

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 1-913-966-592
<b>[Redacted]</b> ,	)	
	)	
Petitioners.	)	DECISION
<hr style="width: 40%; margin-left: 0;"/>	)	

On July 7, 2015, the staff of the Tax Discovery Bureau (Bureau) of the Idaho State Tax Commission (Commission) issued a Notice of Deficiency Determination (NODD) to **[Redacted]**(taxpayers) proposing income taxes, penalty, and interest for taxable years 2013, and 2014, in the total amount of \$2,614.

**BACKGROUND**

The 2013 and 2014 Idaho individual income tax returns filed by the taxpayers did not include all income they reported on federal forms W-2 and 1099.

The Bureau reviewed the income reported on the taxpayers’ federal forms W-2 and 1099 and determined the taxpayers’ Idaho income tax return should be corrected. The Bureau adjusted the taxpayers’ 2013 and 2014 Idaho income tax returns and sent them a NODD. The taxpayers appealed the Bureau’s determination on the theory that their income was reported in error; that their income is exempt from the requirements of the Internal Revenue Code and therefore, there was no taxable event that occurred.

The Bureau referred the matter for administrative review, and the Commission sent the taxpayers a letter that explained the methods available for redetermining a protested NODD. The taxpayers have not responded. Therefore, the Commission, having reviewed the file, hereby issues its decision in the matter.

## ANALYSIS

In Idaho, 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, Dept. of Revenue & Taxation, 110 Idaho 572, 574, 716 P. 2d 1344, 1346 (Ct. App. 1986). Here, the taxpayers failed to submit anything to show that the deficiency is erroneous. Therefore, the taxpayers have not met their burden of showing that the NODD is erroneous.

Internal Revenue Code § 61 states that gross income means all income from whatever source derived, including (but not limited to) the following items:

- Compensation for services, including fees, commissions, fringe benefits, and similar items;
- Gross income derived from business;
- Gains derived from dealings in property;
- Interest;
- Rents;
- Royalties;
- Dividends;
- Alimony and separate maintenance payments;
- Annuities;
- Income from life insurance and endowment contracts;
- Pensions;
- Income from discharge of indebtedness;
- Distributive share of partnership gross income;
- Income in respect of a decedent; and
- Income from an interest in an estate or trust.

See 26 U.S.C. § 61.

The taxpayers' position that they do not have any tax liability because no taxable event occurred, is incorrect. Their payments reported on the forms W-2 and 1099 are considered income or wages as defined under IRC § 61. Under IRC § 63, taxable income is gross income minus the deductions allowed. The total amount assessed in the NODD is correct and the taxpayers owe that amount. The taxpayers have provided nothing that would dissuade the

Commission from accepting the Bureau's determination of Idaho income and Idaho income tax for the taxable years 2013 and 2014. Therefore, since the taxpayers have not met their burden, the Commission upholds the Bureau's determination of the taxpayers' Idaho income tax liability for taxable years 2013 and 2014.

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

THEREFORE, the Notice of Deficiency Determination dated July 7, 2015, and directed to **[Redacted]**, is hereby APPROVED and MADE FINAL.

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013	\$1,577	\$394	\$131.45	\$2,102.45
2014	438	110	18.99	<u>566.99</u>
			TOTAL DUE	<u>\$2,669.44</u>

Interest is calculated through May 15, 2016.

DEMAND for immediate payment of the foregoing amount is hereby made and given.

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

IDAHO STATE TAX COMMISSION

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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.

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