

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-282-693-632
[Redacted])	
)	
Petitioners.)	DECISION
)	

[Redacted] (Petitioners) protested the Notice of Deficiency Determination dated December 16, 2014, asserting additional income tax, penalty, and interest for taxable year 2010 in the total amount of \$1,929. Petitioners stated they disagreed with the Internal Revenue Service's (IRS) determination, which was the basis for the Notice of Deficiency Determination. Petitioners asked for additional time to allow the IRS to reconsider its audit. The Tax Commission, having reviewed the file, hereby issues its decision.

BACKGROUND

The Income Tax Audit Bureau (Bureau) received information from the IRS that Petitioners' 2010 federal income tax return was audited and adjusted. The Bureau reviewed the changes the IRS made and determined Petitioners' 2010 Idaho income tax return should be adjusted as well. The Bureau adjusted Petitioners' Idaho income tax return and sent them a Notice of Deficiency Determination.

Petitioners protested the Bureau's determination stating they petitioned the IRS to reconsider its adjustments to their 2010 federal income tax return. Petitioners asked that the Bureau not pursue Petitioners' 2010 deficiency until the IRS has made its re-determination. The Bureau reviewed Petitioners' request and reviewed the latest information from the IRS. The Bureau found that no activity was shown on Petitioners' IRS account transcript, so the Bureau referred the matter for administrative review.

The Tax Commission sent Petitioners a letter stating that their case had been transferred for administrative review and that the matter would be put on hold pending a final federal determination, provided they could show the matter was still being considered by the IRS. Petitioners provided a copy of their letter to the IRS asking for reconsideration. The Tax Commission interpreted Petitioners' letter that the IRS would reconsider its audit; therefore, the Tax Commission put the matter on hold pending a re-determination from the IRS.

A year later, the Tax Commission reviewed the matter and requested updated information from the IRS. The information the Tax Commission obtained showed a reduction or removal of additional tax assessed. The Tax Commission contacted Petitioners and asked them to provide a copy of the audit changes made by the IRS. Petitioners subsequently submitted a copy of the IRS revised audit report.

The Tax Commission reviewed the revised report and determined the revisions were applicable to Petitioners' Idaho income tax return. Therefore, considering the IRS revised audit report, the Tax Commission hereby issues its decision modifying the Notice of Deficiency Determination.

LAW AND ANALYSIS

Idaho Code section 63-3002 states the intent of the Idaho Legislature regarding the Idaho Income Tax Act. It states that the Idaho Act is to be identical to the Internal Revenue Code as it relates to the measurement of taxable income, in so much as that the taxable income reported to Idaho is the same as that reported to the Internal Revenue Service, subject to the modifications contained in the Idaho law. Therefore, any changes to Petitioners' federal taxable income should also be made to Petitioners' Idaho taxable income.

The Bureau adjusted Petitioners' 2010 Idaho individual income tax return as a result of an IRS audit. Petitioners contested the Bureau's adjustments on the basis that the federal audit

was not complete. Petitioners provided the IRS with additional documentation and information that they believed would change the results of the IRS audit.

Generally, when the Tax Commission receives information from the IRS that an audit adjustment was made to a taxpayer's federal income tax return, the Tax Commission follows the IRS audit and does not deviate from the audit adjustments, unless there is a modification in the Idaho Code. If a taxpayer protests the corresponding Idaho adjustments, the Tax Commission requires verification the IRS changed its audit adjustments. In this case, Petitioners submitted additional information to the IRS and the IRS revised its audit report. Petitioners provided a copy of the revised IRS audit, which the Tax Commission reviewed and made the same revisions to the Bureau's audit report, thereby bringing Petitioners' Idaho taxable income in line with the revised federal taxable income. (Idaho Code section 63-3002.)

CONCLUSION

Petitioners' 2010 federal income tax return was audited and adjusted by the IRS. Idaho Code section 63-3069 requires taxpayers to immediately send written notice to the Tax Commission upon changes made to their federal income tax return. Petitioners failed to make the initial notification, so when the Bureau received information from the IRS regarding the changes the IRS made to Petitioners' 2010 federal income tax return, the Bureau made the applicable changes to Petitioners' 2010 Idaho income tax return. Petitioners subsequently provided a revised federal audit report, which the Tax Commission found should be incorporated into Petitioners' Notice of Deficiency Determination. Therefore, the Tax Commission modified the Bureau's determination.

The Bureau added the penalty of Idaho Code section 63-3069 to Petitioners' tax deficiency. The Tax Commission reviewed the addition of the penalty and found it appropriate.

The Bureau also added interest to Petitioners' tax. The Tax Commission reviewed that addition and found it appropriate and in accordance with Idaho Code section 63-3045.

THEREFORE, the Notice of Deficiency Determination dated December 16, 2014, and directed to **[Redacted]** is AFFIRMED as MODIFIED.

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>
2010	\$746	\$37	\$160	\$943

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 _____ 2016.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2016, 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.