

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 22120
[REDACTED])	
)	DECISION
Petitioners.)	
_____)	

On October 10, 2008, the Tax Discovery Bureau (TDB) of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NOD) to [Redacted] (petitioners) proposing additional income tax, penalty, and interest for taxable year 2005 in the total amount of \$2,155.

A timely protest and petition for redetermination was filed by the petitioners. The petitioners have not requested a hearing. The Commission has reviewed the file, is advised of its contents, and hereby issues its decision affirming the NOD.

The petitioners were issued an NOD by the Commission [Redacted]. [Redacted] The TDB, therefore, issued an NOD based on that information and adjusted the petitioners' Idaho return. The Commission finds that the TDB correctly recomputed the petitioners' tax liability [Redacted].

In the petitioners' protest letter dated September 26, 2008, the petitioners stated that the funds were part of a worker's compensation payout and they were informed the funds were non-taxable [Redacted]. The petitioners stated they did not receive a W-2 for those funds, nor did they expect to receive a W-2 for those funds based on the item above and, therefore, did not feel that any penalty should apply should it be deemed they must pay taxes on the workers compensation payout. The petitioners stated they reported all income they received based on W-2s and related information.

The TDB sent the petitioners a letter dated October 10, 2008, which stated that the TDB

would retain the petitioners' file while they awaited the information the petitioners had yet to provide. The TDB requested the petitioners provide the information by December 12, 2008. If the petitioners' issues could not be resolved in the TDB, their file would be transferred to the Commission's Legal/Tax Policy Division for further review.

On January 7, 2009, the TDB sent a letter to the petitioners that requested they either sign the letter to withdraw their protest or provide additional documentation to support their position. The tax enforcement specialist also stated that a review of the petitioners account on the [Redacted] website did not show any sign of an amended federal return or any changes that canceled or reduced the amount of taxes due on their account for that year. The petitioners stated they were enclosing additional information to support their case. The petitioners wrote a note on the letter that stated the "IRS does have this under review but no letters received as yet."

The [Redacted] transcripts printed August 9, 2009, showed that the [REDACTED] did not accept the petitioners' claims and instead seized their 2007 and 2008 income tax refunds to pay the federal assessment in full. [Redacted] levee notices were mailed a week before the final refund was seized.

On August 14, 2009, the tax policy specialist (policy specialist) sent the petitioners a letter to inform them of the alternatives for redetermining a protested NOD. A follow-up letter was sent to the petitioners on October 2, 2009. The petitioners did not respond to either letter.

Idaho Code § 63-3002 states that it is the intent of the Idaho Legislature, insofar as possible, to make the Idaho Income Tax Code identical to the Internal Revenue Code in the way taxable income is determined. Idaho Code § 63-3069 states that, upon a final determination of any deficiency or refund of federal taxes, written notice shall be immediately sent to the State Tax Commission by a taxpayer. IDAPA 35.01.01 Income Tax Administrative Rule 890.03 states

that immediate written notification is required within 60 days of the final determination.

From the cited Idaho Code sections and the Administrative Rule, it is apparent the Idaho Legislature intended any changes made to a taxpayer's federal return to be reflected on the taxpayer's Idaho return. Therefore, it is the Commission's position that the changes made to the taxpayer's federal return must be made to the taxpayer's state return.

The petitioners have the burden of proving the adjustments were incorrect. The petitioners would like the Commission to re-audit [Redacted]. The Commission's position is that the petitioners must be granted relief at the federal level before relief can be granted at the state level. The petitioners have failed to carry the burden in this matter.

Since the petitioners have not provided the Commission with a contrary result [Redacted], the Commission must uphold the deficiency as asserted.

WHEREFORE, the Notice of Deficiency Determination dated October 10, 2008, is hereby APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that petitioners pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2005	\$1,722	\$86	\$570	\$2,378

Interest is calculated through February 10, 2011.

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

DATED this ____ day of _____, 2010.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

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

[REDACTED]

Receipt No.