

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of )  
[Redacted], ) DOCKET NO. 39214  
 )  
 )  
Petitioners. ) DECISION  
 )  
\_\_\_\_\_ )

[Redacted] and [Redacted] (Petitioners) protested the Notice of Deficiency Determination dated January 10, 2014, issued by the Tax Discovery Bureau of the Idaho State Tax Commission, proposing additional income tax, penalty, and interest for taxable year 2009 in the total amount of \$3,618. Petitioners disagreed that their IRA distributions were a taxable event since the funds were deposited (rolled over) into another qualified IRA. Petitioners stated the [Redacted] already resolved the matter. The Tax Commission, having reviewed the file, hereby issues its decision.

**BACKGROUND**

The Tax Discovery Bureau (Bureau) received information from the [Redacted] that Petitioners failed to include all their income on their 2009 [Redacted] income tax return. The Bureau reviewed the information and found that Petitioners omitted the same income from their 2009 Idaho individual income tax return. The Bureau corrected Petitioners' Idaho income tax return and sent them a Notice of Deficiency Determination.

Petitioners protested the Bureau's determination. Petitioners stated the income in question was a qualified rollover of an IRA into another qualified IRA. Petitioners stated the rollover was a non-taxable event. Petitioners stated further that the matter was resolved with the [Redacted]. Petitioners provided copies of the same documentation they sent to the [Redacted].

The Bureau reviewed the information provided and reviewed the latest information available from the [Redacted] on Petitioners' 2009 taxable year. The Bureau found no changes to the [Redacted] audit. What the Bureau found was the payment in full of the deficiency in tax as determined by the [Redacted]. Therefore, the Bureau acknowledged Petitioners' protest and referred the matter for administrative review.

The Tax Commission reviewed the matter and sent Petitioners a letter that discussed the methods available for redetermining a protested Notice of Deficiency Determination. Petitioners did not respond. Therefore, the Tax Commission decided the matter based upon the information available.

### **LAW AND ANALYSIS**

Idaho Code section 63-3002 states it is the intent of the Idaho income tax act to tax individuals based on a measurement of their income, and that Idaho taxable income is to be identical to [Redacted] taxable income, subject to certain modifications contained in the Idaho law. Upon receiving information from the [Redacted], the Bureau found that Petitioners' 2009 Idaho individual income tax return did not conform to Idaho Code section 63-3002. The non-conformity was due to the audit adjustment the [Redacted] made for unreported income.

Petitioners argued the unreported income was a qualified rollover of an IRA. Petitioners argued further that the [Redacted] accepted the IRA distribution as a qualified rollover. However, Petitioners failed to show the [Redacted] accepted their explanation or that there was a pending appeal before the [Redacted] regarding this issue. In fact, the latest information the Tax Commission received from the [Redacted] showed that Petitioners' [Redacted] taxable income included the audit change and that the additional tax was paid with no further action pending.

In Idaho, it is well established that a State Tax Commission deficiency determination is presumed to be correct and the burden is on the taxpayer to show that the deficiency is erroneous. Parsons v. Idaho State Tax Commission, 110 Idaho 572, 574-575 n.2, 716 P.2d 1344, 1346-1347 n.2 (Ct. App. 1986). Petitioners did not meet their burden.

### CONCLUSION

Since the Idaho Code requires that a taxpayer's Idaho taxable income be identical to his [Redacted] taxable income, the Tax Commission finds that Petitioners' Idaho income tax return must be adjusted to agree with Petitioners' [Redacted] income tax return. Therefore, the Tax Commission upholds the Bureau's adjustment to include the unreported income.

The Bureau added interest and penalty to Petitioners' additional Idaho tax. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046, respectively.

THEREFORE, the Notice of Deficiency Determination dated January 10, 2014, and directed to [Redacted] and [Redacted] is AFFIRMED.

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>
2009	\$3,005	\$150	\$662	\$3,817

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 \_\_\_\_\_ 2015.

IDAHO STATE TAX COMMISSION

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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.

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