

Audit sent Petitioners a billing letter for taxable year 2015. Audit issued Petitioners a Notice when they did not pay the billing letter amount. Petitioners protested the Notice stating they did not agree with the adjustment. Audit accepted Petitioners' protest and transferred the matter for administrative review.

The Commission sent Petitioners a letter giving them two alternatives for redetermining a protested Notice. Petitioners did not request an informal hearing but did provide a statement. When Petitioners did not provide evidence that the IRS changed its audit adjustments, the Commission decided the matter based upon available information.

LAW AND ANALYSIS

Idaho Code requires that federal taxable income reported to the state of Idaho match the federal taxable income reported to the IRS. It is the intent¹ of the Idaho Legislature to follow the federal determination of income subject only to modifications contained in Idaho law. There are no modifications in Idaho law that would allow Petitioners to exclude the IRS audit adjustment. Further assertion of the Legislature's intent is found in Idaho Code that taxpayers are to immediately notify the Commission of a final federal determination of a deficiency².

¹ **Idaho Code section 63-3002** states in part, it is the intent of the legislature by the adoption of this act, insofar as possible to make the provisions of the Idaho act identical to the provisions of the Federal Internal Revenue Code relating to the measurement of taxable income, to the end that the taxable income reported each taxable year by a taxpayer to the Internal Revenue Service shall be the identical sum reported to this state, subject only to modifications contained in the Idaho law; to achieve this result by the application of the various provisions of the Federal Internal Revenue Code relating to the definition of income, exceptions therefrom, deductions (personal and otherwise), accounting methods, taxation of trusts, estates, partnerships and corporations, basis and other pertinent provisions to gross income as defined therein, resulting in an amount called "taxable income" in the Internal Revenue Code, and then to impose the provisions of this act thereon to derive a sum called "Idaho taxable income"; to impose a tax on residents of this state measured by Idaho taxable income wherever derived and on the Idaho taxable income of nonresidents which is the result of activity within or derived from sources within this state.

² **Idaho Code section 63-3069(1)** states: NOTICE OF ADJUSTMENT OF FEDERAL OR STATE TAX LIABILITY. (1) Upon final determination of any deficiency or refund of federal taxes, the taxpayer is required to send written notice to the state tax commission within one hundred twenty (120) days of the final determination.

CONCLUSION

The Commission upholds the adjustments made by Audit to Petitioners' Idaho individual income tax return for taxable year 2015. On appeal, a deficiency determination issued by the Commission "is presumed to be correct, and the burden is on the taxpayer to show that the Commission's decision is erroneous." *Parker v. Idaho State Tax Comm'n*, 148 Idaho 842, 845, 230 P.3d 734, 737 (2010) (citing *Albertson's Inc. v. State Dep't of Revenue*, 106 Idaho 810, 814, 683 P.2d 846, 850 (1984)). The Commission requires Petitioners to provide adequate evidence to establish that the amount asserted in the Notice is incorrect. Here, Petitioners did not provide adequate evidence.

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

DATED this _____ day of _____ 2020.

IDAHO STATE TAX COMMISSION

COMMISSIONER

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.

