BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of	)	
	)	DOCKET NO. 23833
[Redacted]	)	
	)	DECISION
Petitioners.	)	
	)	

On September 8, 2010, the Income Tax Audit Division (ITA) of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NODD) to [Redacted][1] asserting additional corporate income tax and interest in the amount of $356,692 for the September 3, 2006, September 2, 2007, and August 31, 2008, taxable years. In January 2011, the ITA modified its NODD lowering the proposed amount due from $356,692 to $258,975. The Petitioners filed a timely petition for redetermination of the deficiency. The Petitioners requested an informal conference before the Commission, which was held on November 17, 2011.

APPEARANCES AT THE INFORMAL HEARING

[Redacted].

SYNOPSIS

The ITA made several adjustments to the Petitioners' calculation of Idaho taxable income, Idaho apportionment factor, and Idaho income tax credits. The only adjustment that the Petitioners requested a Commission redetermination of the ITA's finding that [Redacted], an [Redacted] company registered during the years under audit [Redacted] was part of the Petitioners combined group of corporations that comprise a unitary business and was therefore includible in the combined report.

[1] Included within the definition of Petitioners are those corporations with an Idaho tax liability as shown on

FACTS

1. [Redacted] (Consolidated Group) filed a consolidated Federal Form 1120 U.S. Corporate Income Tax Return (Form 1120) for taxable years September 3, 2006 (FY06), September 2, 2007 (FY07), and August 31, 2008 (FY08). The Consolidated Group listed its business activity as "Wholesale/retail" and its product or service provided as "Consumer Goods." (Federal Form 1120 U.S. Corporate Income Tax Return, page 3, Schedule K, question 2, for FY08.)

2. [Redacted] (Parent) is the common parent corporation of the federal consolidated affiliated group with a principal business activity of "Wholesale/Retail." (FY08 Form 1120, Federal Form 851.)

3. A single Idaho Form 41 Idaho Corporation Income Tax Return (Form 41) was filed by the Petitioners for FY06, FY07, and FY08. The Form 41 constitutes a "group return," in which all of the corporations that were part of the combined group and subject to Idaho tax were included in the filing of Form 41. (Idaho Income Tax Administrative Rule 325.08, IDAPA 35.01.01.325.08.)

4. The Form 41 filings were filed based upon a worldwide combined report. Included within the combined report were certain foreign corporations and all of the Consolidated Group except for [Redacted]. (Form 41 for FY06, FY07, and FY08.)

5. The ITA conducted an audit of the Petitioners' FY06, FY07, and FY08 Form 41. As a result of its audit, the ITA made numerous adjustments to the Petitioners' Idaho taxable income, Idaho tax liability, and certain Idaho income tax credits. (NODD dated September 8, 2010.)

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schedules 1100.1 through 1100.3 attached to and made part of the NODD.

6. In January 2011, the ITA modified its NODD lowering the proposed amount due from $356,692 to $258,975. (The ITA's letter dated December 8, 2010.)

7. The companies included within the worldwide combined report that the ITA asserted Idaho had jurisdiction to tax were Parent, [Redacted], Inc., [Redacted], Inc., and [Redacted]. (The NODD schedules 1100.1 through 1100.3.)

8. [Redacted] and [Redacted] are both 100 percent owned subsidiaries of Parent. [Redacted] is a 100 percent subsidiary of [Redacted] and reports its primary business activity [Redacted] (FY08 Form 1120, Federal Form 851.)

9. [Redacted] owns and maintains the Petitioners' membership database and lists. [Redacted] provides Parent with various management services related to [Redacted] administration including maintenance [Redacted], access to the database, and related administrative services. [Redacted] sends out and processes [Redacted] renewal notices. However, it is Parent that actually administers the [Redacted] application process at its individual [Redacted] locations and collects the [Redacted] fees. Parent sends the [Redacted] fees to [Redacted] less a fee for the service of processing the application. (The Petitioners' letter dated November 4, 2010.)

10. [Redacted] administers the Petitioners' [Redacted] program through an agreement with a third-party service provider. [Redacted] maintains sole liability to [Redacted] for unredeemed balances. When a [Redacted] is activated, Parent is financially liable to [Redacted] for all funds received. When a [Redacted] is used to purchase merchandise, [Redacted] is financially liable to Parent for the amount redeemed on the [Redacted]. Parent pays to [Redacted] a fee per activated cash card. (Petitioners' letter dated November 4, 2010.)

