

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

|                                 |   |                  |
|---------------------------------|---|------------------|
| In the Matter of the Protest of | ) |                  |
|                                 | ) | DOCKET NO. 24393 |
| [Redacted],                     | ) |                  |
|                                 | ) |                  |
| Petitioners.                    | ) | DECISION         |
| _____                           | ) |                  |

[Redacted] (Petitioners) protested the Notice of Deficiency Determination dated June 17, 2011, asserting income tax, penalty, and interest in the total amount of \$3,612 for taxable year 2006. Petitioners disagreed with the number of dependent exemptions the Tax Discovery Bureau (Bureau) allowed in its determination of their Idaho taxable income. The Tax Commission, having reviewed the file, hereby issues its decision.

**BACKGROUND**

The Bureau received information that Petitioners may have had a requirement to file an Idaho individual income tax return for taxable year 2006. The Bureau searched the Tax Commission’s records and found Petitioners failed to file an Idaho individual income tax return for taxable year 2006. The Bureau sent Petitioners a couple of letters asking them about their requirement to file Idaho individual income tax returns. Petitioners did not respond.

The Bureau obtained additional information from [Redacted] and determined Petitioners were required to file an income tax return for taxable year 2006. The Bureau prepared a return for Petitioners and sent them a Notice of Deficiency Determination.

Petitioners protested the Bureau’s determination. Petitioners disputed the number of dependents allowed on the income tax return the Bureau prepared. The Bureau acknowledged Petitioners’ protest and asked them to submit an income tax return for taxable year 2006. Petitioners did not respond. The Bureau followed up with a letter asking Petitioners to supply

the necessary documents and to reconsider their protest. Still Petitioners failed to respond. Therefore, the Bureau referred the matter for administrative review.

The Tax Commission reviewed the matter and sent Petitioners a letter that discussed the methods available for redetermining a protested Notice of Deficiency Determination. Petitioners did not respond. Therefore, the Tax Commission decided the matter based upon the information available.

### **LAW AND ANALYSIS**

Idaho Code section 63-3030 states that all resident individuals are required to file a return of income if they meet the filing threshold stated in Internal Revenue Code section 6012(a)(1). Petitioners' income exceeded that amount in 2006, based upon reported wages.

Petitioners' protest did not contest their requirement to file an Idaho individual income tax return. Petitioners' only dispute was the number of dependent exemptions allowed on the income tax return prepared by the Bureau. Petitioners stated they should be allowed a total of three exemptions on their 2006 income tax return. Petitioners provided the names and social security numbers of the dependents they stated they could claim. Petitioners provided no other documentation.

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). Petitioners did not meet their burden. In addition, deductions are a matter of legislative grace, and taxpayers bear the burden of proving they are entitled to the deductions claimed. INDOPCO, Inc. v. Commissioner, 503 U.S. 79, 84, 112 S. Ct. 1039, 117 L.Ed.2d 226 (1992); New Colonial Ice Co. v. Helvering, 292 U.S. 435, 440, 54 S. Ct. 788, 78 L. Ed. 1348 (1934).

Petitioners failed to provide any information or support for the additional dependent exemptions; consequently, they must bear their misfortune that no deduction is allowed. Burnet v. Houston, 283 U.S. 223, 51 S. Ct. 413 (1931).

The Tax Commission reviewed the return the Bureau prepared and found it to be a reasonable representation of Petitioners' Idaho taxable income based upon the information available.

### CONCLUSION

Petitioners received income in excess of the filing requirement threshold; they were required to file an Idaho individual income tax return. Petitioners did not provide anything contrary to the 2006 return the Bureau prepared; therefore, the Tax Commission upholds the Bureau's determination for that taxable year.

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

THEREFORE, the Notice of Deficiency Determination dated June 17, 2011, 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> |
|-------------|------------|----------------|-----------------|--------------|
| 2006        | \$2,413    | \$603          | \$748           | \$3,764      |

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 \_\_\_\_\_ 2013.

IDAHO STATE TAX COMMISSION

\_\_\_\_\_  
COMMISSIONER

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2013, 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.  
  
\_\_\_\_\_