

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 26053
[Redacted],)	
)	
Petitioner.)	DECISION
_____)	

On September 5, 2013, the staff of the Sales, Use, and Miscellaneous Tax Audit Bureau (Bureau) of the Idaho State Tax Commission (Commission) issued a Notice of Taxpayer Initiated Refund Determination (Notice) to [Redacted] (taxpayer), denying a refund of sales tax for the period of March 1, 2013, through March 31, 2013, in the total amount of \$1045.35.

On October 7, 2013, the taxpayer filed a timely appeal and petition for redetermination of the Notice. At the taxpayer’s request, the Commission held a telephonic hearing with the taxpayer on May 6, 2014. Present at the informal hearing were Commissioner [Redacted], Deputy Attorney General [Redacted], and Tax Policy Specialist [Redacted].

The Commission is fully advised of the contents of the audit file, as well as information obtained at the hearing and thereafter. For the reasons that follow, the Commission upholds the audit findings denying the refund in full.

Background and Taxpayers Protest

On December 3, 2012, the taxpayer purchased a [Redacted] from [Redacted] and financed the automobile purchase using a combination of a loan from a credit union and a [Redacted] from the [Redacted]. The [Redacted], which is only available to qualifying [Redacted] members or [Redacted] who have certain [Redacted], was paid directly to [Redacted]. At the time of the sale, state sales tax and county taxes were collected and remitted on the full purchase price of the vehicle.

On March 27, 2013, the taxpayer submitted a sales tax refund claim for the sales tax paid on the portion of the vehicle purchase paid by the [Redacted]. The taxpayer stated in the request that because there is no state tax on [Redacted] expenditures, the taxable amount should have been reduced by the amount of the [Redacted]. The Bureau reviewed the request and determined that there was no exemption in the sales tax act for this type of [Redacted] in purchasing a vehicle.

The taxpayer protested the Bureau's determination, stating that the [Redacted] that he received to purchase the [Redacted] was a form of [Redacted] compensation paid directly to the dealership on his behalf and should qualify for exemption.

Analysis and Conclusion

The taxpayer received a [Redacted], which is a form of compensation available to [Redacted] with [Redacted] and can only be used towards the purchase of an automobile or other conveyance.

United States Code § 38 U.S.C.A. § 3902(a) governs the assistance for providing automobile and adaptive equipment that enables the taxpayer to receive this benefit and is quoted below in relevant part:

(a) The Secretary, under regulations which the Secretary shall prescribe, shall provide or assist in providing an automobile or other conveyance to each eligible person by paying the total purchase price of the automobile or other conveyance **(including all State, local, and other taxes)** or \$18,900 (as adjusted from time to time under subsection (e)), whichever is the lesser, to the seller from whom the eligible person is purchasing under a sales agreement between the seller and the eligible person. (38 U.S.C.A. § 3902 (West) emphasis added)

This code section indicates that even if the vehicle were paid for in full by the United States government, state, local, and other taxes included in the amount are expected to be

paid. In this case, the cost of the vehicle was greater than the total amount available to purchase an automobile; therefore the [Redacted] amount was paid directly to the retailer.

In Idaho, the sale, purchase, and use of tangible personal property are subject to a six percent sales tax unless an exemption applies. If sales tax is not paid to the vendor, the buyer owes a use tax directly to the state. The sales and use tax rates are identical. Payment of use tax extinguishes the sales tax obligation (Idaho Code §§ 63-3612, 63-3619, and 63-3621).

The Idaho legislature grants sales and use tax exemptions for specific goods, specific uses of goods, and specific entities and entity classes. “**Unless an exemption is clearly granted** to a specific organization or to specific sales or purchases by a specific organization or a class of organization, **no exemption applies.**” (IDAPA 35.01.02. 085.01, emphasis added.)

In this case, the Commission finds that there is no exemption in the Idaho Sales Tax Act for tangible personal property purchased using the compensation made available to [Redacted] with [Redacted].

The Commission concludes that the taxpayer paid sales tax on the purchase of the vehicle appropriately and upholds the audit findings denying the refund in full.

THEREFORE, the Notice dated September 5, 2013, is hereby APPROVED, in accordance with the provisions of this decision, and is AFFIRMED and MADE FINAL.

An explanation of the taxpayer’s 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.
