

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 1-539-917-824
<span style="background-color: black; color: black;">[REDACTED]</span> ,	)	
	)	
Petitioners.	)	DECISION
<hr style="width: 50%; margin-left: 0;"/>	)	

[REDACTED] (Petitioners) protest the Notice of Deficiency Determination (NODD) issued by the auditor for the Idaho State Tax Commission (Commission) dated October 1, 2019. The NODD denied claimed refunds in the amounts of \$1,656 and \$2,526 for 2016 and 2017, respectively.

Petitioners were audited for the years here at issue with regard to an auto expense claimed on Schedule C (Profit or Loss from Business) on their original Idaho income tax return. The reason given for the disallowance of the auto expense was that Petitioners did not provide the necessary documentation required pursuant to Internal Revenue Code section 274 ( Disallowance of certain entertainment, etc., expense). Petitioners did not appeal that prior NODD.

Petitioners filed amended returns for 2016 and 2017 making the claims addressed above for the additional auto expense they are now claiming with regard to their rental properties. Again, the auditor requested that Petitioners provide the documentation required by IRC section 274. Again, Petitioners did not provide the required documentation. Therefore, the auditor denied the claims set forth in the amended returns.

Petitioners appealed. They were afforded the opportunity to provide additional documentation or authority. They were also provided an opportunity to have a hearing. Petitioners have not responded to either provide additional documentation or to request a hearing.

Accordingly, the Commission now renders its determination based upon the information in the file at this time.

In addressing the requirement to adequately document the use of an auto, the U. S. Tax Court stated, in part:

#### 1. Auto and Travel

The Commissioner disallowed auto and travel expense deductions of \$9,185, \$30,807, and \$41,627 for 2012, 2013, and 2014, respectively. Petitioners' auto and travel expenses are subject to the strict substantiation requirements of section 274(d). See secs. 274(d)(1), (4), 280F(d)(4)(A)(i). Section 274 overrides the Cohan rule with regard to certain expenses and requires stricter substantiation for travel, meals, and certain listed property. See *Sanford v. Commissioner*, 50 T.C. 823, 828 (1968), aff'd per curiam, 412 F.2d 201 (2d Cir. 1969); sec. 1.274-5T(a), Temporary Income Tax Regs., 50 Fed. Reg. 46014 (Nov. 6, 1985). These strict substantiation rules require the taxpayer to substantiate with adequate records or sufficient evidence corroborating his own statement: (1) the amount of the expense; (2) the time and place the expense was incurred; and (3) the business purpose of the expense. *Baylan v. Commissioner*, T.C. Memo. 2017-140, at sec. 1.274-5T(b), Temporary Income Tax Regs., 50 Fed. Reg. 46016 (Nov. 6, 1985).

Substantiation by adequate records requires the taxpayer to maintain an account book, a diary, a log, a statement of expense, trip sheets, or a similar record prepared contemporaneously with the use or expenditure and documentary evidence (e.g., receipts or bills) of certain expenditures. See sec. 1.274-5(c)(2)(iii), Income Tax Regs.; sec. 1.274-5T(c)(2), Temporary Income Tax Regs., 50 Fed. Reg. 46017 (Nov. 6, 1985). A log that is kept on a weekly basis is considered contemporaneous for this purpose. See sec. 1.274-5T(c)(2)(ii)(A), Temporary Income Tax Regs., 50 Fed. Reg. 46017-46018 (Nov. 6, 1985). The level of detail required for substantiating by adequate records the business use of listed property depends on the facts and circumstances of such use. See *id.* subdiv. (ii)(C), 50 Fed. Reg. 46018-46019.

To substantiate the auto expenses, petitioners submitted mileage logs. The logs for 2012 and 2013 appear to show how many miles petitioners traveled each week, but not the individual dates of travel or the places that they traveled to. The log for 2014 does not show the places petitioners traveled to. Accordingly, petitioners are not entitled to any of the disallowed auto expense deductions for 2012, 2013, or 2014. Petitioners did not provide documentation for all of the travel expenses. The documentation they did provide consists of a smattering of receipts and credit card statements, none of which show the business purpose of the expenses. Additionally, petitioners appear to have reported an expense for a trip to Puerto Rico that seems entirely unrelated to their rental properties in Kentucky. Accordingly, petitioners are not entitled to any of the disallowed travel expense deductions for 2012, 2013, or 2014.

*Martin v. Commissioner*, T.C. Memo. 2018-109.

Petitioners have failed to present adequate documentation to carry their burden of proof with regard to their claimed auto expense deduction.

THEREFORE, the Notice of Deficiency Determination dated October 1, 2019, is hereby APPROVED, AFFIRMED, AND MADE FINAL.

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.

[REDACTED]

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[REDACTED]