

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 24901
[Redacted],)	
)	
Petitioners.)	DECISION
_____)	

On March 8, 2012, the staff of the Income Tax Audit Bureau (Bureau) of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NODD) to [Redacted] and [Redacted] (taxpayers), proposing additional income tax, penalty, and interest for taxable years 2008 through 2010, in the total amount of \$14,339.

On April 12, 2012, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers stated in their appeal letter that the NODD was in error because it disallowed some deductions in their entirety and, because the [Redacted] ([Redacted] had reviewed some of these same deductions and allowed them. The taxpayer then provided additional documentation and some pages from the [Redacted] audit report. The Bureau requested the entire audit report from the [Redacted] in an attempt to better understand the [Redacted] adjustments. Based on the new information provided by the taxpayers, and that received from the [Redacted], the Bureau modified the NODD and sent the taxpayers a copy. The taxpayers remained in disagreement and their file was sent to the Legal/Tax Policy Division for continuation of the appeals process.

The taxpayers requested an informal hearing and appointed [Redacted], CPA to represent them. Also present at the hearing were Tax Policy Specialist, [Redacted] and Tax Auditor, [Redacted]. Upon conclusion of the hearing, [Redacted] requested the opportunity to review the income tax returns, as he did not prepare them, research the issues, and get back with his clients to possibly obtain additional documentation for the Commission's consideration. Additional

information was submitted and has been reviewed. The Commission, having reviewed the file, hereby issues its decision modifying the NODD.

The taxpayers' 2008 through 2010 Idaho individual income tax returns were selected for review by the Bureau. Specifically, the Bureau reviewed: technological equipment donation, Schedule A and Schedule C. After several months of correspondences requesting documentation from the taxpayers, the Bureau issued an NODD to the taxpayers, which they protested. It was at this time the Bureau became aware of the audit conducted by the [Redacted] on some of these same issues. In fact, the taxpayers stated in their appeal, the factual reason the NODD is in error is because, "None of the deductions were accepted, though they were accepted by the [Redacted] on two different audits."

While it is true the [Redacted] audited the taxpayers' [Redacted] returns for taxable years 2008 through 2010, it appears from the audit report that the [Redacted] examination focused on certain line item deductions on Schedule A and Schedule C, whereas the Bureau reviewed these schedules in their entirety. Nevertheless, the Commission has modified the NODD prepared by the Bureau to correspond with the changes made by the [Redacted] to the taxpayers' [Redacted] schedules A and C.

The other issue examined by the Bureau was the credit taken by the taxpayers on Idaho Form 39R, donation of technological equipment. For taxable years 2008 through 2010, the taxpayers claimed technological equipment donations in the amount of \$20,000, \$1,500 and \$3,500 respectively. Idaho Code section 63-3022J allows a deduction for contributions of certain technological equipment to public elementary or public secondary schools, public universities, private universities, public colleges, private colleges, public community colleges, private community colleges, public technical colleges or private technical colleges, or public libraries and

library districts located within the state of Idaho. In order to take the deduction pursuant to this section, the taxpayer shall receive a written statement for the donee in which the donee agrees to accept the technological equipment donated. IRC section 170(a)(17) states, in part, no deduction shall be allowed under subsection (a) for any contribution of a cash, check, or other monetary gift unless the donor maintains, as a record of such contribution, a bank record or a written communication from the donee showing the name of the donee organization, the date of the contribution, and the amount of the contribution. When first asked by the Bureau for documentation to support the technological equipment donation, the taxpayers could not locate, and did not provide, any substantiation for the donation. Subsequent to the issuance of the NODD, the taxpayers have provided several versions of a “receipt” from the [Redacted] School District, where the donation was made. None of the “receipts” provided by the taxpayers appear to be the original receipt, nor do they meet the aforementioned statutory requirements. The Commission finds the adjustment to the technological equipment donation was properly addressed in the NODD.

THEREFORE, the Notice of Deficiency Determination dated March 8, 2012, is hereby MODIFIED, and as modified, is AFFIRMED AND MADE FINAL.

IT IS ORDERED that the taxpayers pay the following tax, penalty, and interest (computed to September 25, 2014):

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$2,295	\$115	\$517	\$2,927
2009	127	10	22	159
2010	838	42	107	<u>987</u>
			TOTAL DUE	<u>\$4,073</u>

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

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

DATED this _____ day of _____ 2014.

IDAHO STATE TAX COMMISSION

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.
