

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-248-742-912
)	
Petitioners.)	DECISION
<hr style="width: 45%; margin-left: 0;"/>)	

The Idaho State Tax Commission’s (Tax Commission) Intrastate Income Tax Audit Bureau (Bureau) sent (Petitioners) a Notice of Deficiency Determination (Notice) for tax years 2018 and 2019. Petitioners protested, and the case was transferred to the Tax Commission’s Appeals Unit (Appeals). The Tax Commission has reviewed the case and hereby upholds the Notice issued by the Bureau.

BACKGROUND

The Bureau reviewed Petitioners’ Idaho income tax returns for years 2016 through 2019 to determine the legitimacy of the Idaho Investment Tax Credit (ITC) claimed. After the Bureau’s investigation, it was determined the ITC was claimed on a home purchase made in 2016, which was then carried over to tax years 2018 and 2019. Home purchases do not qualify for the tax credit, so the Bureau issued Petitioners a Notice removing the ITC and adding interest and penalties. Petitioners responded, stating they understood home purchases do not qualify for the credit, but questioned how their tax software, TurboTax, would claim the credit without their knowledge. The Bureau attempted to explain the situation to Petitioners and how to move forward with the case. Eventually, Petitioners protested the Notice, stating in an email: “I’m disagreeing with the state. If in fact the 2016 return I’m attaching proves you right I will amend the returns. But I would not lie on a tax return and it doesn’t make sense that a well made software would have led me to be dishonest.” The Bureau acknowledged their protest and transferred the case to Appeals.

Appeals reached out to Petitioners outlining their options for redetermination of the Notice. Appeals also explained that even if they amended, they would still owe the amounts listed on the Notice, and the Tax Commission is not accusing them of being dishonest on their returns. Tax software mistakes happen often, and the majority of errors the Tax Commission finds are due to unintentional mistakes rather than intentional dishonesty. Petitioners responded via email, stating they had already received communication regarding the case, their tax return has been amended and the state said they “didn’t owe anything.” After a review of Petitioners’ file, this statement did not appear to be correct. Appeals tried to reach out and explain the situation further, but Petitioners eventually stopped responding. The Tax Commission now issues its decision.

LAW AND ANALYSIS

Idaho Code section 63-3029B defines a qualifying investment for purposes of the ITC as property defined in the IRC of 1986, as in effect prior to November 5, 1990, sections 46(c) and 48. IRC section 48 stated that a qualifying investment is property subject to depreciation. Property subject to depreciation is property used in a trade or business. A personal residence, by its nature is not property used in a trade or business.

In the present matter, Petitioners do not necessarily argue that the purchase of their personal residence should qualify for ITC, but the Bureau is accusing them of being dishonest on their returns. Petitioners’ returns nevertheless contain errors that need to be corrected. Petitioners have provided no documentation to show they purchased property that meets the requirements of a qualified investment. Therefore, no ITC can be allowed.

CONCLUSION

The Bureau adjusted Petitioners’ 2018 and 2019 income tax returns because documentation was lacking, inadequate, or the deduction or credit was incorrectly claimed. The Tax Commission

reviewed the adjustments made and found the Bureau’s adjustments appropriate based on the documentation and information available. Therefore, the Tax Commission agrees with and upholds the Bureau’s 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 Notice dated March 16, 2022, directed to _____ is APPROVED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2018	\$1,400	\$70	\$207	\$1,677
2019	1,700	85	159	1,944
			TOTAL DUE	<u>\$3,621</u>

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 _____ 2023.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2023,
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.