11. [Redacted] provides discounted travel packages (tours, cruises, etc.) for the Petitioners' members. Travel packages, cruises, car rentals, and hotels can be booked over the

telephone or internet. [Redacted] earns commissions from the travel providers. (Petitioners' letter dated March 9, 2010.)

12. Attached to the Form 1120 for FY07 was an Internal Revenue Code (IRC) sec. 953(d) election to treat [Redacted]as a domestic corporation for federal income tax purposes. As a result of the IRC sec. 953(d) election, [Redacted]was included in the Federal 1120. (Election attached to FY07 Form 1120; Petitioners' letter dated November 7, 2011.)

13. When the Petitioners filed its Form 41 for FY06, FY07, and FY08, the Petitioners treated [Redacted] as a nonunitary subsidiary and removed [Redacted] income and expenses when arriving at business income subject to apportionment. (Idaho Form 42 Idaho Supplemental Schedules for Multistate/Multinational Businesses (Form 42)).

14. The Form 1120 reflects the following income and expenses [Redacted] (Whitepaper detail attached to Form 1120):

[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]		
[Redacted]	[Redacted]		
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]			[Redacted]
[Redacted]			[Redacted]
[Redacted]	[Redacted]		[Redacted]
[Redacted]	[Redacted]		[Redacted]
[Redacted]	[Redacted]		[Redacted]
[Redacted]	[Redacted]		
[Redacted]		[Redacted]	
[Redacted]	[Redacted]	[Redacted]	[Redacted]

15. Interest income from **Table A** is comprised of (Petitioners' letter dated November 18, 2010):

[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]

[Redacted]	[Redacted]	[Redacted]	[Redacted]

16. [Redacted] is a participant in an [Redacted] pooling arrangement wherein [Redacted] assumes the risk for the workers compensation, general liability, and auto liability insurance policies of unrelated parties. These assumed premiums are ceded. The gross receipts or net premiums amounts from **Table A** are further broken down as follows (Petitioners' letter dated November 18, 2010):

[Redacted]	[REDACTED]	[REDACTED]	[REDACTED]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]		[Redacted]	
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]

17. [Redacted] is an insurance company, that:

a. Is the Petitioner's wholly-owned captive insurance subsidiary. (Petitioners' 2008 Annual Report, page 41.)

b. Was registered during the audit years at issue [Redacted] (it is currently registered [Redacted]). (Petitioners' letter dated February 3, 2011.)

c. Insures risks of the Consolidated Group and other unrelated parties. (Petitioners' letter dated February 3, 2011.)

d. Provides insurance to the Consolidated Group for workers compensation, auto liability, natural catastrophe, and general liability claims. (Petitioners' letter dated November 7, 2011.)

e. Is not authorized or registered to do business in Idaho and does not file a premiums tax return in Idaho. (Petitioners' letter dated February 3, 2011.)

f. Does not own real or tangible personal property. (Petitioners' letter dated November 7, 2011.)

g. Does not incur officer or employee compensation. (Petitioners' letter dated November 7, 2011.)

h. Paid management fees to a third party in the amount of $108,000, $118,000, and $118,000 for FY06, FY07, and FY08, respectively. (Petitioners' letter dated November 7, 2011.)

18. [Redacted] had five directors and four officers. Three of the five directors are officers of Parent. Three of the officers are also officers of Parent. (Corporate Business Activity Questionnaire received by the Commission on February 28, 2011 (Questionnaire)). More specifically, the Questionnaire's responses reflect that:

a. [Redacted], [Redacted] President and a board member of [Redacted], oversees and approves all of [Redacted] corporate activities and is Parent's Senior Vice President of Human Resources and Risk Management.

b. [Redacted], [Redacted] Vice President and a board member of [Redacted], oversees and approves all of [Redacted] corporate activities and is Parent's Assistant Vice President Risk Management.

c. [Redacted], board member of [Redacted], is responsible [Redacted] financial reporting and is Parent's Vice President Financial Reporting.

d. [Redacted], [Redacted] Treasurer, is responsible for [Redacted] financial reporting transactions and is Parent's Assistant Vice President Corporate Tax and Customs.

