

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 30567
[Redacted],)	
)	
Petitioner.)	DECISION
)	
_____)	

On March 25, 2013, the staff of the Income Tax Audit Bureau (Audit) of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NODD) to [Redacted] ([Redacted]), for taxable years 2008 through 2010. [Redacted] is a limited liability partnership with any profit or loss flowing through to the partners, according to their ownership percentage, therefore, the NODD was in the amount of \$0. A timely protest and petition for redetermination was filed by [Redacted]. An informal hearing has not been requested. The Commission has reviewed the file, is advised of its contents, and hereby issues its decision affirming the NODD.

The partnership returns for [Redacted] for taxable years 2008 through 2010 were selected by Audit for review. The review included an examination of a variety of the claimed expenses, with the primary issue being wage expenses in excess of the withholding reports that were filed by the partnership. Audit notified [Redacted] of the review and asked it to assist in the process by providing the general ledger, trial balances, adjusting journal entries, and any other work papers used to prepare the partnership returns.

[Redacted] provided a copy of the general ledger, which was reviewed by Audit, but many questions surrounding the claimed expenses remained unanswered. [Redacted] was then sent a copy of an audit work paper which identified the expenses in question and the specific documentation needed for adequate substantiation. Numerous other attempts were made by

Audit to obtain the information from [Redacted] but it was not provided. Audit issued an NODD to [Redacted] for taxable years 2008 through 2010, disallowing several business expenses due to lack of substantiation or because they were personal in nature.

[Redacted] protest, submitted by its appointed representative at the time, states that the expenses claimed by [Redacted] were ordinary and necessary expenses that were incurred for the continued operation of the business. The appeal letter requested additional time so that both [Redacted] and counsel could review the case. Several extensions of time to provide additional information were granted by Audit, but when the documentation requested was not provided, [Redacted] file was transferred to the Legal/Tax Policy Division for continuation of the appeals process.

The Commission sent [Redacted] appointed representative a letter advising her of her client's alternatives for redetermining a protested deficiency determination. The representative did not respond. To date, no additional documentation has been received. The Commission, believing [Redacted] has had more than an adequate amount of time to organize documents and submit the requested information, decided this matter on the information available.

The adjustments made to the returns of [Redacted] were, in large part, due to lack of adequate substantiation for many of the business expenses claimed. While [Redacted] has provided, throughout the course of the audit, verbal explanations for some of the expenses, it has failed to provide receipts, invoices, 1099's, or any other form of documentation showing it incurred the disallowed expenses.

A Notice of Deficiency Determination issued by the Idaho State Tax Commission is presumed to be accurate. Parsons v. Idaho State Tax Com'n, 110 Idaho 572 (Ct. App. 1986). It is the taxpayer's responsibility and the burden rests upon them to disclose their receipts and

claim their proper deductions. United States v. Ballard, 535 F.2d 400 (1976). The Commission recognizes that the taxpayer may have had additional business expenses to offset the income; yet, if the taxpayer is unable to provide adequate proof of any material fact upon which a deduction depends, no deduction is allowed and the taxpayer must bear his misfortune. Burnet v. Houston, 283 U.S. 223, 51 S. Ct. 413 (1931).

Having presented no information in support of its argument, [Redacted] has failed to meet its burden of proving error on the part of the deficiency determination. Therefore, the Commission must uphold the deficiency.

THEREFORE, the Notice of Deficiency Determination dated March 25, 2013, and directed to [Redacted], is hereby AFFIRMED and MADE FINAL.

IT IS ORDERED that [Redacted] pay the following tax, penalty, and interest:

YEAR	TAX	PENALTY	INTEREST	TOTAL
2008	\$0	\$0	\$0	\$0
2009	0	0	0	0
2010	0	0	0	<u>0</u>
			TOTAL DUE	<u>\$0</u>

An explanation of the taxpayer'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.
