

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-275-232-768
)	
Petitioner.)	DECISION
<hr style="width: 45%; margin-left: 0;"/>)	

(Petitioner) protested the Notice of Deficiency Determination dated October 12, 2021. Petitioner disagreed with the Tax Discovery Bureau’s (Bureau) determination of its Idaho taxable income for tax years 2015 through 2019. Petitioner stated they would file returns reporting their actual Idaho taxable income. The Tax Commission reviewed the matter and hereby modifies the Notice of Deficiency Determination.

BACKGROUND

During a review of Petitioner’s filing history with the Tax Commission, the Bureau found Petitioner stopped filing Idaho income tax returns after filing its 2014 corporate income tax return. The Bureau sent Petitioner a letter asking about its requirement to file Idaho income tax returns for the tax years 2015 through 2019. Petitioner did not respond. The Bureau obtained information from the Idaho Secretary of State and determined Petitioner was required to file Idaho income tax returns for each of the years in question. Using the information from Petitioner’s past income tax returns, the Bureau prepared income tax returns for Petitioner and sent it a Notice of Deficiency Determination.

Petitioner protested stating the returns the Bureau prepared were missing deductions. Petitioner stated its delinquent returns were due to an automobile accident in 2015 the owner was involved in and most recently an illness. Petitioner stated it would be filing the missing tax returns and become current with its income tax filing. Petitioner asked for additional time to prepare and submit its income tax returns.

The Bureau acknowledged Petitioner's protest and asked that Petitioner provide its returns within a specific timeframe. Petitioner did not meet the Bureau's timeframe because of its owner contracting the COVID virus. Petitioner requested more time, but the Bureau stated its procedures are firm and that Petitioner's case would be sent for administrative review.

The Bureau sent Petitioner's case to the Tax Commission's Appeals Unit (Appeals). Appeals reviewed the matter and sent Petitioner a letter that discussed the methods available for redetermining a Notice of Deficiency Determination. Petitioner contacted Appeals and said it was still planning on submitting its returns. Petitioner stated its owner would be in Boise on June 1, 2022, and he will drop off its returns. Appeals agreed and scheduled a time to meet with Petitioner's owner.

As the June 1st date approached, Petitioner contacted Appeals stating that a conflict arose and that its owner would not be going to Boise. Petitioner asked to reschedule. Appeals agreed to reschedule but also told Petitioner it could mail or e-mail its returns to the Tax Commission. Petitioner stated it would consider those options but wanted to keep the rescheduled date.

When the rescheduled date passed and Petitioner did not show up, Appeals contacted Petitioner about the returns. Petitioner stated it decided they would either mail or e-mail the returns. Appeals allowed a couple more weeks for Petitioner to mail the returns and when no returns appeared, Appeals contacted Petitioner and left a message asking when its returns could be expected. Petitioner did not respond, so Appeals sent Petitioner a letter giving it a final date to have its returns to the Tax Commission. Petitioner responded a few days later stating it thought the returns had been sent to the Tax Commission. Petitioner stated it would have its tax preparer e-mail the returns that day. Appeals did receive Petitioner's 2016 through 2019 returns but they were unsigned. Appeals contacted Petitioner stating that the Tax Commission received its 2016 through 2019 returns but that they were unsigned, and we needed signed returns. Appeals also asked Petitioner about its 2015 return.

Petitioner stated all the returns would be sent in the following week. Petitioner's returns were not received the following week but after several more contacts and a couple of months, Petitioner sent in signed copies of its 2016 through 2019 returns.

Appeals again asked Petitioner about its 2015 return. Petitioner's response was that 2015 was the year of Petitioner's owner's automobile accident and that he was unable to work from June through December. Petitioner stated 2015 was a down year and the computer with all its records was lost. Petitioner also stated it did not have any bank records for 2015. Petitioner stated it would have to rely on the Tax Commission's best estimate for 2015.

LAW AND ANALYSIS

Idaho Code section 63-3030 states that every corporation transacting business in Idaho shall file an Idaho income tax return. The information the Bureau gathered clearly shows Petitioner was transacting business in Idaho. Therefore, Petitioner was required to file Idaho income tax returns.

Petitioner did not deny it was required to file Idaho income tax returns. Petitioner wanted to file its own returns claiming all its appropriate deductions. Petitioner did file income tax returns for the tax years 2016 through 2019, thus fulfilling the requirement of Idaho Code section 63-3030 for those years. The Tax Commission reviewed those returns and accepts them subject to the Tax Commission's normal review and subject to the statute of limitations beginning on the date the returns were received by the Tax Commission.

For tax year 2015, Petitioner did not provide an income tax return. Generally, when a taxpayer does not submit an actual return in lieu of a return prepared by the Bureau, the Tax Commission affirms the return the Bureau prepared. However, the return the Bureau prepared was based on the information it had available for estimating Petitioner's income and expenses. The Bureau did not have information regarding the owner's ability to work or the advantage of seeing Petitioner's business

history in the succeeding years. Because the Tax Commission now has that information available, the Tax Commission finds it appropriate to revisit the Bureau's estimation of Petitioner's income and expenses for tax year 2015.

Considering the additional information, the Tax Commission finds a more reasonable estimate of Petitioner's flow-through taxable income to be \$3,828. The Tax Commission computed Petitioner's taxable income as follows: estimated gross income was derived from Petitioner's sales tax returns as a percentage of gross receipts determined from prior years' returns (\$68,355), business expenses were derived from the average of total business expenses of tax years 2014 and 2016 through 2019 (\$64,527). Estimated gross receipts less estimated business expenses equals taxable income of \$3,828. As a result of this recalculation of Petitioner's taxable income, the Tax Commission modifies the pass-through income for tax year 2015 to Petitioner's shareholder.

CONCLUSION

Petitioner transacted business in Idaho in the tax years 2015 through 2019. Petitioner was required to file Idaho income tax returns. Petitioner submitted income tax returns for the tax years 2016 through 2019 showing the income earned and expenses incurred each year. Petitioner's returns are a better representation of its taxable income than the returns the Bureau prepared. Therefore, the Tax Commission accepts Petitioner's 2016 through 2019 returns in lieu of the same returns prepared by the Bureau.

Petitioner did not provide an income tax return for tax year 2015. However, based on additional information and the returns Petitioner did provide, the Tax Commission found it appropriate to modify Petitioner's pass-through income for tax year 2015.

Because the Tax Commission accepts Petitioner's returns and modifies the Bureau's 2015 pass-through income, the Tax Commission modifies all the years' pass-through income. However,

since all corporations are required to pay a minimum tax, the Tax Commission upholds the tax deficiency asserted by the Bureau. See Idaho Code section 63-3025.

The Bureau added interest and penalty to Petitioner's Idaho tax. 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 of Deficiency Determination dated October 12, 2021, and directed to _____ is AFFIRMED as MODIFIED by this decision.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015	\$20	\$10	\$6	\$ 36
2016	20	10	5	35
2017	20	10	4	34
2018	20	10	3	33
2019	20	10	2	<u>32</u>
			TOTAL DUE	<u>\$170</u>

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.
