

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

In the Matter of the Protest of

████████████████████

Petitioner.

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DOCKET NO. 0-842-991-616

DECISION

On April 4, 2019, the Income Tax Audit Bureau (Bureau) of the Idaho State Tax Commission (Tax Commission) issued a Notice of Deficiency Determination (Notice) to ██████████ (Petitioner), proposing income tax penalty, and interest for tax years 2015 and 2019, in the total amount of \$7,348.

On May 31, 2019, Petitioner filed a timely appeal and petition for redetermination of the Notice. On January 17, 2020, the case was transferred to Tax Appeals for administrative review. On February 27, 2020, the Tax Appeals Unit sent Petitioner a hearing rights letter. Petitioner did not respond. Therefore, the Tax Commission made a decision based on the information available in the appeal file. Tax Commission has reviewed the file, is advised of its contents, and hereby issues its decision to uphold the Notice.

According to the facts submitted, the Internal Revenue Service (IRS) audited Petitioner’s individual income tax returns for the referenced tax years. The IRS determined Petitioner had unreported income and unsubstantiated Schedule C and Schedule E expenses. Petitioner did not notify the Tax Commission of the IRS final federal determination. Therefore, the Bureau issued a Notice based on the IRS determination.

Petitioner appealed contending the IRS did not give his case a fair audit that included all his valid business expenses. Petitioner stated he had proof of his business expenses and that he requested an audit review with the IRS. The Bureau requested, and Petitioner provided, copies of

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all his correspondence with the IRS. The Bureau also requested Petitioner provide documentation to support his expenses, which Petitioner did not provide.

Based on the IRS correspondence, the IRS requested Petitioner substantiate his income and expense. Petitioner did not provide any substantiation. Instead, Petitioner requested the IRS cancel its audit due to repeat examinations of his business deductions. The IRS declined to cancel the audit and issued an examination report. The examination report notified Petitioner he had thirty days to respond. Petitioner did not respond. Therefore, the IRS issued a Statutory Notice of Deficiency Determination.

Petitioner had ninety days to appeal the IRS determination with the United States Tax Court to reconsider the deficiency. It appears Petitioner filed his appeal with the IRS and not the United States Tax Court. Petitioner did not provide any additional information with his appeal. Therefore, the IRS determination became final.

The requirement of substantiation begins with Internal Revenue Code section 6001 which states that, as a general rule, everyone who is required to pay or collect any Internal Revenue tax must keep permanent books of account or records that are sufficient to establish the correct amount of income, credits, deductions and other matters required to be reported on returns. It is well established in tax law that a taxpayer claiming a deduction, exemption or credit bears the burden of establishing his entitlement to the same, both as to law and fact. A taxpayer's general statement that his or her expenses were incurred in pursuit of a trade or business is not sufficient to establish that the expenses had a reasonably direct relationship to any such trade or business.

On appeal, a deficiency determination issued by the Tax Commission "is presumed to be correct, and the burden is on the taxpayer to show that the [Tax] 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 Tax Commission requires Petitioner to provide adequate evidence to establish that the amount asserted in the Notice is incorrect. Here, Petitioner did not provide adequate evidence. As a result, the Commission will uphold the Notice.

The Bureau added interest and penalty to the income tax deficiency. The Tax Commission reviewed those additions, found both to be appropriate per Idaho Code sections 63-3045 and 63-3046, and has updated interest accordingly. Interest is calculated through July 6, 2020 and will continue to accrue at the rate set forth in Idaho Code sections 63-3045(6) until paid.

THEREFORE, the Notice of Deficiency Determination dated April 4, 2019, is hereby APPROVED, in accordance with the provisions of this decision, and is AFFIRMED and MADE FINAL.

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>
2015	\$3,230	\$162	\$390	\$3,782
2016	3,146	157	263	3,566
				<u>\$7,656</u>

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

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

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.



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