

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
[Redacted],) DOCKET NO. 22015 & 22016
)
)
Petitioners.) DECISION
)
_____)

On May 14, 2009, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued separate Notices of Deficiency Determination to [Redacted] (taxpayers) proposing income tax, penalty, and interest for taxable years 2004, 2005, and 2006 in the total amount of \$15,090 each.

On June 22, 2009, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers did not request a hearing but rather wanted to provide income tax returns for the Tax Commission to consider. The Tax Commission, having reviewed the file, hereby issues its decision.

BACKGROUND

The Tax Discovery Bureau (Bureau) found from a review of the Tax Commission’s records that the taxpayers stopped filing Idaho individual income tax returns after filing their 2003 Idaho return. The Bureau sent the taxpayers a letter asking them about their requirement to file Idaho individual income tax returns. The taxpayers did not respond. The Bureau obtained additional information [Redacted], and sales and withholding information from the Tax Commission and determined the taxpayers were required to file Idaho income tax returns. The Bureau prepared income tax returns for the taxpayers based upon a community property split of income and sent each of them a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination stating the Bureau did not account for any of the expenses for equipment, product purchases, and the general expenses of running a business. The taxpayers stated they were working to get the matter cleared up as soon as possible. The Bureau allowed the taxpayers additional time to provide income tax returns, but no returns were received after several months of waiting on the taxpayers. 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 protested Notices of Deficiency Determination. The taxpayers contacted the Tax Commission and stated that, due to some health issues, they were not able to get the returns completed as planned. The taxpayers stated they had gathered all their records and information together but still needed another sixty days to complete and file their returns.

The taxpayers did not provide their returns within the 60 days or the several months that followed. The Tax Commission sent the taxpayers another letter giving them a final date to submit their returns. The taxpayers contacted the Tax Commission on that date and stated their returns were done and in the mail. They stated the Tax Commission should receive their returns within a couple of days. Shortly thereafter, the Tax Commission received the taxpayers' income tax returns for the taxable years 2004, 2005, and 2006.

CONCLUSION

The Tax Commission reviewed the taxpayers' returns and found them to be a better representation of the taxpayers' Idaho taxable income than the returns prepared by the Bureau. Therefore, the Tax Commission accepts the taxpayers' returns, subject to the normal review process of the Tax Commission, in lieu of the returns prepared by the Bureau.

The taxpayers' returns resulted in refunds for each year. Idaho Code section 63-3072 prohibits crediting or issuing refund claims if the claim for refund is made three years after the due date of the return. The taxpayers' 2004 and 2005 refund claims are past the three-year statute of limitations for crediting or issuing the refunds. Therefore, the Tax Commission cannot credit or issue the refunds. However, the statute of limitations for 2006 is still open because the Notice of Deficiency Determination was issued within the statute of limitations, and the taxpayers' protest suspended the statute of limitations for taxable year 2006. Therefore, the taxpayers are entitled to the refund claimed on their 2006 Idaho individual income tax return.

WHEREFORE, the Notices of Deficiency Determination dated May 14, 2009, are hereby MODIFIED, in accordance with the provisions of this decision and, as so modified, are APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayers receive the following refund:

<u>YEAR</u>	<u>REFUND CLAIMED</u>	<u>REFUND ALLOWED</u>	<u>TOTAL</u>
2004	\$563	\$ 0	\$ 0
2005	247	0	0
2006	344	344	<u>344</u>
		TOTAL REFUND	<u>\$344</u>

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 _____ 2010.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2010, 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.
