

protest and transferred the matter to the Tax Commission's Appeals Unit (Appeals) for administrative review. Petitioners requested to participate in an informal hearing with Appeals, which was held on June 24, 2025. Petitioners provided a mileage log for the truck and further explanation on how they use the truck for the farm rental during the hearing. The Tax Commission has reviewed all relevant materials and modifies the Notice for the following reasons.

LAW AND ANALYSIS

During the hearing, Petitioners argued they had an Idaho NOL in tax year 2021 due to a loss in 2020. During 2020, Petitioners reported a loss on their federal return from their farm rental and unemployment compensation exclusion (UCE). The American Rescue Plan Act of 2021 allowed for an exclusion of up to \$10,200 of unemployment compensation from federal gross income for individuals with a modified gross income of less than \$150,000. Idaho did not conform to the UCE and required Idaho taxpayers to add the federal deduction back on Idaho Form 39R. The UCE addback on Petitioners' Idaho return resulted in a tax due rather than a loss. Therefore, even though Petitioners had a federal NOL, they did not have an Idaho NOL into tax year 2021. Idaho Code section 63-3031(b)(1) states taxpayers must add back: "The amount of any net operating loss deduction included in Idaho taxable income." Therefore, the Tax Commission finds the adjustment to Petitioners' Idaho NOL in 2021 to be appropriate and accurate.

Petitioners listed two trucks on their depreciation schedules: a GMC placed in service in 2014, and a RAM placed in service in 2019. Federal Form 4562 states that the GMC is a "less than half" business use vehicle and the RAM is a "more than half" business use vehicle. During the hearing, Petitioners provided oral testimony and mileage log for the use of the RAM and why it was claimed as a 100% business vehicle. Petitioners also have two other personal vehicles that they do not claim on their returns. The Bureau disallowed the RAM truck depreciation because

Petitioners did not provide adequate documentation under vehicle listed property rules. Treasury Regulation section 1.274-5T(b)(6) describes the elements to be proved with respect to any listed property —

(i) Amount

(A) Expenditures. The amount of each separate expenditure with respect to an item of listed property, such as the cost of acquisition, the cost of capital improvements, lease payments, the cost of maintenance and repairs, or other expenditures, and

(B) Uses. The amount of each business/investment use based on the appropriate measure and the total use of the listed property for the taxable period.

(ii) Time. Date of the expenditure or use with respect to listed property, and

(iii) Business or investment purpose.

Internal Revenue Code section 280F(d)(5)(A) defines “listed property passenger vehicles” as:

...any 4-wheeled vehicle—

(i) which is manufactured primarily for use on public streets, roads, and highways, and

(ii) which is rated at 6,000 pounds unloaded gross vehicle weight or less.

In the case of a truck or van, clause (ii) shall be applied by substituting “gross vehicle weight” for “unloaded gross vehicle weight”.

Petitioners’ 2018 RAM 2500 has a gross vehicle weight of 9,000-10,000 pounds. Under IRC 280F(d)(5)(A)(ii), this truck would not be classified as listed property. Therefore, Petitioners would not be subject to the listed property rules of substantiation cited in Treasury Regulation section 1.274-5T(b)(6). Petitioners, however, must provide substantiation under the requirements in IRC section 162. This code section requires taxpayers to show the asset is ordinary and necessary for their business, the cost of the asset, and business purpose. Petitioners have provided documentation for the purchase cost of the vehicle, depreciation schedules, mileage logs, and oral testimony regarding business use. The Tax Commission has reviewed the information available and finds that Petitioners have sufficiently substantiated their deductions for the 2018 RAM 2500.

Therefore, the Tax Commission modifies the Notice by removing the Bureau's truck depreciation adjustments. This modification removes any additional tax due for tax years 2022 and 2023.

CONCLUSION

The Bureau sent Petitioners a Notice adjusting their claimed Idaho NOL and truck depreciation for tax years 2021 through 2023. Under further review, the Tax Commission found sufficient evidence to substantiate the previously disallowed truck depreciation. The Tax Commission will modify the Notice to allow for the truck depreciation in tax years 2021, 2022, and 2023, but uphold the adjustments made to the Idaho NOL for tax year 2021.

THEREFORE, the Notice of Deficiency Determination sent to [REDACTED]

[REDACTED] is hereby MODIFIED and MADE FINAL.

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$777	\$39	\$92	\$908

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 _____ 2025.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2025,
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.


