

The Bureau acknowledged Petitioner’s original protest and transferred the case to the Tax Commission’s Appeals Unit (Appeals) for further review. Appeals sent Petitioner a letter on February 22, 2024, and March 28, 2024, but received no response. The Tax Commission must review the information available and make its decision.

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 § 6001; Treasury Regulation § 1.6001-1(a). The burden rests upon the taxpayer to disclose his receipts and claim his 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). Petitioner did not properly document the expenses and income claimed on her 2020 and 2021 returns.

Additionally, the Bureau provided more than appropriate time for her to acquire documentation. Without said documentation, the Tax Commission cannot do a proper examination. Therefore, none of her expenses claimed on Schedule C for 2020 and 2021 are deductible.

CONCLUSION

The Bureau sent Petitioner a Notice for tax years 2020 and 2021. Both the Bureau and Appeals reached out in attempts to review documentation, but no documentation was provided. The Bureau's decision to disallow all expenses claimed on Petitioner's Schedule C was appropriate given the circumstances.

The Bureau added interest and penalty to Petitioner's tax liability. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046.

THEREFORE, the Tax Commission AFFIRMS the Notice of Deficiency Determination dated September 27, 2023, directed to

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$2,056	\$103	\$213	\$2,372
2021	1,987	99	161	2,250
			TOTAL DUE:	<u>\$4,622</u>

An explanation of Petitioner's 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.