19. Additional information reported on the Questionnaire reflects that [Redacted]:

a. Shared with a member or members of the combined group common legal counsel or obtained legal services from a common source.

b. Relied upon Parent's tax department, risk department, and treasury department for such activities as the filing of the federal consolidated income tax return, risk administration, and treasury wire transfers.

c. Engaged in transactions with a member or members of the combined group for such items as accounts payable, loans payable, notes payable, accounts receivable, loans receivables, and notes receivables.

d. Received from a member or other members of the combined group services relating to budgeting and cash flow forecasts as well the planning of or authorizing of outside investments.

20. [Redacted] entered into a management agreement (MA) with a third party (TPM) to provide directly or indirectly management, administrative, and consulting services with regard to [Redacted] insurance business. (Management Agreement dated September 1, 2000, page 1).

21. Under the MA, the TPM:

a. Was subject to restrictions set forth in writing by [Redacted] when underwriting insurance. (MA, page 1, section1.(a)).

b. Required written approval [Redacted] to terminate or cancel policies or notices of cancellations. (MA, page 2, section 1.(b)).

c. Needed written instructions from [Redacted] to accept or reject claims, settle claims and arrange for the adjustment of losses and defense of actions, as necessary or appropriate, arising out of contracts of insurance and reinsurance (MA, page 2, section 1.(c)).

d. Maintained books and records with such books and records under the agreement to remain as the property [Redacted]. (MA, page 4, section 2.(a)).

e. Invested funds including any change to such investments or liquidations of such investments as set forth in [Redacted] written investment guidelines. (MA, page 5, section 2.(d)).

f. Other than through its own negligence, was not liable for the payment of insurance or reinsurance premiums, the profitability of [Redacted] business, the solvency of any persons, or the failure of third parties (including insurers and reinsurers) to fulfill their obligations. (MA, page 7, section 3.(c)).

PETITIONERS' POSITION

In the Petitioners' November 4, 2010, letter, the Petitioners citing Idaho Income Tax Administrative Rule 600.05, argues that [Redacted] is not unitary with the Petitioners because [Redacted] business activities are not in the same general line of business as the Petitioners, [Redacted] is not part of a vertically structured business with the Petitioners, and [Redacted] and the Petitioners do not share strong centralized management and centralized departments. At the informal hearing, the Petitioners pointed out that the premiums paid by the Petitioners to [Redacted] were approximately what the Petitioners would have had to pay to an unrelated insurance company for similar insurance coverage.

ITA'S POSITION

The ITA's response to the Petitioners' unitary argument is found in the ITA's Protest Summary document. In that document, the ITA concluded that:

[Redacted].

As support for its position that [Redacted] is part of the Petitioners' unitary business, some of the facts the ITA cites are:

1. [Redacted] was included in the Form 1120 and is 100 percent owned by Parent.
2. [Redacted] has no payroll or property.

3. The majority of the premiums received [Redacted] are from the Petitioners.

4. The majority of [Redacted] directors and officers are employees of Parent.

5. Shared legal counsel.

6. Use of Parent's tax, risk management, and treasury functions including the preparation of budgets for [Redacted] by Parent's risk management department for such things as legal, travel, and entertainment.

LAW AND ANALYSIS

Idaho Code section 63-3027 governs the computation of Idaho taxable income of a multistate or unitary corporation. The statute provides in relevant part:

> **63-3027. COMPUTING IDAHO TAXABLE INCOME OF MULTISTATE OR UNITARY CORPORATIONS**. The Idaho taxable income of any multistate or unitary corporation transacting business both within and without this state shall be computed in accordance with the rules set forth in this section:
>
> (t) For purposes of this section and sections 63-3027B through 63-3027E, Idaho Code, the income of two (2) or more corporations, wherever incorporated, the voting stock of which is more than fifty percent (50%) owned directly or indirectly by a common owner or owners, when necessary to accurately reflect income, shall be allocated or apportioned as if the group of corporations were a single corporation, in which event:
>
> (1) The Idaho taxable income of any corporation subject to taxation in this state shall be determined by use of a combined report which includes the income, determined under subparagraph (2) of this subsection, of all corporations which are members of a unitary business, allocated and apportioned using apportionment factors for all corporations included in the combined report and methods set out in this section. The use of a combined report does not disregard the separate corporate identities of the members of the unitary group. Each corporation which is transacting business in this state is responsible for its apportioned share of the combined business income plus its nonbusiness income or loss allocated to Idaho, minus its net operating loss carryover or carryback. [Emphasis added.]

