

with the IRS. Meanwhile, the Bureau requested current information from the IRS. The information showed no changes to the federal adjustments.

For about a year and a half, Petitioners and the Bureau communicated about the IRS audit. Petitioners informed the Bureau that the IRS refused their offer in compromise and closed their appeal. Petitioners stated the IRS was paid in full through a foreclosure on some of Petitioners' property. Petitioners stated they were going to file amended federal income tax returns to continue the appeal process, but as of March 20, 2019 Petitioners had yet to amend their federal returns. Because Petitioners efforts to resolve the IRS audit appeared to stall out, the Bureau referred the matter to the Tax Commission's Appeals Unit (Appeals).

Appeals reviewed the matter and sent Petitioners a letter giving them the options available for redetermining a protested audit. Petitioners did not respond. Appeals sent Petitioners a follow-up letter, but still Petitioners did not respond. Appeals obtained the latest information from the IRS which showed no changes or action pending. Seeing that Petitioners had plenty of time to provide whatever information they wanted considered, the Tax Commission decided the matter based on the information available.

LAW AND ANALYSIS

Idaho Code section 63-3002 states that Idaho taxable income is to be identical to federal taxable income, subject to certain modifications contained in Idaho law. The IRS changed Petitioners' federal taxable income to account for income that was not reported by Petitioners on their federal income tax returns. The Bureau reviewed Petitioners' Idaho returns and found that same income was not reported to Idaho.

Petitioners stated they were contesting the adjustments made by the IRS. Petitioners wanted the Tax Commission to wait under the matter was fully settled with the IRS before making

any adjustments to their Idaho return. The Tax Commission asked Petitioners to provide evidence that the IRS was reconsidering the adjustments. Initially, Petitioners were able to provide letters and other documentation showing the matter was not settled. However, eventually Petitioners provided letters stating the IRS denied their offers in compromise and closed their appeal. Petitioners stated they intended to file amended returns to continue their federal appeal; however, Petitioners provided no evidence of the amended returns being filed.

Appeals obtained updated information from the IRS to see if the IRS had changed its position on the adjustments made to Petitioners' federal income tax returns. The information showed no reversal of the changes made.

In Idaho, a State Tax Commission deficiency determination is presumed correct. The burden is on the taxpayer to show that the deficiency is wrong. *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 provided nothing to show the adjustments made by the IRS were reversed. Petitioners also did not provide anything showing the IRS adjustments were not final. Petitioners did not meet their burden of proof.

The Tax Commission reviewed the adjustments to Petitioners' returns and found they follow Idaho's income tax statutes. Therefore, the Tax Commission agrees with the Bureau and upholds the changes to Petitioners' 2007 through 2012 Idaho income tax returns.

CONCLUSION

The IRS audited and adjusted Petitioners' 2007, 2008, 2009, 2010, 2011, and 2012 federal income tax returns. Because the Idaho return uses federal adjusted gross income as a starting point, the Bureau reviewed the audit information and made the applicable adjustments to Petitioners' respective Idaho income tax returns. Petitioners did not show that the IRS made any changes to

its audit adjustments or that the IRS was reconsidering its adjustments. Petitioners offered no reason that their Idaho returns should not match their federal returns. Therefore, the Tax Commission upholds the Notice of Deficiency 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. *See* Idaho Code section 63-3045.

THEREFORE, the Tax Commission AFFIRMS the Notice of Deficiency Determination dated October 12, 2017, 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>
2007	\$ 1,221	\$ 61	\$ 632	\$1,914
2008	0	0	0	0
2009	7,502	1,788	3,026	12,316
2010	20,511	5,025	7,306	32,842
2011	9,080	2,153	2,869	14,102
2012	11,173	2,827	3,118	<u>17,118</u>
			TOTAL DUE	<u>\$78,292</u>

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 _____ 2020.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2020,
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:

Receipt No.



