

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 19973A
[Redacted],	)	
	)	AMENDED DECISION
Petitioner.	)	
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**Procedural Background**

On November 21, 2006, the staff of the Income Tax Audit Bureau (Audit Bureau) of the Idaho State Tax Commission (Tax Commission) issued a Notice of Deficiency Determination to [Redacted] (Petitioner) proposing a total refund of taxes and interest of \$ [REDACTED]. The proposed refund concerns the periods ending December 31, 1997, December 31, 1998, December 31, 1999, October 25, 2000, and December 31, 2000. The refund subsequently was issued to the Petitioner per the Audit Bureau's Notice of Deficiency Determination.

On January 26, 2007, the Petitioner filed a timely protest and petition for redetermination. At the Petitioner's request, this matter was held in abeyance pending the disposition of a related matter in the United States Supreme Court and other matters before the Tax Commission. The related matters were resolved and an informal conference was conducted on April 8, 2010.

The Tax Commission has reviewed the file, is advised of its contents, and hereby issues its decision MODIFYING the Notice of Deficiency Determination.

## **Issues**

The Petitioner raised four primary issues in the Petition for Redetermination filed with the Tax Commission.

1. Taxing income from non-Idaho state and local obligation while exempting income from Idaho state and local obligation discriminates against the non-Idaho obligation in violation of the Commerce Clause of the United States Constitution.

2. Including the Petitioner's insurance affiliates in the combined group that reports to Idaho is contrary to Idaho Code § 41-405 and facially discriminates against interstate commerce in violation of the Commerce Clause of the United States Constitution.

3. Dividends received from the [Redacted] are exempt from state taxation by federal law.

4. The Audit Bureau's adjustment to the investment tax credit on moveable property was erroneous.

## **Background Facts**

The Petitioner is a [Redacted]. [Redacted].

## Law and Analysis

### **1. Taxing Income from Non-Idaho Obligations**

This is one of the issues for which this matter was held in abeyance. In the case of Kentucky v. Davis, 553 U.S. 328 (2008), Taxpayers filed a class action seeking declaratory judgment that Commonwealth of Kentucky’s income tax structure, exempting interest on bonds issued by Kentucky or its subdivisions from state income tax, but taxing interest income on bonds from other states and their subdivisions, violated the dormant Commerce Clause. The Petitioner raises the same claim regarding Idaho’s taxation of income from bond and other obligations as the taxpayers in Davis.

The Court found that Kentucky’s taxation of non-Kentucky obligations while exempting Kentucky obligations did not violate the Commerce Clause. The Court found that in instances in which the state is a market participant, such as in the bond and obligation market at issue here, the state action falls under the “market-participation” exception to the dormant Commerce Clause limit on state regulation.

Applying the Court’s ruling to the instant case, the Tax Commission upholds the deficiency as it relates to this issue.

### **2. Including Insurance Affiliates in the Combined Group**

#### Statutory Analysis

Idaho Code § 41-405(1) provides that payment of the Idaho premium tax “shall be in lieu of all other taxes upon . . . income, franchise or other taxes measured by income . . . .” Thus, insurance companies that are subject to, and actually pay, the Idaho premium tax are exempt from the Idaho income tax. However, that does not necessarily mean that an exempt insurance company cannot be included in a combined group calculation relating to a subsidiary corporation

that has an Idaho income tax filing requirement. Including an exempt subsidiary in the combined group calculation is not equivalent to taxing the income of that exempt company. *C.f. Barclays Bank PLC v. Franchise Tax Board*, 512 U.S. 298, 311 n. 10, 114 S.Ct. 2268, 2277 n. 10 (1994) (“Formulary apportionment of the income of a multijurisdictional (but unitary) business enterprise, if fairly done, taxes only the income generated within a State.”) (citation and internal quotations omitted). In this respect, an exempt insurance subsidiary is no different than a subsidiary exempt from Idaho income taxation by Public Law 86-272. So long as the payroll, property, and sales of the exempt subsidiary are included in the combined group denominators, there is no inherent or theoretical reason why the income of the exempt subsidiary cannot be included in the combined group total apportionable income that is then apportioned to Idaho on the return filed by an Idaho-nexus taxpayer. *See State v. Penn Independent Corporation*, 15 Or. Tax 68 (1999).

