



Petitioners provided receipts for gas, supplies, repairs and maintenance, and rent/lease expenses. In review of the documentation, the Bureau accepted expenses related to traveling to Utah for auctions, most supplies expenses claimed, section 179 depreciation on a baler, farmland lease expenses, and some repairs that were properly substantiated. The Bureau did not receive documentation for chemical expenses, feed expenses, insurance, utilities, and veterinary expenses. In the modified Notice, the Bureau scheduled all the items that were properly documented and reduced the total amount owed. Petitioners did not respond to the modified Notice, so the Bureau acknowledged their original protest and transferred the case to the Tax Commission's Appeals Unit (Appeals).

Appeals sent Petitioners a letter on February 15, 2024, and attempted to call them to establish contact. Petitioners did not respond. Therefore, the Tax Commission must make its decision on the information currently available.

### **LAW AND ANALYSIS**

Internal Revenue Code (IRC) section 162 provides for the deduction of all the ordinary and necessary expenses paid or incurred in carrying out a trade or business. Idaho Code section 63-3042 allows the Tax Commission to examine a taxpayer's books and records to determine the correctness of an Idaho income tax return. Tax Commission Administration and Enforcement Rule IDAPA 35.02.01.200 provides that, "A taxpayer shall maintain all records that are necessary to a determination of the correct tax liability."

Deductions are a matter of legislative grace, and the taxpayer bears the burden of proving that he is entitled to the deductions claimed. *New Colonial Ice Co., Inc. v. Helvering*, 292 US. 435, 440, 54 S.Ct. 788 (1934). Taxpayers are required to maintain records that are sufficient to enable the determination of their correct tax liability. See IRC section 6001; Treasury Regulation section

1.6001 – 1(a). The burden rests upon the taxpayer to disclose his receipts and claim is proper deductions. *United States v. Ballard*, 535 F.2d 400, 404 (1976). If a taxpayer is unable to provide adequate proof of any material fact upon which a deduction depends, no deduction is allowed, and that taxpayer must bear his misfortune. *Burnet v. Houston*, 283 U.S. 223, 51 S.Ct. 413 (1931). 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. *Near v. Commissioner of Internal Revenue*, T.C. Memo. 2020-10 (2020). In review of the modifications the Bureau made based on the documentation provided, the Tax Commission finds the Bureau did a proper and fair review of Petitioners’ documentation.

**CONCLUSION**

The Bureau sent Petitioners a Notice for tax years 2019 through 2021. Additional information was provided, and a modified Notice was issued. Petitioners did not respond to the modified Notice or to Appeals. The Tax Commission has reviewed all the information available and finds the modifications in the modified Notice more accurately represent Petitioners’ Idaho taxable income.

THEREFORE, the Tax Commission AFFIRMS the modified Notice of Deficiency Determination dated November 30, 2023.

IT IS ORDERED that Petitioners pay the following tax and interest:

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$1,942	\$237	\$2,179
2020	2,619	242	2,861
2021	3,115	223	<u>3,338</u>
		TOTAL DUE	\$8,378

Interest is calculated through December 31, 2023.

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.

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