Idaho Code section 63-3027(t). While the statute directs the filing of a combined return when "necessary," the statute does not provide criteria for determining the necessity.

Under its administrative authority, the Commission's administrative rules set out the criteria for determining if and when a combined report may be necessary. With certain exceptions, the Idaho Income Tax Administrative Rules also provide that any corporation that is a member of a unitary business and is transacting business within this state must compute its Idaho corporate income tax liability under the combined reporting method.[2]

The Commission's initial regulation setting out the mechanism for determining whether a combined report is necessary to accurately reflect income was officially promulgated as a regulation in 1989[3] and remained in existence until 1996.[4] The rule did not expressly address the issue of whether or not exempt insurance companies should be included in the combined group. However, as judicially noticed in the case of AIA Services Corp. v. Idaho State Tax Commission, 136 Idaho 184, 30 P.3d 962 (2001), the effect of the regulation was to exclude exempt insurance companies from the combined group.

In 1997, the Commission adopted Rule 600. That rule specifically excluded exempt insurance companies from the combined report and provides in part:[5]

> **600. ENTITIES INCLUDED IN A COMBINED REPORT (RULE 600).** Section 63-3027(t), Idaho Code.
>
> **01. Combined Report**. Each corporation that is a member of a unitary business transacting business within and without Idaho shall allocate and apportion its income to Idaho using a combined report pursuant to Rules 360 through 369 of these rules.
>
> * * *
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> **05. Insurance Companies**. Pursuant to Section 41-405, Idaho Code, an insurance company subject to the premium tax may not be included in a combined group.

Tax Commission Income Tax Administrative Rule 600, IDAPA 35.01.01.600 (1997).

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[2] Idaho Income Tax Administrative Rule 600.02, IDAPA 35.01.01.600.02 (2010).
[3] *See* Tax Commission Administrative Regulation 27, 4.19.a (1990), IDAPA 35.01.01.27,4.19.a (1990).
[4] In 1993, the Idaho Legislature required all administrative agencies to begin referring to administrative pronouncements as "Rules" rather than as "Regulations." As a result, in 1993 the Regulation was reissued and renumbered as Tax Commission Income Tax Administrative Rule 76, IDAPA 35.01.01.76 (1993).

In 2007, Rule 600.05 was amended to require that an exempt insurance company be included within the combined group if the insurance company was part of the group of corporations conducting a unitary business as follows:[6]

> **05. Insurance Companies.** Pursuant to Section 41-405, Idaho Code, payment of an Idaho tax upon an insurance company's premiums shall be in lieu of an income tax.
>
> **a.** If an insurance company is a member of a unitary business and pays the Idaho premium tax, the insurance company shall be included in the combined group and its income and factor attributes included in the combined report. The income tax attributable to the insurance company shall be deducted from the total tax computed in the combined report. Income tax credits that the insurance company may have earned may not be shared with other members of the unitary group.
>
> **b.** If an insurance company is a member of a unitary business and pays a premium tax to a state other than Idaho, or does not pay a premium tax to any state, the insurance company shall be included in the combined group and its income and factor attributes included in the combined report. The insurance company shall be liable for the Idaho income tax computed on its activity in Idaho and is not exempt from the income tax as a result of Section 41-405, Idaho Code.

Therefore, if **[Redacted]** is part of the Petitioners' unitary business, the ITA was correct in requiring **[Redacted]** to be included in the Petitioners' worldwide combined report.

As explained by the Idaho Supreme Court, Idaho's combined reporting is a refinement of the Uniform Division of Income Tax Purposes Act (UDITPA) apportionment principle.