It is permissible to include an exempt insurance subsidiary in the combined group calculation relating to an Idaho-nexus taxpayer. In fact, that is the current practice of the Tax Commission. However, for the years in question, the Tax Commission had a policy of excluding exempt insurance companies from the combined group. The policy was set forth in Income Tax

Administrative Rule 600.06, IDAPA 35.01.01.600.06 (2000). The rule, at that time, read: “[p]ursuant to Section 41-405, Idaho Code, an insurance company subject to the premium tax may not be included in a combined group.” The rationale for this policy seemed to be based in

part on the fact that California excluded exempt insurance subsidiaries from the California combined group report.<sup>1</sup>

[Redacted] argues that it is “subject to the premium tax” as that term is used in Rule 600.06. Although the Petitioner does not actually pay a premium tax to the Idaho Department of Insurance for the activity it conducts, the Petitioner is contractually obligated to pay or reimburse the premiums tax which other insurance companies must pay. In effect, the Petitioner asks the Tax Commission to construe the statutory exemption and accompanying rule broadly.

The Tax Commission finds that such a broad interpretation is contrary to the rules of statutory construction. Tax exemptions are never presumed or extended by construction of a statute. Bistline v. Bassett, 47 Idaho 66, 272 Pac. 696 (1929); Sunset Memorial Gardens, Inc. v. Idaho State Tax Commission, 80 Idaho 206, 327 P.2d 766 (1958); Ada County Assessor v. Roman Catholic Diocese of Boise, 123 Idaho 425, 849 P.2d 98 (1993). The terms of the statutory exemption must be so specific and certain as to leave no room for doubt. Appeal of Evangelical Lutheran Good Samaritan Society, 119 Idaho 126, 804 P.2d 299 (1990).

Because tax exemptions are a matter of legislative grace rather than a guaranteed right, the exemption must be strictly and narrowly construed against the taxpayer. Owyhee Motorcycle Club, Inc. v. Ada County, 123 Idaho 962, 855 P.2d 47 (1993). Tax exemption statutes must be given their ordinary meaning and will not be sustained unless within the spirit as well as letter of the law. Church of Latter-Day Saints v. Ada County, 123 Idaho 410, 849 P.2d 83 (1993). Where more than one interpretation of statutory term or phrase is possible, courts must choose the narrowest possible reasonable construction of the tax exemption statute. Church of Latter-Day Saints, 123 Idaho at 416-7, 849 P.2d at 89-90.

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<sup>1</sup> [Redacted].”  
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[Redacted]

The Commission finds that inclusion of [Redacted] in the combined report filed by the Petitioner is not prohibited by Idaho Code § 41-405 or by Income Tax Administrative Rule 600.06. The statute and rule do not contemplate exempting someone for paying a tax on another's behalf or reimbursing another when they pay the tax. We now turn to the constitutional question raised in this protest.

### Constitutional Analysis

[Redacted] argues that the Tax Commission's policy of excluding insurance subsidiaries that pay the Idaho premium tax, but not excluding insurance subsidiaries that do not pay the tax, is discriminatory and violates the Commerce Clause. The Petitioner asserts the policy violates the Commerce Clause because it discriminates against interstate commerce by providing a preference for companies whose affiliates pay Idaho premium tax.

The principal flaw with the Petitioner's Commerce Clause argument is that the inclusion of an exempt or non-nexus unitary subsidiary in the combined group calculation does not necessarily result in a higher tax liability for the Idaho-nexus taxpayer. For example, if a unitary insurance subsidiary has a net operating loss, inclusion of that subsidiary in the combined group calculation would reduce the Idaho tax liability of the Idaho-nexus taxpayer. Likewise, if a unitary insurance subsidiary has significant payroll, property, or sales that are included in the combined group apportionment denominator, the Idaho tax liability of the Idaho nexus taxpayer might be less if the insurance subsidiary is included in the combined group calculation. Thus, the inclusion of an insurance subsidiary does not necessarily result in a higher Idaho tax burden. This fact is amply supported by the arguments raised in AIA Services Corp. v. Idaho State Tax Com'n, 136 Idaho 184, 30 P.3d 962 (2001). In that case, the taxpayer (AIA Services) wanted to have its exempt insurance subsidiary included in the combined group report and argued to the

Idaho Supreme Court that the Tax Commission's policy of excluding exempt insurance subsidiaries violated the Commerce Clause. While the Idaho Supreme Court did not address [Redacted] Commerce Clause argument due to the fact that the company failed to raise the issue below, the case does point out that the Tax Commission's policy does not necessarily favor those "companies whose affiliates pay Idaho premium tax." [Redacted] wanted to have its exempt insurance subsidiary included in the Idaho combined group report because it would have resulted in a tax savings.

