

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

|                                 |   |                          |
|---------------------------------|---|--------------------------|
| In the Matter of the Protest of | ) |                          |
|                                 | ) | DOCKET NO. 0-663-932-928 |
| [Redacted]                      | ) |                          |
|                                 | ) |                          |
| Petitioners.                    | ) | DECISION                 |
| _____                           | ) |                          |

[Redacted] (Petitioners) protested the Notice of Deficiency Determination dated September 4, 2014. Petitioners disagreed that the Internal Revenue Service’s (IRS) adjustment to their federal income tax return was final. The Tax Commission reviewed the file, the information Petitioners provided, and the latest federal information. The Tax Commission found the IRS concluded its case, so the Tax Commission decided the matter by upholding the audit adjustment.

**BACKGROUND**

The Income Tax Audit Bureau (Bureau) received information from the IRS that it audited and adjusted Petitioners’ 2010 federal income tax return. 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 the matter was not settled, but that it was presently before the U.S. Tax Court. The Bureau acknowledged Petitioners’ protest. The Bureau asked Petitioners to keep it informed on the progress of their case through the court. Petitioners provided some information but eventually stopped updating the Bureau. When Petitioners stopped updating, the Bureau decided to refer the matter for administrative review.

The Tax Commission reviewed the file and found the Tax Court decided Petitioners’ case, but that it was for tax years 2005 through 2008. The Tax Commission sent Petitioners a letter

stating its findings and asked them how they wanted to proceed with the appeal of their 2010 Idaho income tax return.

Petitioners requested a telephone hearing and provided information showing they requested a reconsideration with the IRS. The Tax Commission verified that Petitioners had a claim pending with the IRS. The Tax Commission contacted Petitioners and told them it would be best to wait for the IRS' reconsideration. Then when the IRS completes its reconsideration, the Tax Commission can look at the results and make any necessary changes to the Bureau's determination. The Tax Commission only asked that Petitioners keep it updated on what was happening with the IRS.

For approximately the next year, Petitioners kept the Tax Commission informed on what the IRS was doing or not doing. It was when Petitioners stopped updating the Tax Commission that the Tax Commission requested information directly from the IRS. The Tax Commission found that the IRS concluded the matter and the IRS apparently closed its case. The Tax Commission asked Petitioners for the outcome but received no response. Therefore, seeing that there is nothing pending with the IRS and Petitioners have not provided any information to the Tax Commission, the Tax Commission decided this case on the information available.

### **LAW AND ANALYSIS**

Idaho Code § 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 the taxable income reported to Idaho is the same as that reported to the IRS, 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 to agree with the adjustments of the IRS audit. Petitioners stated they were seeking a reconsideration of the federal audit. The latest information from the IRS shows the IRS settled Petitioners' 2010 taxable year. However, the description of how the IRS settled gave no indication the IRS backed down from the audit adjustments. The IRS simply wrote off the debt.

Based on the latest information, it appears the IRS did not change its position regarding its audit. Instead, Petitioners somehow convinced the IRS that the debt was uncollectible. This being the case, the Tax Commission is not inclined to change the Bureau's determination. The Tax Commission upholds the adjustment to Petitioners' 2010 Idaho income tax return.

### **CONCLUSION**

The IRS audited and adjusted Petitioners' 2010 federal income tax return. The Bureau reviewed the audit information and made the applicable adjustments to Petitioners' Idaho income tax return. Petitioners did not show that the IRS made any changes to its audit adjustments. Therefore, the Tax Commission upholds the Notice of Deficiency Determination.

The Bureau added the penalty of Idaho Code § 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. See Idaho Code § 63-3045.

THEREFORE, the Tax Commission AFFIRMS the Notice of Deficiency Determination dated September 4, 2014, directed to [Redacted]

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        | \$1,885    | \$94           | \$575           | \$2,554      |

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

An explanation of Petitioners' 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.

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