

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 25011
[Redacted],)	
)	
Petitioner.)	DECISION
_____)	

BACKGROUND

On March 30, 2012, the Audit Bureau (Audit) of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NODD) to [Redacted] (Petitioner) proposing adjustments to the pass-through income for taxable years 2008, 2009, and 2010. The Petitioner has elected to be treated as a subchapter S corporation¹ for [Redacted] income tax purposes. Idaho requires taxpayers to file their state income tax returns in a consistent manner. Any adjustments to the Petitioner’s income or credits pass through to the owners’ individual income tax returns.

On May 30, 2012, the Petitioner filed a timely protest. On June 1, 2013, the file was transferred to the Legal/Tax Policy Division for resolution. On February 3, 2014, the Commission sent a letter to the Petitioner, with a copy to their representative, outlining the options to resolve a protested case. Initially, the Petitioner requested a hearing, however, they asked for more time in which to prepare their response. On January 30, 2015, April 23, 2015, and July 22, 2015, calls were made and messages were left for both the Petitioner and their representative. No response was made by the Petitioner. The Commission makes this decision with the information available in the file.

¹ Under federal law, S corporations permit shareholders to elect a pass-through taxation system under which income is subjected to only one level of taxation; the corporation’s profits pass through directly to its shareholders on a pro rata basis and are reported on the shareholders’ individual tax returns. Internal Revenue Code, subchapter S.

ISSUES

1. Whether the Petitioner is entitled to take bonus depreciation expense on an [Redacted] and some [Redacted] used for business.

2. Whether the Petitioner is entitled to claim the investment tax credit (ITC) on an [Redacted] and some [Redacted] used for business.

LAW AND DISCUSSION

Issue 1. The auditor challenged the business use of an electric golf cart and some Honda watercraft for claiming bonus depreciation and the ITC.

Reg §1.280F-3T. Limitations on recovery deductions and the investment tax credit when the business use percentage of listed property is not greater than 50 percent.

The Petitioner provided usage logs for the electric cart and it appears that the business use was at least 50 percent, as required by the Treasury regulations. The Commission will allow the bonus depreciation and those credits to be claimed by the owners on their personal return.

Issue 2. On the original 2008 return, the Petitioner claimed ITC on the full cost of the [Redacted] watercraft and a trailer. The watercraft and trailer cost \$18,619. The Petitioner claimed \$9,311 or fifty percent as bonus depreciation. The basis for the ITC needs to be reduced by that amount. The correct amount of ITC for the 2008 taxable year is \$280. That adjustment will be made on the owner's NODD.

THEREFORE, the NODD dated June 10, 2013, corrected on November 13, 2013, and directed to [Redacted], is hereby AFFIRMED as MODIFIED.

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

DATED this _____ day of _____ 2015.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2015, 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.