[Redacted] has not met its burden of establishing that the Idaho policy relating to exempt insurance subsidiaries discriminates against interstate commerce by granting preferential treatment to in-state activity. In addition, even if the policy was discriminatory, the remedy would be to invalidate Rule 600.06, not to expand that rule to cover "non-exempt" insurance subsidiaries. *See, e.g., K-Mart Corp. v. Idaho State Tax Com'n*, 111 Idaho 719, 722, 727 P.2d 1147, 1150 (1986) ("Statutes control interpretive regulations. To the extent a regulation is unconstitutional, it is inconsistent with the constitutional statute it purports to interpret and is, therefore, of no effect to the extent of such inconsistency."). The Tax Commission, therefore, rejects the Petitioner's Commerce Clause claims.

### **3. Taxing Dividends Received from the Federal Reserve Bank and the Federal Home Loan Bank.**

#### Dividends from the Federal Reserve Bank

The Federal Reserve System's booklet titled "The Federal Reserve System Purposes & Functions" describes the member bank structure as follows:

[T]he nation's banks can be divided into three types according to which governmental body charters them and whether or not they are members of the Federal Reserve System. Those chartered by the federal government (through the Office of the Comptroller of the Currency in the Department of the Treasury) are national banks; by law, they are members of the Federal Reserve System. Banks chartered by the states are divided into those that are members of the Federal Reserve System (state member banks) and those that are not (state nonmember banks). State banks are not required to join the Federal Reserve System, but they may elect to become members if they meet the standards set by the Board of Governors.<sup>2</sup>

\* \* \* \*

A bank that is a member of the Federal Reserve System must, under the Federal Reserve Act, subscribe to the capital stock of the Reserve Bank of its District. The total amount of a member bank's subscription is equal to 6 percent of its current capital stock and surplus. Of this amount, one-half is capital paid in and one-half is subject to call by the Board of Governors. These shares, unlike ordinary stock in private banks or corporations, do not carry voting power to control the policies of the Reserve Banks. Member institutions are entitled by statute to a cumulative dividend of 6 percent per year on the value of their paid-in stock. Holdings of Reserve Bank stock may not be transferred, nor may the shares be used as collateral for loans.<sup>3</sup>

Member banks of the Federal Reserve System are entitled by statute to an annual dividend of 6 percent on paid in capital<sup>4</sup>. In arriving at net business income subject to apportionment, the Petitioner subtracted dividends received on Federal Reserve Bank stock. The Tax Commission's audit staff disallowed the Petitioner's deductions.

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<sup>2</sup> Chapter 1, Overview of the Federal Reserve System, page 13, Member Banks.

<sup>3</sup> Appendix A, Federal Reserve Bank Balance Sheet and Reserve Equation, page 117, Capital Accounts.

<sup>4</sup> 12 U.S.C. § 289

The Petitioner cited Idaho Code § 63-3022(g) as support for subtracting the Federal Reserve Bank dividends from Idaho taxable income because Idaho Code § 63-3022(g), in part, allows a subtraction for any income exempt from Idaho taxation under the provision of any law of the United States. The Petitioner asserts the dividends are exempt from state taxation as a matter of federal law.

In 1913, Congress created the Federal Reserve System under the Federal Reserve Act of 1913. Section 7, undesignated paragraph 3, of the Federal Reserve Bank Act of 1913 (currently 12 U.S.C. § 531) provides the following:

Federal reserve banks, including the capital stock and surplus therein, and the income derived therefrom shall be exempt from Federal, State, and local taxation, except taxes upon real estate.

The Petitioner argues that 12 U.S.C. § 531 and its legislative history continue to exempt Federal Reserve Bank dividends from state and local taxation.

This argument ignores that Section 4 of the Public Debt Act of 1941, as amended in 1942, removed any exemption for dividends under federal tax acts. In 1941, Congress passed the Public Debt Act of 1941 and Section 4 of this Act reads, in part, as follows:

Sec. 4. (a) Interest upon, and gain from the sale or other disposition of, obligations issued on or after the effective date of this Act by the United States or any agency or instrumentality thereof shall not have any exemption, as such, and loss from the sale or other disposition of such obligations shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted;. . . .

In 1942, realizing they had overlooked the tax exemption privilege enjoyed by shares and other evidences of ownership issued by various agencies and instrumentalities of the United States, Congress corrected its oversight.

