

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 25051
[Redacted],	)	
	)	
Petitioners.	)	DECISION
_____	)	

[Redacted] (taxpayers) protested the Notice of Deficiency Determination dated May 16, 2012, asserting additional income tax and interest in the total amount of \$2,698 for taxable years 2008 through 2011. Taxpayers disagreed with the Income Tax Audit Bureau’s (Bureau) adjustments to their deductions for health insurance premiums for taxable year 2008 through 2011 and the adjustment to medical and dental expenses for taxable years 2009 through 2011. Taxpayers did not respond to the Tax Commission’s hearing right letter and have not provided any additional information. The Tax Commission, having reviewed the file, hereby issues its decision.

**BACKGROUND**

Taxpayers’ timely filed their 2008 through 2011 Idaho individual income tax returns. The Bureau examined both the taxpayers’ [Redacted] and state returns and the accompanying schedules.

The Bureau sent the taxpayers several letters asking them to document the selected items on their Idaho income tax return. The taxpayers, after numerous requests, provided documentation related to the health insurance premiums but no substantiation for the medical and dental expense claimed on their schedule A. The information provided showed the deductions for health insurance premiums were pre-tax. The Bureau adjusted taxpayers’ Idaho income tax return and sent them a Notice of Deficiency Determination.

The taxpayers protested stating they disagreed with the Bureau's determination concerning the disallowance of the health insurance premiums, not as a matter of law, but rather that it took the Tax Commission four years to make the adjustment. The Bureau referred the matter for administrative review.

The Tax Commission sent the taxpayers a letter that discussed their options in the administrative review process. The taxpayers did not respond, so the Tax Commission decided the matter based upon the information available.

### **LAW AND ANALYSIS**

Idaho Code section 63-3022P-Health insurance costs states: With respect to an individual taxpayer, an amount equal to the amount paid by the taxpayer during the taxable year for insurance which constitutes medical care for the taxpayer, the spouse or dependents of the taxpayer which is not otherwise deducted or accounted for by the taxpayer for Idaho income tax purposes shall be allowed as a deduction for Idaho taxable income. As used in this section, "insurance which constitutes medical care" includes any hospital or medical policy or certificate, any subscriber contract, policies or certificates of insurance for specific disease, hospital confinement indemnity, accident-only, dental, vision, single employer self-funded coverage, meaning that portion of health insurance which is the retained risk of the employer, student health benefits only or coverage for medical care or treatment issued as a supplement to liability insurance. Employers shall provide to the employee a statement as to whether an employee's contribution for health insurance has been excluded from taxable income.

In the present case, the documentation provided by the taxpayers clearly shows the amounts deducted each year for health insurance premiums were a pre-tax deduction. The adjustment to the health insurance premiums deduction was appropriate.

Deductions are a matter of legislative grace, and it is the taxpayer's responsibility to show his entitlement to a deduction. 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). The taxpayers failed to provide any documentation to substantiate any of the medical expenses claimed on their schedule A – Itemized Deductions. Therefore, all medical and dental expense claimed by the taxpayers on their 2009, 2010 and 2011 income tax returns were disallowed by the Bureau.

The taxpayers argued that the Tax Commission should have notified them sooner that they were not entitled to the deduction for health insurance premiums and they would have discontinued claiming the deduction. The responsibility for filing income tax returns is the taxpayer's and each taxpayer has the responsibility to become familiar with the tax laws of the state in which they reside. The Commission makes every effort to review and analyze all the information it receives in a timely manner in fulfilling its charge and duties (Idaho Code section 63-105). Ideally, the Commission would like to notify taxpayers of any tax deficiency shortly after the end of the filing season. However, with the volume of information, the timing of receiving the information, and the available staff, it is not possible.

### **CONCLUSION**

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). Having presented no information in support of their argument, the taxpayers have failed to meet their burden of proving error on the part of the deficiency determination. Albertson's, Inc. v.

State, Dept. of Revenue, 106 Idaho 810 (1984). Therefore, the Bureau was correct in adjusting taxpayers' Idaho income tax returns for taxable years 2008 through 2011.

The Bureau added interest to taxpayers' Idaho income tax deficiency. 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 May 16, 2012, and directed to [Redacted] is APPROVED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$604	\$107	\$711
2009	590	75	665
2010	658	53	711
2011	655	26	<u>681</u>
		TOTAL DUE	\$2,768

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

Interest is calculated through May 22, 2013.

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

IDAHO STATE TAX COMMISSION

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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.

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