

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
[Redacted],) DOCKET NO. 23996
)
)
Petitioners.) DECISION
)
_____)

[Redacted] (taxpayers) protested the Notice of Deficiency Determination dated March 21, 2011, asserting income tax and interest for taxable years 2007 through 2010 in the total amount of \$158. The taxpayers disagreed with the disallowance of the deductions for the alternative energy devices they acquired in 2005 and 2008. The Tax Commission, having reviewed the file, hereby issues its decision.

BACKGROUND

The taxpayers filed their 2007, 2008, 2009, and 2010 Idaho individual income tax returns claiming deductions for an alternative energy device. The Income Tax Audit Bureau (Bureau) selected the taxpayers' returns to verify the alternative energy device deductions claimed. The Bureau requested information from the taxpayers. The taxpayers were only able to supply a portion of what was requested. The Bureau reviewed the information and determined the taxpayers did not meet all the requirements of Idaho Code section 63-3022C to claim the alternative energy device deduction. The Bureau disallowed the alternative energy device deductions claimed on the taxpayers' 2007 through 2010 Idaho income tax returns and sent them a Notice of Deficiency Determination.

The taxpayers protested the Bureau's determination stating they purchased and installed a propane heater in 2005 that they claimed the alternative energy device deduction in 2005, 2006, 2007, and 2008. The taxpayers also purchased and installed a wood stove in 2008 that they

claimed the alternative energy device deduction in 2009 and 2010. The taxpayers provided information on the wood stove and stated that the wood stove met the latest E.P.A standards. The taxpayers stated the wood stove replaced an older wood stove that they moved to their shed. They stated the old stove was not surrendered [Redacted]. The taxpayers stated if the Tax Commission wanted the old stove it is welcome to come and get the stove.

The Bureau referred the matter for administrative review, and the Tax Commission 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 sent them a follow-up letter. Again the taxpayers failed to respond, so the Tax Commission reviewed the file and issued its decision based upon the information available.

LAW AND ANALYSIS

Idaho Code section 63-3022C states, in pertinent part:

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.

...

(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.

The taxpayers' purchases of a propane heater and an E.P.A. certified wood stove initially qualified as an alternative energy device. However, for either to be allowed as a deduction, both devices needed to replace a wood burning stove that does not meet E.P.A. certification, and the old wood burning stoves must be given over [Redacted] or its agent for destruction.

From the information available, the propane heater was not purchased to replace a non-certified wood burning stove. But if it was, the taxpayers provided nothing to show the replaced wood burning stove was surrendered [Redacted]. Consequently, the purchase and installation of the propane heater does not fully meet the requirements of the statute to be eligible for the alternative energy device deduction.

The wood stove purchased in 2008 is similar to the propane heater. The unit itself qualifies as an alternative energy device and it replaced an old wood burning stove that likely did not meet E.P.A. standards. However, the taxpayers stated the old wood burning stove was still in their possession; they did not surrender it [Redacted]. The statute is clear that the replaced wood burning stove must be surrendered [Redacted]. Therefore, because the taxpayers did not surrender the replaced wood burning stove [Redacted] within thirty days of the purchase of its replacement (*see* Income Tax Rule 150.05) the wood stove cannot be allowed as an alternative energy device deduction.

CONCLUSION

The taxpayers purchased two units that could have met the requirements for the alternative energy device deduction. However, for the devices acquired, just purchasing and installing them does not make the alternative energy device deductible. In this case, the statute requires that there be non-certified wood burning stoves replaced and surrendered [Redacted] for the replacement devices to be alternative energy devices. Neither of the units placed in service by the taxpayers fulfilled the full requirements of the statute. Therefore, neither unit was an alternative energy device, and the taxpayers cannot deduct the purchase and installation costs. The determination of the Bureau is upheld.

The Bureau added interest to the taxpayers' tax. The Tax Commission reviewed the addition and found it appropriate and in accordance with Idaho Code section 63-3045.

THEREFORE, the Notice of Deficiency Determination dated March 21, 2011, and directed to [Redacted] is AFFIRMED.

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

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$23	\$5	\$ 28
2008	28	4	32
2009	66	6	69
2010	33	1	34
		BALANCE DUE	<u>\$163</u>

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 _____ 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.