Sec. 4. (a) Interest upon obligations, and dividends, earnings, or other income from shares, certificates, stock, or other evidence of ownership, and gain from the sale or other disposition of such obligations and evidences of ownership issued on or after the effective dated of the Public Debt Act of 1942 by the United States or

any agency or instrumentality thereof shall not have any exemption, as such, and loss from the sale or other disposition of such obligations or evidences of ownership shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted;. . .

Section 6 of the Public Debt Act of 1942 amending Section 4 of the Public Debt Act of 1941.

In 1947, Congress further amended Section 4 of the Public Debt Act of 1941 to read, in part, as follows

Sec. 4. (a) Interest upon obligations, and dividends, earnings, or other income from shares, certificates, stock, or other evidences of ownership, and gain from the sale or other disposition of such obligations and evidences of ownership issued on or after the effective date of the Public Debt Act of 1942 by the United States or any agency or instrumentality thereof shall not have any exemption, as such, and loss from the sale or other disposition of such obligations or evidences of ownership shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto;. . .

(Emphasis added). In 1959, Congress codified Section 4 of the Public Debt Act of 1941 (including subsequent amendments) as 31 U.S.C. § 742a.

In 1982, numerous words were omitted as surplus while other words were replaced for clarity when 31 U.S.C. § 742a was revised and re-designated as 31 U.S.C. § 3124(b). 31 U.S.C. 3124 provides in part:

Sec. 3124 Exemption from taxation

(a) Stocks and obligations of the United States Government are exempt from taxation by a State or political subdivision of a State. The exemption applies to each form of taxation that would require the obligation, the interest on the obligation, or both, to be considered in computing a tax, except -

- (1) a nondiscriminatory franchise tax or another nonproperty tax instead of a franchise tax, imposed on a corporation; and
- (2) an estate or inheritance tax.

(b) The tax status of interest on obligations and dividends, earnings, or other income from evidences of ownership issued by the Government or an agency and the tax treatment of gain and loss from the disposition of those obligations and evidences of ownership is decided under the Internal Revenue Code of 1986 (26

U.S.C. 1 et seq.). . .<sup>5</sup>

(Emphasis added). The Internal Revenue Code, in its definition of gross income, does not provide for an exemption for dividends received on Federal Reserve Bank stock.

The Idaho income tax is specifically tied to the federal determination of income. Idaho Code § 63-3002 states the legislative intent to follow the federal treatment. It states in part:

63-3002. Declaration of intent. It is the intent of the legislature by the adoption of this act, insofar as possible to make the provisions of the Idaho act identical to the provisions of the Federal Internal Revenue Code relating to the measurement of taxable income, to the end that the taxable income reported each taxable year by a taxpayer to the internal revenue service shall be the identical sum reported to this state, subject only to modifications contained in the Idaho law; to achieve this result by the application of the various provisions of the Federal Internal Revenue Code relating to the definition of income,. . . and other pertinent provisions to gross income as defined therein, resulting in a final amount called "taxable income" in the Internal Revenue Code . . . . All of the foregoing is subject to modifications in Idaho law including, without limitation, modifications applicable to unitary groups of corporations, which include corporations incorporated outside the United States.

(Emphasis added). Under Idaho income tax law, there is no specific modification that allows a taxpayer to subtract dividends received on Federal Reserve Bank stock.

By following the federal treatment, the plain language of 31 U.S.C. § 3124(b) provides that Idaho may impose a corporate franchise or income tax on the interest or other income received on the stock. The Petitioner argues that certain legislative history would suggest Congress only intended to remove the tax exemption for the federal income tax. However, the Tax Commission is not persuaded that out-of-context references to legislative history should change a clear reading of the plain language of the statute. While the process for drafting is often uncertain, the Tax Commission finds the federal statutes that resulted from that process to be clear. The Public Debt Act removed the exemption for Federal Reserve Bank dividends

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<sup>5</sup> The wording of 31 U.S.C. § 3124 is substantially the same today as it was in 1982, the year in which 31 U.S.C. §§ 742 and 742a were revised and renumbered as 31 U.S.C. §§ 3124(a) and 3124(b), respectively.

previously immune from federal, state, and local taxation under the Federal Reserve Bank Act of 1913. Since the exemption was removed, the dividends became subject to Idaho taxation.

Accordingly, the Tax Commission finds no federal law or Idaho law prohibiting Idaho's taxation of dividends paid on Federal Reserve Bank stock. The audit adjustment on this issue is upheld.

