

In the Matter of the Protest of

Petitioners.

DECISION

2020, 2021, and 2022. The Bureau sent Petitioners a modified Notice based on the new information. Petitioners called and stated they were working on getting more documentation to support the full amount of the EEU deduction. The Bureau heard nothing more from Petitioners and sent the file to the Tax Commission's Appeals (Appeals) unit for administrative review.

Appeals reviewed the matter and sent Petitioners a letter that discussed the methods available for redetermining a Notice. Petitioners did not respond. Appeals called Petitioners and asked when we could expect the additional EEU documents they were to provide to the Bureau. Petitioners provided Appeals with additional documents, but they did not support the EEU deduction. Seeing that Petitioners had an opportunity to provide whatever other information/documentation they wanted the Tax Commission to consider, the Tax Commission now issues its decision based on the information available.

LAW AND ANALYSIS

Idaho Code section 63-3022B defines the EEU deduction:

63-3022B. DEDUCTION FOR ENERGY EFFICIENCY UPGRADES.

(1) An individual taxpayer may deduct from taxable income an amount actually paid or accrued by the individual taxpayer during the taxable year for the actual installation of energy efficiency upgrade measures within any existing residence. As used in this section, "existing residence" means any residence in the state of Idaho that serves as the primary place of residence of the individual taxpayer in being, under construction, or subject to an outstanding legal building permit on or before January 1, 2002.

(2) As used in this section:

(a) "Energy efficiency upgrade measure" means an energy efficiency improvement to the building envelope or duct system that meets or exceeds the minimum value for the improved component established by the version of the international energy conservation code (IECC) in effect in Idaho during the taxable year in which the improvement is made or accrued.

(b) "Energy efficiency upgrade measure" includes:

- (i) Insulation that shall be added to existing insulation not in replacement of existing insulation;
- (ii) Windows that may replace less efficient existing windows;
- (iii) Storm windows;
- (iv) Weather stripping and caulking; and

(v) Duct sealing and insulation. Duct sealing requires mechanical fastening of joints and mastic sealant.

Petitioners filed their 2021 return claiming the deduction for both AED and EEU. The Bureau disallowed the EEU deduction as solar systems are not a qualifying efficiency improvement. Petitioners provided documents for siding, garage doors, piping, wallboard, rental equipment, and hardwood flooring, which do not qualify as EEU. Petitioners also provided a Champion Windows contract for windows installed in 2021 which substantiated a portion of EEU claimed. Additionally, Petitioners provided an invoice from Champion Windows for windows installed in 2022. The Bureau further adjusted Petitioners' 2022 return, adding the EEU deduction and increasing their refund for 2022.

CONCLUSION

Petitioners claimed the AED deduction and EEU deduction on their 2021 return. The Bureau allowed the AED deduction and the substantiated portion of EEU deduction. The Bureau expanded the audit to include 2022 and adjusted Petitioners' return by adding an AED deduction and substantiated EEU deduction, creating a refund. The Tax Commission reviewed the Bureau's adjustments and found them appropriate based on the documentation and information available. Therefore, the Tax Commission upholds the Bureau's modified Notice.

The Bureau added interest and penalty to Petitioners' 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 modified Notice dated September 25, 2024, and directed to [REDACTED] [REDACTED] [REDACTED]

[REDACTED] [REDACTED] is APPROVED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$3,163	\$58	\$367	\$3,558
2022	(605)		(62)	(667)
			TOTAL DUE	\$2,921

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.
