

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

In the Matter of the Protest of )  
[Redacted], ) DOCKET NO. 24037  
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 )  
Petitioners. ) DECISION  
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\_\_\_\_\_ )

On May 2, 2011, the Income Tax Audit Bureau (Audit) of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NODD) to [Redacted] (taxpayers) proposing additional individual income tax, penalty, and interest in the total amount of \$457 for taxable years 2008 through 2010.

The taxpayers filed a timely appeal and petition for redetermination. They did not request a hearing nor have they submitted additional information for the Commission’s consideration. The Commission has reviewed the file and hereby issues its decision.

Audit selected the taxpayers’ 2008, 2009, and 2010 Idaho income tax returns for review. The taxpayers’ [Redacted]and state returns and the accompanying schedules were examined. Audit asked the taxpayers to provide documentation to support the alternative energy devices deduction claimed in all three returns and the deduction for the insulation of an Idaho residence claimed on the 2008 and 2009 returns.

Concerning the alternative energy device, the taxpayers sent a copy of the receipt for the wood stove they purchased, along with its’ Certificate of Efficiency for the American Recovery and Reinvestment Tax Act of 2009. In regard to the insulation deduction, the taxpayers apologized for the misunderstanding, realizing after being contacted by Audit that because their home was not built before January 1, 1976, they do not qualify for the deduction.

Audit reviewed the documentation submitted and determined the taxpayers were not entitled to either deduction and issued them an NODD. While the taxpayers agreed to the adjustment concerning the insulation deduction, they did not agree with the adjustment concerning the alternative energy device and submitted a timely protest. The taxpayers' file was transferred to the Legal/Tax Policy Division for administrative review.

The taxpayers did not respond to a letter advising them of their appeal rights and have not contacted the Commission further.

In each of the income tax returns under review, the taxpayers claimed credit for alternative energy devices. The taxpayers provided receipts to substantiate the deductions.

Idaho Code § 63-3022C allows a credit for the purchase and installation of certain alternative energy devices:

**63-3022C. Deduction for alternative energy device at residence.** -- (1) An individual taxpayer who installs an alternative energy device to serve a place of residence of the individual taxpayer in the state of Idaho may deduct from taxable income the following amounts actually paid or accrued by the individual taxpayer: forty percent (40%) of the amount that is properly attributable to the construction, reconstruction, remodeling, installation or acquisition of the alternative energy device in the year when such device is completed or acquired and is placed in service by the taxpayer; and twenty percent (20%) per year thereafter for a period of three (3) succeeding years; provided, however, that said deduction shall not exceed five thousand dollars (\$5,000) in any one (1) taxable year.

(2) An individual taxpayer who purchases a residence in the state of Idaho served by an alternative energy device for which none or less than all of the total deduction allowable under this section has been taken, may take the deduction specified in this section, or the unused balance of the deduction.

(3) **As used in this section, "alternative energy device" means any** system or mechanism or series of mechanisms using solar radiation, wind or geothermal resource as defined in section 42-4002, Idaho Code, primarily to provide heating, to provide cooling, to produce electrical power, or any combination thereof. Alternative energy device includes a fluid to air heat pump operating on a fluid reservoir heated by solar radiation or geothermal resource. Alternative energy device shall also include either a natural gas heating unit, or a propane heating unit, or a wood burning stove which meets the most current environmental protection agency certification, or a pellet stove which meets the most current industry and state standards, and which natural gas heating unit, or propane heating unit, or

wood burning stove which meets the most current environmental protection agency certification, or pellet stove which meets the most current industry and **state standards is used to replace during the same tax year a wood burning stove designed for residential heating and that does not meet environmental protection agency requirements for certification, provided the wood burning stove is surrendered to the department of environmental quality or its agent for destruction in accordance with applicable federal and state rules.** (Emphasis added.)

The documents provided by the taxpayers clearly show that the wood stove they purchased meets the certification requirements for the alternative energy device deduction. However, because the taxpayers did not replace a noncertified wood stove and surrender it to the Department of Environmental Quality, they do not qualify for the credit. The deduction for installation of an alternative energy device must be denied.

THEREFORE, the Notice of Deficiency Determination dated May 2, 2011, and directed to [Redacted], is AFFIRMED.

IT IS ORDERED that the taxpayers pay the following tax and interest for taxable years 2008 through 2010:

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$215	\$27	\$242
2009	166	13	179
2010	42	1	<u>43</u>
		TOTAL DUE	<u>\$464</u>

Interest is computed through December 30, 2011.

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

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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.