Dividends from the [Redacted]

The related issue raised by the Petitioner is whether dividends paid to the taxpayer on stock in the [Redacted] are taxable by Idaho. The Petitioner received substantial dividends on [Redacted] stock during the audit period.

A lending institution's eligibility for membership in the [Redacted] is set forth in 12 U.S.C. § 1424. The capitalization of the [Redacted] is set forth in 12 U.S.C. § 1426. Subsection (g) thereof provides: "(g) DIVIDENDS. All stock of any [Redacted] shall share in dividend distributions without preference."

Taxation of the [Redacted] is addressed in 12 U.S.C. § 1433, which reads as follows:

Any and all notes, debentures, bonds, and other such obligations issued by any bank, and consolidated [Redacted] bonds and debentures, shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any ... State, county, municipality, or local taxing authority. The bank, including its franchise, its capital, reserves, and surplus, its advances, and its income, shall be exempt from all taxation now or hereafter imposed by the United States, ... by any State, county, municipality, or local taxing authority; except that in [sic] any real property of the bank shall be subject to State . . . or local taxation to the same extent according to its value as other real property is taxed. . . .

The language here, "all notes, debentures, bonds, and other such obligations," clearly refers only to debt instruments. Notes, debentures, and bonds are all debt instruments, and "such obligations" limits the "obligations" to similar instruments. Bell Fed. Sav. & Loan Assn. v. Wagner, 675 N.E.2d 135, 138 (Ill. App. 1996). This is confirmed by the exemption being

limited to “principal and interest.” The second sentence makes “the bank” (meaning the [Redacted], not a member bank) and its assets and income exempt from state tax. Taxation of dividends paid by the [Redacted] would not be prohibited by that sentence, since it is the member bank that is being taxed on its income, not the [Redacted]. Thus, by the terms of this section, dividends on [Redacted] stock are not exempt from state taxation

Moreover, the Public Debt Act discussed above (31 U.S.C. § 3124) would further limit the Petitioner’s argument. In terms of this statutory structure, the taxpayer’s contention raises a series of questions. The first issue is whether [Redacted] stock is a “stock . . . of the United States Government.” The Tax Commission does not need to answer this question definitively, because even if the answer is yes, taxation of the dividends is not a tax on the stock. This is confirmed by subsection (b) of 31 U.S.C. § 3124, which refers specifically to “dividends . . . from evidences of ownership.” When Congress meant to refer to dividends, it did so expressly. The absence of the mention of dividends in subsection (a) must be regarded as intentional.

The next issue is whether the reference in subsection (a) to “interest” encompasses dividends. The answer is no, again, because dividends and interest are separately referred to in subsection (b). “Interest” in subsection (a) does not include dividends.

The next issue is whether the [Redacted] stock is an “obligation” within the meaning of the second sentence of subsection (a). The answer must be no because stock and obligations are separately referred to in the first sentence of subsection (a). *See also* Smith v. Davis, 323 U.S. 111, 116 (1944) (obligation must bear interest); American Bank & Trust Co. v. Dallas County,

463 U.S. 855, 859 n.1 (1983); Memphis Bank & Trust Co. v. Garner, 459 U.S. 392, 397 (1983) (statute restates constitutional principle of intergovernmental immunity); First Nat'l Bank v. Bartow County, 470 U.S. 583, 593 (1985).

The Tax Commission, therefore, concludes that taxation of the dividends on [Redacted] stock in the hands of the taxpayer does not violate 31 U.S.C. § 3124. The Oklahoma Supreme Court reached the same result in Sooner Fed. Sav. & Loan Assn. V. Oklahoma Tax Comm., 662 P.2d 1366 (1982).

#### **4. Investment Tax Credit on Moveable Property**

The Petitioner claimed the Idaho investment tax credit regarding certain moveable property for the taxable periods at issue. Moveable property consists of property that can be moved from state to state, such as certain motor vehicles. The Tax Commission's audit staff disallowed a portion of the Idaho investment tax credit claimed on the return as filed. The auditor felt the Petitioner failed to adequately substantiate the Idaho situs and use of the moveable property.

Idaho Code § 63-3029B allows an investment tax credit on certain "qualified property." The documentation requirement to substantiate the eligibility of "qualified property" is found in Idaho Income Tax Administrative Rule 716 (Rule 716).

