



activity was shown on Petitioners' [Redacted] account transcript, so the Bureau referred the matter for administrative review.

The Tax Commission sent Petitioners a letter stating that their case had been transferred for administrative review and that the matter would be put on hold pending a final [Redacted] determination, provided they could show the matter was still being considered by the [Redacted]. Petitioners provided a letter from the [Redacted] stating their audit was being re-considered, therefore, the Tax Commission put the matter on hold awaiting the re-determination from the [Redacted].

For nearly two years the Tax Commission waited for Petitioners to provide the results of the [Redacted] re-determination, but nothing came. During this time, the Tax Commission requested updated information from the [Redacted], but received nothing revealing until the spring of 2014. The Tax Commission contacted Petitioners' representative, who stated the [Redacted] re-consideration was completed with very little change to the original audit. The Tax Commission asked Petitioners' representative to send it a copy of the changes made. Petitioners' representative stated he would have to get Petitioners' approval before he could release that information.

The Tax Commission waited for the revised audit report and finally one was provided. The Tax Commission reviewed the revised report and determined the revisions were applicable to Petitioners' Idaho income tax return. Therefore, considering the [Redacted] revised audit report, the Tax Commission hereby issues its decision modifying the Notice of Deficiency Determination.

## **LAW AND ANALYSIS**

Idaho Code section 63-3002 states the intent of the Idaho Legislature regarding the Idaho Income Tax Act. It states that the Idaho Act is to be identical to the Internal Revenue Code as it relates to the measurement of taxable income, in so much as that the taxable income reported to Idaho is the same as that reported to the [Redacted], subject to the modifications contained in the Idaho law. Therefore, any changes to Petitioners' [Redacted] taxable income should also be made to Petitioners' Idaho taxable income.

In the June 20, 2011, Notice of Deficiency Determination, the Bureau adjusted Petitioners' 2002 Idaho individual income tax return as a result of an [Redacted] audit. Petitioners argued that the Bureau's adjustments were not based upon a final [Redacted] determination because the [Redacted] was re-considering Petitioners' books and records.

Generally, when the Tax Commission receives information from the [Redacted] that an audit adjustment was made to a taxpayer's [Redacted] income tax return, the Tax Commission follows the [Redacted] audit and does not deviate from the audit adjustments made, unless there is a modification in the Idaho Code. If a taxpayer protests the corresponding Idaho adjustments, the Tax Commission requires verification the [Redacted] changed its audit adjustments. In this case, Petitioners apparently got the [Redacted] to re-examine their books and records. Petitioners provided a copy of the revised [Redacted] audit, which the Tax Commission reviewed and made revisions to the Bureau's audit report, so that Idaho taxable income agreed with the revised [Redacted] taxable income. (Idaho Code section 63-3002.)

## **CONCLUSION**

Petitioners' 2002 [Redacted] income tax return was audited and adjusted by the [Redacted]. Idaho Code section 63-3069 requires taxpayers to immediately send written notice

to the Tax Commission upon changes made to their [Redacted] income tax return. Petitioners failed to make the initial notification, so when the Bureau received information from the [Redacted] regarding the changes the [Redacted] made to Petitioners' 2002 [Redacted] income tax return, the Bureau made the applicable changes to Petitioners' 2002 Idaho income tax return. Petitioners subsequently provided a revised [Redacted] audit report, which the Tax Commission found should be incorporated into Petitioners' Idaho Notice of Deficiency Determination. Therefore, the Tax Commission modified the Bureau's determination.

The Bureau added the penalties of Idaho Code sections 63-3046(d)(1) and 63-3069 to Petitioners' tax deficiency. The Tax Commission reviewed the addition of the penalties and found them 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 June 20, 2011, and directed to [Redacted] and [Redacted], is hereby AFFIRMED as MODIFIED.

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>
2002	\$18,002	\$2,700	\$10,789	\$31,491

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 \_\_\_\_\_ 2014.

IDAHO STATE TAX COMMISSION

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COMMISSIONER

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2014, 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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