

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
[Redacted])	DOCKET NO. 0-586-524-672
)	
Petitioner.)	DECISION
_____)	

On March 21, 2018, the Tax Discovery Bureau (Bureau) sent a Notice of Deficiency Determination to [Redacted] (Petitioner) proposing additional income tax, penalty, and interest for tax year 2014 in the total amount of \$1,220.91. Petitioner disagreed with the addition of the additional income as determined from a federal audit of her 2014 federal income tax return. The Tax Commission reviewed the matter and for the following reasons upholds the Notice of Deficiency Determination.

BACKGROUND

Petitioner filed her 2014 Idaho individual income tax return reporting only the wages she earned in 2014. The Bureau received audit information from the Internal Revenue Service (IRS) that Petitioner did not include all the income she received in tax year 2014. Specifically, Petitioner did not include a distribution from [Redacted] Employee Retirement Plan (Plan). The Bureau reviewed the information and Petitioner's 2014 Idaho income tax return. The Bureau found that Petitioner's Idaho return did not include the distribution from Plan. The Bureau adjusted Petitioner's Idaho return and sent Petitioner a letter (billing letter) stating her return was adjusted and that she owed additional tax, penalty, and interest to the state of Idaho. Petitioner sent the letter back saying she paid everything she owed four years ago. Petitioner stated she cannot pay the amount claimed. Petitioner stated she was on welfare when she was in Idaho and currently her income is below the poverty level.

The Bureau sent Petitioner another billing letter. Petitioner responded again that she could not pay the amount claimed. Petitioner stated H&R Block prepared her return and included all the income she earned. Petitioner also stated she already paid what she owed.

The Bureau sent Petitioner another letter explaining the adjustment and where the additional income came from. Petitioner responded that the additional income claimed by the Bureau was outrageous. Petitioner stated she is on a fixed income, living paycheck to paycheck below the poverty level. Petitioner stated she made payments four years ago to clear up everything. Petitioner stated she always reported everything on her taxes and that this is a mistake. Petitioner stated she cannot afford to pay any more tax to Idaho.

The Bureau then sent Petitioner a Notice of Deficiency Determination for the additional tax, penalty, and interest. Petitioner replied that the state of Idaho was double taxing her. Petitioner stated this was already paid through payments she could not afford. Petitioner stated the Tax Commission kept her refund for that year and it is not right taxing a person to the breaking point.

The Bureau sent Petitioner another letter asking what her intent was by her previous comments. Petitioner replied that she was protesting the Bureau's determination stating that the distribution was not paid and that "proof is being sent from [Redacted] to you." The Bureau acknowledged Petitioner's protest and referred the matter to the Tax Commission's Appeals Unit (Appeals).

Appeals sent Petitioner a letter that discussed the methods available for redetermining a Notice of Deficiency Determination. Petitioner responded that she contacted [Redacted] Medical Center ([Redacted]) and that they had no record of her retirement being cashed out. Petitioner also stated [Redacted] is using a different company for their retirement plan. Petitioner stated when she moved to California, she lost her records. Seeing that Petitioner had nothing further to offer,

Appeals reviewed the file and issues this decision based on the information available.

LAW AND ANALYSIS

Idaho Code § 63-3002 states that Idaho taxable income is to be identical to federal taxable income, subject to certain modifications contained in the Idaho law. Therefore, when a change is made to a taxpayer's federal income tax return, the same change needs to be made to the taxpayer's Idaho income tax return, if it relates to the measurement of taxable income.

The IRS changed Petitioner's 2014 federal income tax return to include income, a distribution from her retirement plan, that was not reported on the return Petitioner filed with the IRS. The IRS sent documentation of the change to the Tax Commission wherein the Bureau reviewed it, compared it with Petitioner's Idaho income tax return, and adjusted Petitioner's Idaho income tax return.

Petitioner argued she never received the distribution. Petitioner also argued she already paid the additional amount owed and that the Tax Commission took her refund for 2014 to pay the tax owed. Petitioner stated her current income status is below the poverty level and she cannot pay the amount asserted by the Bureau.

Checking the Tax Commission's records, Appeals found that not only did Petitioner not make payments on a tax debt to the state of Idaho for tax year 2014, but that she received and redeemed a refund check in the amount of \$366. Furthermore, the only payment Petitioner made to the Tax Commission was for tax year 2015 after the Tax Commission calculated her tax from the information she sent to the Tax Commission. For 2015, Petitioner made a single tax payment of \$210.85.

Petitioner stated she contacted [Redacted] about the distribution, but they had no record of a distribution for the amount claimed. Petitioner stated "[Redacted]" would be sending proof that she did not receive the distribution. That proof was not received.

Petitioner stated she was living below the poverty level, implying this tax deficiency would create a financial hardship. However true this may be, the ability to pay does not determine whether income should have been reported on an income tax return. The ability to pay is a collection issue which is better left to the Tax Commission's Collection Division.

In Idaho, a State Tax Commission deficiency determination is presumed correct. The burden is on the taxpayer to show that the deficiency is wrong. *See Parsons v. Idaho State Tax Commission*, 110 Idaho 572, 574-575 n.2, 716 P.2d 1344, 1346-1347 n.2 (Ct. App. 1986). Petitioner presented an argument, but that argument was not supported by any documentation. Petitioner failed to meet her burden of proof.

When the IRS adjusts a taxpayer's federal income tax return, generally, the Tax Commission follows suit and makes the same adjustment. If the IRS has not reversed its adjustment, the Tax Commission is not likely to reverse the adjustment on the Idaho return. Therefore, absent information to the contrary, the Tax Commission finds the adjustment made to Petitioner's 2014 Idaho income tax return appropriate.

CONCLUSION

The IRS changed Petitioner's 2014 federal income tax return. Petitioner was unable to show the IRS reversed its position or prove the adjustment was in error. The Idaho code requires Idaho taxable income be identical to federal taxable income, subject to Idaho modifications. The change the IRS made is not an Idaho modification. Therefore, to be in conformity with Idaho law, Petitioner's 2014 Idaho income tax return must likewise be changed.

The Tax Commission, after reviewing all the available information, finds the adjustment to Petitioner's Idaho income tax return correct and in accordance with Idaho law. The Notice of Deficiency Determination is correct.

THEREFORE, the Tax Commission AFFIRMS the Notice of Deficiency Determination dated March 21, 2018, directed to [Redacted]

IT IS ORDERED that Petitioner pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2014	\$1,055	\$53	\$172	\$1,280

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

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

DATED this _____ day of _____ 2019.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2019,
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.
