

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

In the Matter of the Protest of )  
 ) DOCKET NO. 24812  
[Redacted], )  
 )  
 )  
 ) Petitioners. ) DECISION  
 )  
\_\_\_\_\_ )

[Redacted] (Petitioners) protested the Notice of Deficiency Determination dated January 11, 2012, issued by the Income Tax Audit Bureau of the Idaho State Tax Commission for taxable year 2009 in the total amount of \$2,945. Petitioners asked for a redetermination of the amount owed due to their current ability to pay their tax debt. The Tax Commission having reviewed the file hereby issues its decision.

**BACKGROUND**

The issue in this case is Petitioners ability to pay the additional tax due as a result of a federal audit wherein [Redacted] disallowed business expenses Petitioners claimed on their 2009 federal income tax return. The Income Tax Audit Bureau (Bureau) received information from [Redacted] regarding the federal audit and made the appropriate adjustments to Petitioners' Idaho individual income tax return. The Bureau sent Petitioners a Notice of Deficiency Determination, which Petitioners then requested a redetermination due to their ability to pay.

The Bureau acknowledged Petitioners' request as a protest and referred the matter for administrative review. The Tax Commission reviewed Petitioners' case and found Petitioners were not contesting the audit adjustment but were seeking a hardship settlement. The Tax Commission sent Petitioners a letter seeking confirmation that Petitioners were asking for a settlement rather than a redetermination of the audit adjustment. Petitioners contacted the Tax Commission and asked what was needed for a settlement agreement. Petitioners stated they

worked on a settlement offer with [Redacted] but were told the offer would be denied and to withdraw their offer so their case could be classified as uncollectible. Petitioners stated their agreement with [Redacted] is that their future federal refunds will go toward paying their tax debt. The Tax Commission told Petitioners to send it the same information they sent to [Redacted]. Petitioners provided updated information, which the Tax Commission referred to its collection bureau to review.

The Tax Commission's collection bureau reviewed Petitioners' information and determined it was not in the best interest of the Tax Commission to settle at this time. The collection bureau's position is that the Tax Commission is not causing any hardship at this point, and once collection efforts start, the Tax Commission can still be fair if special consideration is warranted.

### **LAW AND ANALYSIS**

Idaho Code section 63-3002 states it is the intent of the Idaho legislature to make the provisions of the Idaho income tax act identical to the provisions of the Internal Revenue Code relating to the measurement of taxable income, subject only to modifications contained in the Idaho law. It follows then that the intent of the Idaho legislature is to follow a federal determination of taxable income. Further affirmation of the legislature's intent is found in Idaho Code section 63-3069, which requires taxpayers to immediately send written notice to the Tax Commission upon a final determination of a deficiency in federal tax or be subject to penalty.

The Bureau received information from [Redacted] that a change had been made to Petitioners' 2009 [Redacted] income tax return. The Bureau reviewed the information and determined the changes made to Petitioners' [Redacted] return were applicable to Petitioners' 2009 Idaho individual income tax return.

Petitioners did not disagree with the adjustments made by [Redacted]. Consequently, Petitioners do not disagree with the adjustment made by the Bureau. Petitioners only concern is that they are unable to pay their tax debt in their current situation.

### CONCLUSION

Petitioners 2009 [Redacted] income tax return was audited by [Redacted] and adjustments were made to [Redacted] income tax return. Since Idaho bases its income tax on how income is determined by the Internal Revenue Code, any changes made to the Petitioners' [Redacted] income tax return should also be made on Petitioners' Idaho income tax return. Petitioners did not argue the [Redacted] adjustments were incorrect. Petitioners did not argue the Idaho adjustments were incorrect. Petitioners concern was their ability to pay; a decision more appropriately made by the Tax Commission's collectors. Therefore, the Tax Commission hereby upholds the Notice of Deficiency Determination.

The Bureau added the penalty of Idaho Code section 63-3069 to Petitioners' tax deficiency. The Tax Commission reviewed the addition of the penalty and found it appropriate.

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

THEREFORE, the Notice of Deficiency Determination dated January 11, 2012, and directed to [Redacted] is AFFIRMED.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$2,599	\$130	\$316	\$3,045

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.

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.  
  
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