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01. Information Required. Each taxpayer must retain and make available, on request, records for each item of property included in the computation of the investment tax credit claimed on an income tax return subject to examination. The records must include all of the following: (3-20-97)

- a. A description of the property; (3-20-97)
- b. The asset number assigned to the item of property, if applicable; (3-20-97)
- c. The acquisition date and date placed in service; (3-20-97)
- d. The basis of the property; (3-20-97)
- e. The class of the property for recovery property or the estimated useful life for nonrecovery property; (3-20-97)
- f. The designation as new or used property; (3-20-97)
- g. The location and utilization (the usage both in and outside Idaho) of the property; (3-20-97)
- h. The retirement, disposition, or date transferred out of Idaho, or date no longer used in Idaho, if applicable; and (3-20-97)
- i. The reason for acquisition if acquired prior to January 1, 1995. (3-20-97)

02. Accounting Records Subject to Examination. Accounting records that may need to be examined to document acquisition, disposition, location, and utilization of assets include the following: (3-20-97)

- a. Accounting documents that contain asset and account designations and descriptions. These documents include a chart of accounts, the accounting manual, controller's manual, or other documents containing this information. (3-20-97)
- b. Asset location records including asset directories, asset registers, insurance records, property tax records, or similar asset inventory documents. (3-20-97)
- c. Records verifying ownership including purchase contracts and cancelled checks. (3-20-97)
- d. Invoices, shipping documents, and similar documents reflecting the transfer of assets in and out of Idaho. (3-20-97)

e. Purchase orders, authorizations for expenditures or other records that identify the reason for acquisition for property acquired prior to January 1, 1995. (3-20-97)

f. Log books measuring the use of property used both in and outside Idaho. These logs must be maintained for each item of property on which investment tax credit is claimed. These logs should measure use of property in accordance with the most accurate method for measuring the extent of use in Idaho. For example, use in Idaho of trucks, trailers, locomotives, and railcars shall be calculated according to actual mileage in and outside Idaho. (3-20-97)

g. A system that verifies that property on which the investment tax credit was claimed continues to maintain its status as Idaho qualifying property throughout the recapture period. (3-20-97)

03. Failure to Maintain Adequate Records. Failure to maintain any of the records required by this rule may result in the disallowance of the credit claimed. (3-20-97)

04. Unitary Taxpayers. Corporations claiming investment tax credit must provide a calculation of the credit earned and used by each member of the combined group. The schedule must clearly identify shared credit and the computation of any credit carryovers. (3-20-97)

(Emphasis added). In its protest, the Petitioner states “The Idaho situs and use of the property in question can be substantiated. Uniform Commercial Code filings in Idaho and title certificates in Idaho are reasonably contemporaneous records which establish Idaho situs . . . and use . . . .” Thus, the Petitioner asks that the Tax Commission rely on indirect and circumstantial evidence to satisfy the Petitioner’s documentary burdens.

After reviewing the file and the Petitioner’s history of failing to maintain proper documentation, the Tax Commission does not believe the Petitioner’s facts and circumstances warrant the relief sought. The Petitioner should have provided the required information to the auditor during the audit. If this was the last word on the subject, the Tax Commission would uphold the audit staff on its disallowance of the investment tax credit.

However, in its written protest, the Petitioner noted there was a computational error in the disallowance of the credit. Also, while the protest was pending, the Petitioner provided additional information. The information was provided to the audit staff for their consideration. After review, the audit staff agreed to make adjustments and allow a portion of the investment tax credit which had been disallowed in the original audit. Those adjustments have been sent to the taxpayer. Therefore, to the extent the audit staff has allowed additional investment tax credit, the Notice of Deficiency Determination will be adjusted accordingly.

WHEREFORE, the Notice of Deficiency Determination dated November 21, 2006, is hereby MODIFIED, and as modified is MADE FINAL.

IT IS ORDERED, and THIS DOES ORDER, that the refund by the Audit Bureau is AFFIRMED. Additionally, the following amounts of investment tax credit shall be carried forward to the taxable year ending [Redacted]. The decision sent on September 15, 2010, is amended to correct typographical errors and amounts in the following table.

	Year Ending	Sch/ Source	Total	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]			[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

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

DATED this \_\_\_\_ day of \_\_\_\_\_ 2010.

IDAHO STATE TAX COMMISSION

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COMMISSIONER

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_ day of \_\_\_\_\_ 2010, a copy of the within and foregoing AMENDED DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]                      Receipt No.  
[Redacted]

Copies Mailed to:

[Redacted]

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