

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

In the Matter of the Protest of	)	
██████████ ██████████ ██████████ ██████████	)	DOCKET NO. 0-042-525-696
	)	
Petitioners.	)	DECISION
_____	)	

The Intrastate Income Tax Audit Bureau (Bureau) sent ██████████ ██████████ ██████████ ██████████ (Petitioners) a Notice of Deficiency Determination (Notice) for tax years 2021 and 2022. Petitioners protested, disagreeing with the Bureau’s adjustment to their state and local taxes add-back. The Tax Commission has reviewed the matter and hereby upholds the Notice issued by the Bureau.

**BACKGROUND**

Petitioners timely filed their Idaho individual income tax returns for 2021 and 2022. As part of their filings, they receive an ID K-1 from ██████████ ██████████ ██████████ ██████████ for which they own a 100% share. For tax years 2021 and 2022, their ID K-1s reported income, deductions, and state and local tax addbacks. The Bureau examined both Petitioners’ individual income tax returns and ID K-1s and found they had failed to report the addback on their individual returns. A Notice was subsequently sent to Petitioners to adjust this issue. Petitioners protested, stating the adjustments were erroneous as they had already reported the addback on the ██████████ ██████████ ██████████ ██████████ ██████████ business income tax returns, which flows through to Petitioners’ individual income tax returns.

The Bureau attempted to contact Petitioners to explain the addback was not flowed through properly to their individual returns, but Petitioners did not respond. With no response, the Bureau acknowledged their protest and transferred the case to the Tax Commission’s Appeals Unit

(Appeals). Appeals attempted to establish contact with Petitioners on August 7, 2024, and again on September 13, 2024. Petitioners did not respond. Therefore, the Tax Commission must make its decision on the information currently available.

### LAW AND ANALYSIS

Idaho Code section 63-3022(a) states:

Add any state and local taxes, as defined in section 164 of the Internal Revenue Code that are measured by net income, or for which a credit is allowable under section 63-3029, Idaho Code, and paid or accrued during the taxable year adjusted for state or local tax refunds used in arriving at taxable income.

While Petitioners are correct that they had reported this addback on their business returns and ID K-1s, they did not properly flow the addback to their individual returns. Idaho additions must be reported on line 8 of ID Form 40, which Petitioners failed to do for tax years 2021 and 2022.

### CONCLUSION

Petitioners insist that they complied with their obligation to add state and local taxes back to their Idaho adjustable gross income by providing the returns for [REDACTED] [REDACTED] [REDACTED]

[REDACTED] While the business returns provided were correct, their individual returns did not show the addback. Considering all the information available, the adjustment made by the Bureau to add back their state and local taxes to match their ID K-1 was appropriate for tax years 2021 and 2022.

THEREFORE, the Notice of Deficiency Determination sent on April 1, 2024, directed to [REDACTED] [REDACTED] [REDACTED] is hereby upheld.

Full payment of the Notice was received by the Tax Commission on June 11, 2024.

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2024.

IDAHO STATE TAX COMMISSION

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2024,  
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.

---

---