

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
[Redacted],) DOCKET NO. 23762
)
)
Petitioners.) DECISION
)
_____)

On January 11, 2011, the Income Tax Audit Division of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NODD) to [Redacted] (taxpayers) proposing additional income tax, penalty, and interest for taxable year 2003 in the total amount of \$17,211.

On January 29, 2011, a timely protest and petition for redetermination was filed by the taxpayers. The taxpayers have not requested a hearing. The Commission has reviewed the file, is advised of its contents, and hereby issues its decision affirming the NODD.

The taxpayers were issued an NODD by the Commission pursuant to an [Redacted] redetermination of their income. The Commission received the [Redacted] audit from [Redacted] showing that they had reduced or eliminated various expenses claimed on the taxpayers' Schedule C and Schedule F. The Commission found that the auditor correctly recomputed the taxpayers' income tax liability pursuant to [Redacted] redetermination.

The protest letter sent by the taxpayers stated that they had made a mistake in the calculation of gross income for their business and the [Redacted] audit did not allow them to correct the error. The taxpayers' appeal letter also stated they had made the [Redacted] an offer and were awaiting a reply.

The Bureau referred the matter for administrative review, and the Commission sent the taxpayers a letter that explained the methods available for redetermining a protested Notice of

Deficiency Determination. The taxpayers did not respond to the letter. A follow-up letter was sent but also received no response. Therefore, the Commission decides the matter based upon the information available.

Idaho Code § 63-3002 states it is the intent of the Idaho legislature 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 immediately be sent to the Commission by the taxpayer. IDAPA 35.01.01 Income Tax Administrative Rule 890.03 states that immediate notification is 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 the taxpayers' federal return to be reflected on the taxpayers' Idaho return. Therefore, it is the Commission's position that the changes made to the taxpayers' federal return must be made to the taxpayers' state return.

Following the Idaho Code, the adjustments should be made to the taxpayers' Idaho income tax return. The taxpayers carry the burden to prove the adjustments were incorrect. The Commission's position is that the taxpayers must be granted relief at the federal level before relief can be granted at the state level.

Since the taxpayers have not provided the Commission with a contrary result to the IRS's original redetermination, the Commission must uphold the deficiency as asserted.

THEREFORE, the Notice of Deficiency Determination dated January 11, 2011 and directed to [Redacted], is hereby AFFIRMED.

IT IS ORDERED that the taxpayers pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2003	\$11,026	\$1,654	\$5,003	\$17,683

Interest is calculated through April 9, 2012.

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 _____ 2011.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2011, 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.