> The combined reporting provision of subsection (s) [now I.C. § 63-3027(t)] is a further refinement of the basic apportionment principle. Its purpose is to permit application of the UDITPA formula to a single business enterprise which is conducted by means of separately incorporated entities. In an economic sense such a business is no different than a similar business composed of a single corporation with several separate divisions. For tax reporting purposes such businesses should be treated the same.

Albertson's Inc., 106 Idaho at 814-815, 683 P.2d at 850-851 (1984). The Idaho Supreme Court affirmed the principle it articulated in Albertson's.

[6] Idaho Income Tax Administrative Rule 600.05, IDAPA 35.01.01.600.05 (2007).

> AIA Services also cites *Albertson's, Inc. v. State, Dept. of Revenue*, 106 Idaho 810, 683 P.2d 846 (1984), for the proposition that all members of a unitary group are required to file a combined return. In *Albertson's,* the issue was "whether it is appropriate to treat the income of a Texas corporation which is a wholly-owned subsidiary of Albertson's, Inc. as income of the parent corporation, subject to apportionment under the Idaho version of the Uniform Division of Income for Tax Purposes Act (UDITPA)." *Id.* at 811, 683 P.2d at 847. . . . The Court concluded that the "result thus reached [by combining the unitary group] is exactly what Albertson's would have paid in Idaho taxes had the subsidiary never been formed." *Id.* at 818, 683 P.2d at 854.

AIA Services, Inc., 136 Idaho at 187, 30 P.3d at 966 (2001). The purpose of combined reporting is to more accurately reflect the income of the unitary group.

Idaho's Income Tax Administrative Rule 343 identifies three types of indicators of a unitary business: business activities that are in the same general line of business, business activities that are part of different steps in a vertically structured business, and business activities where there exists strong centralized management, coupled with the existence of centralized departments for such functions as financing, advertising, research, or purchasing.[7] Rule 341 identifies the judicially accepted tests Idaho uses to determine unitary which are commonly referred to as the "three unities" test,[8] the "contribution – dependency" test,[9] and the "factors of profitability" test.[10] Unity can be established under any one (1) of the judicially acceptable tests and cannot be denied merely because another of those tests does not simultaneously apply.[11]

For constitutional purposes, the U.S. Supreme Court has consistently held that the burden is on the taxpayer to show that there is no unitary relationship between a parent and its subsidiary and, as a result, the state -- in making a unitary finding -- is attempting to tax income derived from activities of a "discrete business enterprise" carried on outside its borders. *See, e.g.*, Exxon Corp. v. Wisconsin Dept. of Revenue, 447 U.S. 207, 223 (1980) ("In order to exclude certain

[7] Idaho Income Tax Administrative Rule 343, IDAPA 35.01.01.343 (2005).
[8] Butler Brothers v. McColgan, 111 P.2d 334, 336 (Cal. 1941).
[9] Edison California Stores, Inc. v. McColgan, 183 P.2d 16 (Cal. 1947).
[10] Mobil Oil Corp. v. Com'r of Taxes, 445 U.S. 425 (1980).

income from the apportionment formula, the company must prove that 'the income was earned in the course of activities unrelated to the sale of petroleum products in that State.'") (*Quoting* Mobil Oil Corp. v. Com'r of Taxes, 445 U.S. 425, 439 (1980)). Thus, in the present administrative protest, the burden is on the Petitioners to show that [Redacted] and the Petitioners are discrete businesses that are not part of a unitary business.

Whether two or more business entities constitute a unitary business is a factual determination that has spawned considerable litigation over the years. A primary reason for this is that there is no clearly established definition of what constitutes a unitary business. Rather, courts have articulated several different definitions or standards that can be used to determine whether a group of commonly owned businesses are engaged in a single unitary enterprise. And even within these different definitions of what constitutes a unitary business, there is an unmistakable level of subjectivity. While the decision maker will be presented with various facts that either weighs for or against a finding of unity, in many cases, reasonable people can disagree whether the weight of the evidence tips the scales in one direction or the other. Allied-Signal, Inc. v. Director, Division of Taxes, 504 U.S. 768, 785 (1992) ("If lower courts have reached divergent results in applying the unitary business principle to different factual circumstances, that is because . . . any number of variations on the unitary business theme are logically consistent with the underlying principles motivating the approach, . . . and also because the constitutional test is quite fact sensitive."). (Citations and internal quotations omitted.) But for all its problems and shortcomings, the unitary business principle is the backbone of modern state corporate income tax law. Formula apportionment, such as is required by Idaho Code section 63-3027, would not be possible absent the advent and development of the unitary

[11] Idaho Income Tax Administrative Rule 341.01, IDAPA 35.01.01.341.01 (2010)

business principle. *See* Mobil Oil Corp., 445 U.S. at 439 (1980) ("the linchpin of apportionability in the field of state income taxation is the unitary-business principle.")

