

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 24870
[Redacted],)	
)	
Petitioners.)	DECISION
_____)	

[Redacted] (Petitioners) protested the income adjustment made to their 2008 Idaho income tax return by the Tax Discovery Bureau (Bureau). Petitioners stated the additional income claimed by the Bureau does not agree with the letters they received from the [Redacted]. The Tax Commission, having reviewed the file, hereby issues its decision.

BACKGROUND

The issue in this case is a [Redacted] audit that the Tax Commission followed, wherein the [Redacted] added additional income to Petitioners' [Redacted] taxable income for a discrepancy in the amount of wages reported on Petitioners' [Redacted] income tax return. The Bureau reviewed the [Redacted] adjustment and determined the adjustment was applicable to Petitioner's 2008 Idaho income tax return. The Bureau adjusted Petitioners' Idaho return and sent them notice of the proposed adjustment to their 2008 Idaho income tax return.

Petitioners protested, stating that the correspondence they received from the [Redacted] did not increase their gross income, adjusted gross income, or taxable income. Petitioners provided copies of their [Redacted] income tax return, and a correspondence from [Redacted] stating the only change made by the [Redacted] was to their recovery rebate credit. The Bureau reviewed the information provided by Petitioners and the information it received from the [Redacted]. Based upon that information, the Bureau determined its original adjustment to Petitioners' 2008 Idaho income tax return should be modified. The Bureau determined

Petitioners did not correctly report all their taxable wages; however, the amount not reported on Petitioners' Idaho return was substantially less than the unreported income as stated by the [Redacted]. The Bureau sent Petitioners a Notice of Deficiency Determination reflecting the modified adjustment to Petitioners' 2008 Idaho income tax return, and an acknowledgement of Petitioners' protest. The Bureau then referred the matter for administrative review.

The Tax Commission reviewed the matter, and sent Petitioners a letter discussing the methods available for redetermining a protested deficiency determination. Petitioners did not respond to the Tax Commission letter, so the Tax Commission decided the matter based upon the information available.

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 [Redacted] 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 [Redacted] tax, or be subject to penalty.

The Bureau received information from the [Redacted] that a change had been made to Petitioners' 2008 [Redacted] income tax return. The Bureau reviewed the information and determined the change made to Petitioners' [Redacted] return was applicable to Petitioners' 2008 Idaho individual income tax return. 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 provided information regarding their [Redacted] income tax return, as well as correspondence they received from the [Redacted] correspondence showed no changes to Petitioners adjusted gross income, or taxable income as originally reported on Petitioners' [Redacted] income tax return. The [Redacted] correspondence was dated February 23, 2009, and spoke to a change made to Petitioners' recovery rebate credit. Due to the timing of this correspondence from the [Redacted], the Tax Commission believes the change the [Redacted] made was during the processing of Petitioners' [Redacted] income tax return, and not due to a review of the information available regarding Petitioners' [Redacted] filing.

The Tax Commission obtained Petitioners' account transcript from the [Redacted], and it showed the [Redacted] did a review of unreported income on Petitioners' [Redacted] income tax return on November 28, 2010. That review resulted in an additional tax assessment, which was later sent to the Tax Commission as part of the exchange of information agreement between the [Redacted] and the Tax Commission. This additional tax assessment is the adjustment the Bureau made to Petitioners' Idaho income tax return.

However, when reviewing all the information again after receiving Petitioners' protest, the Bureau determined the amount of unreported income on Petitioners' Idaho income tax return was substantially less than the unreported income determined by the [Redacted]. Therefore, the Bureau modified its original adjustment reducing the amount of unreported income.

CONCLUSION

Petitioners' [Redacted] income tax return was corrected and adjusted by the [Redacted] on two separate occasions. The Bureau's original adjustment corresponded with the second

adjustment made by [Redacted], since the [Redacted] correction was to a credit not applicable to Idaho. However, after Petitioners provided additional information, and the Bureau reviewed all the information together, the Bureau determined Petitioners not only made an error in reporting all their income, albeit less than [Redacted] adjustment, but they also failed to claim all their Idaho withholdings. Therefore, after reviewing all the available information, the Tax Commission finds the Bureau's modified adjustment is the correct adjustment to Petitioner's 2008 Idaho income tax return, and hereby upholds Notice of Deficiency Determination.

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

The Bureau also added interest to Petitioner's 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 September 20, 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>
2008	\$123	\$10	\$23	\$156

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.
