

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 21380
[REDACTED],	)	
	)	DECISION
Petitioners.	)	
_____	)	

On June 26, 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 2006 in the total amount of \$19,789.

The Tax Discovery Bureau (Bureau) acknowledged a letter from the taxpayers postmarked August 19, 2008, as a protest of the Notice of Deficiency Determination. In that letter, the taxpayers put forth arguments that argued they were not in contract with the Tax Commission and that they did not want to contract with the Tax Commission. Their arguments centered on contract law and the Uniform Commercial Code (UCC). The taxpayers provided no factual or legal basis for protesting the deficiency of their income tax. Yet, because the taxpayers' documents had overtures of tax protester rhetoric, the Bureau accepted the taxpayers' letter as a protest and referred the matter for administrative review.

The Tax Commission reviewed the case and found no specific item or items that indicated an appeal of the income tax deficiency. Nevertheless, the Tax Commission sent the taxpayers a letter that discussed the methods available for redetermining a protested Notice of Deficiency Determination. The Tax Commission also asked the taxpayers to clarify their intent and to provide the factual and legal basis, if any, of their objections to the tax deficiency. The taxpayers responded with more contract law arguments and a re-drafting of the Tax Commission's letter calling it a counteroffer of contract. The Tax Commission sent the

taxpayers another letter asking them once again to provide their factual and legal objections to the tax deficiency under tax law since this was not a matter of contract law. The taxpayers responded that they accept the Tax Commission's dishonor for value and return it for value. They stated it appeared the Tax Commission made a legal judgment about their contract and wondered if it was qualified to make such a judgment. The taxpayers stated that if the Tax Commission felt it had some claim against their transmitting utility and trademark, the Tax Commission needed to follow the directions in their UCC-1 to make a claim. The taxpayers stated they hoped the Tax Commission was not making a claim against them as living souls or because they had an abode in Idaho since that would be a form of slavery, being forced to pay to live in Idaho.

The Tax Commission determined the taxpayers would not be sending information pertinent to their Idaho income tax liability, so the Tax Commission reviewed the matter and hereby issues its decision on the matter.

The Bureau received a referral from the Tax Commission's Lewiston office that the taxpayers provided the Lewiston office staff with incomplete income tax returns for 2004 and 2005. The Bureau reviewed the Tax Commission's records and found that the taxpayers had not filed an Idaho income tax return for 2006. The Bureau obtained information from the Tax Commission's records [Redacted] and found that the taxpayers received income in excess of the filing requirement of Idaho Code section 63-3030. The Bureau prepared an income tax return for the taxpayers based upon the information available and sent them a Notice of Deficiency Determination.

In Idaho, 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 arguments the taxpayers put forth did not address the Notice of Deficiency Determination. The taxpayers argued the Bureau did not present a valid claim against them as provided in the UCC.

The taxpayers' references to the UCC suggest the state of Idaho must conform to the UCC in its dealings with taxpayers. However, Idaho Code section 28-1-102 sets out the purpose of the UCC. It states in pertinent part:

**Purposes - Rules of construction - Variation by Agreement.-** (1)  
This act shall be liberally construed and applied to promote its underlying purposes and policies.  
(2) Underlying purposes and policies of this act are  
(a) to simplify, clarify and modernize the law governing commercial transactions;  
(b) to permit the continued expansion of commercial practices through custom, usage and agreement of the parties;  
(c) to make uniform the law among the various jurisdictions.  
(Underline added.)

The Uniform Commercial Code applies only to commercial transactions; it has no bearing on a determination of tax matters.

Since the taxpayers did not meet their burden of showing the deficiency determination was incorrect, Parsons v. Idaho State Tax Commission, Ibid, the Tax Commission finds the return prepared by the Bureau is a reasonable representation of the taxpayer's Idaho taxable income. Therefore, the Tax Commission upholds the Bureau's determination.

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

WHEREFORE, the Notice of Deficiency Determination dated June 26, 2008, is hereby APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayers pay the following tax, penalty, and interest (computed to May 1, 2009):

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	\$14,688	\$3,672	\$2,003	\$20,363

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

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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.

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