

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of) DOCKET NO. 23950
[Redacted],)
)
) DECISION
Petitioners.)
_____)

[Redacted] (taxpayers) protested the Notice of Deficiency Determination dated July 16, 2010, asserting income tax, penalty, and interest in the total amount of \$41,615 for taxable year 2006. The taxpayers disagreed with the Tax Discovery Bureau’s (Bureau) determination of their Idaho taxable income. The Tax Commission, having reviewed the file, hereby issues its decision.

BACKGROUND

The taxpayers are shareholders, members, and beneficiaries of S-corporations, an LLC, and a trust, all with Idaho source income. The Bureau researched the Tax Commission’s records and found that the taxpayers did not file an Idaho individual income tax return for taxable year 2006. The Bureau sent the taxpayers a letter asking about their requirement to file a 2006 Idaho income tax return. The taxpayers did not respond. The Bureau determined the taxpayers were required to file a 2006 income tax return and prepared a return for the taxpayers. The Bureau sent the taxpayers a Notice of Deficiency Determination, which the taxpayers protested.

The taxpayers stated in their protest that the matter would be handled [Redacted] and provided a contact ID and engagement ID. The Bureau acknowledged the taxpayers’ protest and sent them a power of attorney form to fill out and return that would allow the Tax Commission to discuss their case with a [Redacted] representative. The taxpayers did not return the power of

attorney form, nor did [Redacted] contact the Tax Commission. 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 a protested Notice of Deficiency Determination. The taxpayers did not respond, so the Tax Commission decided the matter based upon the information available.

LAW AND ANALYSIS

As previously stated, the taxpayers received flow-through income from S-corporations, an LLC, and a trust. The taxpayers are also Idaho residents. Therefore, if the taxpayers' total income exceeded the filing threshold given in Idaho Code section 63-3030, they were required to file an Idaho individual income tax return.

The taxpayers did not contest their requirement to file an Idaho income tax return. The taxpayers failed to present any argument. The taxpayers only stated that their tax matters would be addressed [Redacted]; however, no contact was made.

In Idaho, a State Tax Commission deficiency determination is presumed to be correct and the burden is on the taxpayer to show that the deficiency is erroneous. Parsons v. Idaho State Tax Commission, 110 Idaho 572, 574-575 n.2, 716 P.2d 1344, 1346-1347 n.2 (Ct. App. 1986).

The taxpayers did not meet their burden. The return the Bureau prepared included the income reported to the Tax Commission on Forms 1099, W-2, and K-1. The only deductions allowed were personal exemptions, the standard deduction, and the Idaho capital gains deduction. Since the taxpayers failed to provide any information or support for any other deductions, they must bear their misfortune that no other deductions are allowed. Burnet v. Houston, 283 U.S. 223, 51 S.Ct. 413 (1931).

The Tax Commission reviewed the return the Bureau prepared for the taxpayers and found it to be a reasonable representation of the taxpayers' Idaho taxable income.

CONCLUSION

The taxpayers are Idaho residents. The taxpayers received distributable income from S-corporations, an LLC, and a trust. The taxpayers have not shown that the distributable income was not taxable or that the return the Bureau prepared was incorrect. Therefore, the Tax Commission upholds the Bureau's determination that the taxpayers were required to file an Idaho individual income tax return and its determination of the taxpayers' Idaho taxable income.

The Bureau added interest and penalty to the taxpayers' tax deficiency. The Tax Commission reviewed those additions and found them to be appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046, respectively.

THEREFORE, the Notice of Deficiency Determination dated July 16, 2010, and directed to [Redacted] is 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>
2006	\$28,578	\$7,145	\$7,605	\$43,328

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.
