

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 21518
[REDACTED],	)	
	)	DECISION
Petitioners.	)	
_____	)	

[Redacted] (taxpayers) protested the Notice of Deficiency Determination issued by the Tax Discovery Bureau of the Idaho State Tax Commission dated November 15, 2007. The Notice of Deficiency Determination asserted additional income tax, penalty, and interest for the taxable year 2004 in the total amount of \$1,671.

The Tax Discovery Bureau (Bureau) received information [Redacted] that a change had been made to the taxpayers' 2004 federal income tax return. The Bureau reviewed the changes and determined they were applicable to the taxpayers' 2004 Idaho income tax return. However, when the Bureau examined the taxpayers' Idaho return, it found that the income reported to Idaho was far less than what was reported [Redacted]. Therefore, in addition to the federal audit adjustment, the Bureau adjusted the taxpayers' income to agree with what was reported [Redacted]. The Bureau then sent the taxpayers a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination and filed an amended 2004 Idaho income tax return. The taxpayers' amended return changed their status from residents to part-year residents and computed their tax accordingly. The Bureau reviewed the taxpayers' amended return and determined the federal audit changes were not included. The Bureau sent the taxpayers a letter explaining that the federal audit was not included and provided them with a modified deficiency determination that reflected their part-year resident status and the federal audit. The Bureau gave

the taxpayers the opportunity to withdraw their appeal, but 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 provided them with the methods available for redetermining a protested Notice of Deficiency Determination. The taxpayers did not respond to the Tax Commission's letter, so the Tax Commission sent a follow-up letter. The taxpayers still failed to respond. Therefore, the Tax Commission decided the matter based upon the information available.

The taxpayers stated they moved to Idaho in June 2004; therefore, they were part-year residents of Idaho in 2004. The taxpayers recalculated their 2004 Idaho income tax and submitted an amended income tax return. The Tax Commission reviewed that amended return and found, as the Bureau found, that the taxpayers failed to include all their federal income into the equation. (See Idaho Code section 63-3026A.) As a result, the taxpayers overstated their allowable standard deduction and personal exemptions.

The Tax Commission reviewed the Bureau's modifications to the original Notice of Deficiency Determination and found it accurately reflected the taxpayers' status as part-year residents and correctly computed their Idaho taxable income based upon the information available. Therefore, the Tax Commission finds the Bureau's modified deficiency determination is an accurate representation of the taxpayers' 2004 Idaho tax liability.

The Bureau added interest and penalty to the taxpayers' tax deficiency. 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 November 15, 2007, 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 taxpayer pay the following tax, penalty, and interest (computed to June 15, 2009):

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2004	\$ 278	\$ 14	\$ 74	\$ 366

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

An explanation of the taxpayers' 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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