative review.

The Tax Commission reviewed the matter and sent the taxpayers a letter that discussed the methods available for redetermining a protested Notice of Deficiency Determination. The taxpayers did not respond. Therefore, the Tax Commission decided the matter based upon the information available.

The taxpayers timely filed their 2004 Idaho individual income tax return. The taxpayers failed to report all their 2004 income. The [Redacted] corrected the taxpayers' federal income tax return and the Bureau corrected the taxpayers' Idaho income tax return. The taxpayers were able to prove or show that the discharge of indebtedness was the result of them losing their home and thereby any gain recognition could be excluded by Internal Revenue Code section 121. The [Redacted] and the Bureau accepted this position and each adjusted their reports accordingly. The Tax Commission's review of this income yielded the same findings, so the Tax Commission agrees with the Bureau's reversal of the discharge of indebtedness adjustment.

As for the remaining income, the taxpayers agreed they omitted it from their 2004 Idaho return. The taxpayers stated the income was unemployment compensation they received from Oregon. They stated the credit for taxes paid [Redacted] would offset any additional tax owed the state of Idaho. However, the taxpayers did not provide anything to show they filed

[Redacted] income tax return or paid tax [Redacted]. Therefore, the Tax Commission upholds the adjustment for this omitted income.

The Bureau added interest and penalty to the taxpayers' additional Idaho tax. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046, respectively.

WHEREFORE, the Notice of Deficiency Determination dated January 3, 2009, 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 taxpayers pay the following tax, penalty, and interest (computed to August 15, 2009):

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2004	\$ 73	\$ 10	\$ 20	\$103

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

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

DATED this _____ day of _____, 2009.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2009, 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.