One such standard is found in Edison California Stores, Inc. v. McColgan, 183 P.2d 16 (Cal. 1947) wherein the California Supreme Court articulated what has since come to be known as the "contribution – dependency" test. As succinctly set forth by the California Supreme Court: "If the operation of the portion of the business done within the state is dependent upon or contributes to the operation of the business without the state, the operations are unitary; otherwise, if there is no such dependency, the business within the state may be considered to be separate." Id. at 21. The Idaho Supreme Court has cited with approval the "contribution – dependency" test articulated in Edison California Stores. *See* Albertson's Inc. v. State, Dept. of Rev., 106 Idaho 810, 815 – 816 (1984).

In applying the "contribution – dependency" test to the case at hand, [Redacted] is a wholly-owned subsidiary of Parent that provides insurance coverage to the other affiliated corporations that are also members of the combined group. The Petitioners are dependent on [Redacted] for a substantial portion of their insurance coverage. In return, all of the insurance premiums received [Redacted], after adjustment for [Redacted] minor role as a reinsurer, are derived from other members of the combined group. Furthermore, Parent, a member of the combined group, provided [Redacted] with various services at apparently no cost including officer oversight, risk administration, and tax services to name a few. Parent owned 100 percent of the voting stock [Redacted], and Parent's employees represented the majority of [Redacted] board of directors and officers. Although [Redacted] may have turned certain day-to-day activities over to the TPM, Parents controlled numerous aspects of the activity that the TPM could engage in including placing restrictions on specific insurance risk, termination or cancelation of policies,

investment activity, acceptance or rejection of claims, and the settlement of claims, including adjustments of losses and defense of actions arising out of insurance contracts.

The Petitioners claim that the premium amounts that the members of the combined group paid to [Redacted] were determined based upon what the market for such insurance coverage and thus supports a non-unitary finding. In the case of a wholly-owned subsidiary, arms-length transactions do not necessarily alter the unitary nature of a taxpayer's business. Exxon Corp. v. Wisconsin Dept. of Rev., 447 U.S. 207, 224-226 (1980) ("The decision to assign wholesale market values to internal transfers of raw materials . . . does not change the unitary nature of appellant's business."). Such is the case before the Commission, to the extent the premiums were based on market value; it does not alter the unitary nature of [Redacted] and the Petitioners. The facts simply do not support a finding that [Redacted] and the Petitioners constitute "discrete business enterprises."

CONCLUSION

It is the Petitioners' burden to identify clear and cogent evidence demonstrating that the Petitioners and [Redacted] are discrete business enterprises. Exxon Corp., 447 U.S. at 221; Mobil Oil Corp., 445 U.S. at 453-54. Our review of the record reveals no clear and cogent evidence showing that [Redacted] operates a business enterprise that is discrete from that of the Petitioners. We therefore consider the Petitioners and [Redacted] unitary. *See* Mobil Oil Corp., 445 U.S. at 439-40.

THEREFORE, the NODD dated September 8, 2010, and directed to the Petitioners as modified by ITA in January 2011, is hereby AFFIRMED.

IT IS ORDERED that the Petitioners pay the following tax and interest:

Year	Tax	Interest	Total
September 3, 2006	$50,984	$13,563	$64,547
September 2, 2007	32,154	6,305	38,459

August 31, 2008	142,243	17,988	160,231
		TOTAL DUE	$263,237

Interest is calculated through May 31, 2012, and will continue to accrue at the rate set forth in Idaho Code section 63-3045.

DEMAND for immediate payment of the foregoing amount is hereby made and given.

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

DATED this _____ day of _____ 2012.

IDAHO STATE TAX COMMISSION

_____
COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2012, 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.

_____