



Vehicle Leases:

- On November 15, 2022, immediately after purchase, Petitioner leased the 2022 Chevrolet Silverado to [REDACTED] [REDACTED] [REDACTED] [REDACTED] a related party. (see Law & Analysis below for details)
- On November 16, 2022, Petitioner leased the 2023 Ford Transit Van to [REDACTED] [REDACTED] [REDACTED] also a related party. (see Law & Analysis below for details)

Petitioner did not obtain an Idaho seller's permit prior to engaging in the above vehicle acquisition and leasing activities within the state. Petitioner applied for an Idaho seller's permit on August 11, 2023. The permit was issued with an effective date of March 1, 2023.

On September 21, 2023, Petitioner retroactively filed Idaho sales tax returns reporting tax on leases for the quarter ended March 31, 2023, and the quarter ended June 30, 2023. On February 2, 2024, Petitioner filed an Idaho Form TCR, Sales Tax Refund Claim, seeking a refund of \$7,207.48 in sales tax paid on the November 2022 vehicle purchases.

The Bureau reviewed Petitioner's refund claim, purchase invoices, lease agreements, operating agreement, attestation letters from Petitioner's attorney and accountant regarding the nature and purpose of the business, and correspondence between Petitioner and the Chevrolet and Ford dealers regarding refund requests. On September 25, 2024, the Bureau issued a Notice denying the refund claim.

Petitioner protested the Notice, asserting that the statement in the Notice, "at the time of purchase, Petitioner was not in the business of reselling/leasing" was incorrect. Petitioner argued that its business purpose was to purchase and lease equipment and that it improperly paid sales tax upon purchase and again remitted sales tax on leases, resulting in duplicate taxation of the same transaction.

The Bureau acknowledged Petitioner's protest and forwarded the case to the Tax Commission's Appeals Unit (Appeals) for administrative review. Appeals sent Petitioner a letter outlining the options for redetermining a protested Notice and requested additional documentation identifying the owners and ownership percentages of [REDACTED] [REDACTED] [REDACTED] [REDACTED] and [REDACTED] [REDACTED] and clarifying the relationship between Petitioner and those entities.

Petitioner elected to proceed without an informal hearing and questioned the relevance of the requested ownership information. Appeals explained the reason for the information in detail, but Petitioner did not provide it. Appeals subsequently sent two follow-up emails, to which Petitioner did not respond.

Therefore, the Tax Commission, having reviewed all available information, hereby issues its decision.

## **LAW & ANALYSIS**

The primary issues for decision are whether the claimed sales tax refund should be allowed, whether Petitioner qualified for the resale exemption at the time of purchase, and whether the vehicle leases between Petitioner and related parties were taxable.

### **SELLER'S PERMIT REQUIREMENT**

Idaho Code section 63-3620 (a) provides the requisites for a seller's permit:

(a) Every retailer engaged in business in this state, before conducting business within this state, shall file with the state tax commission an application for a seller's permit. Every application for a permit shall be made upon a form prescribed by the state tax commission and shall set forth the name under which the applicant transacts or intends to transact business, the location of his place or places of business, and such other information as the state tax commission may require. The applications, or any information contained thereon, may be made available by the tax commission to authorized representatives of state or federal agencies. The application shall be signed by the owner if he is a natural person or by an individual authorized by the seller to sign the application. Except as provided in subsection (f) of this section, permits shall be issued without charge.

Pursuant to Idaho Code section 63-3620 (a), every retailer engaged in business in this state must obtain a valid seller's permit before conducting business within the state. Petitioner failed to obtain a seller's permit prior to purchasing and leasing the vehicles in November 2022. Although Petitioner later applied for a seller's permit on August 11, 2023, and the permit was issued with an effective date of March 1, 2023, it was well after the transactions at issue.

Because Petitioner did not hold a valid Idaho seller's permit in November 2022, it was not authorized to conduct taxable sales or leasing activities within the state at that time.

### RESALE EXEMPTION

Idaho Code section 63-3622 (a) through (c) addresses the resale exemption requirement:

- (a) To prevent evasion of the sales and use tax, it shall be presumed that all sales are subject to the taxes imposed by the provisions of this chapter and the retailer shall have the burden of establishing the facts giving rise to such exemption unless the purchaser delivers to the retailer, or has on file with the retailer, an exemption certificate or resale certificate, in which case the purchaser shall bear the burden of establishing the facts giving rise to the exemption.
- (b) An exemption certificate shall show the purchaser's name, business name, address, a federal employer identification number or driver's license number and state of issue, signature, date, and the reason for and nature of the claimed exemption.
- (c) A resale certificate shall be signed and dated by, and bear the name and address of, the purchaser or his agent, shall show the federal employer identification number or driver's license number and state of issue, shall indicate the number of the permit issued to the purchaser or that the purchaser is an out-of-state retailer, and shall indicate the general character of the tangible personal property sold or rented by the purchaser in the regular course of business. If a purchaser who gives a resale certificate makes any use of the property other than retention, demonstration or display while holding it for sale or rent in the regular course of business, the use shall be taxable to the purchaser as of the time the property is first used by him, and the sales price of the property to him shall be deemed the measure of the tax.

Petitioner contended that the vehicles purchased in November 2022 qualified for the resale exemption because they were leased to related parties immediately after acquisition. To qualify

for the resale exemption, a purchaser must hold a valid seller's permit and provide a valid resale or exemption certification at the time of purchase.

Petitioner did not possess a seller's permit in November 2022 and did not present resale or exemption certificates to the vehicle dealers at the time of purchase. Accordingly, Petitioner was not legally entitled to claim the resale exemption when it purchased the vehicles. The sales tax charged and paid to the dealers was therefore properly imposed.

#### TAX EXEMPTION FOR RENTALS TO RELATED PARTIES

Idaho Code section 63-3622K (a) and (b)(4), and Idaho Administrative Rule 099.06 address the tax exemption requirements for sales and rentals to related parties:

63-3622K.OCCASIONAL SALES. (a) There are exempted from the taxes imposed by this chapter occasional sales of tangible personal property.

(b) As used in this section, the term "occasional sale" means:

(4) The sale, lease or rental of a capital asset in substantially the same form as acquired by the transferor and on which the initial transferor has paid sales or use taxes pursuant to section 63-3619 or 63-3621, Idaho Code, when the owners of all of the outstanding stock, equity or interest of the transferor are the same as the transferee or are members of the same family within the second degree of consanguinity or affinity.

099. OCCASIONAL SALES (RULE 099).

06. Sales and Rentals to Related Parties. The sale of a capital asset to a related party qualifies for the occasional sale exemption, but only if the seller has paid sales or use tax when the asset was acquired or if the seller acquired the asset from a related party who paid sales tax on acquisition of the asset. Rentals and leases of capital assets between related parties will also qualify for the occasional sale exemption, but only if the initial related party paid sales tax upon acquisition of the asset. If the initial buyer does not pay sales or use tax upon the purchase of a capital asset and then leases the asset to a related party, the lessor will collect and remit sales tax on the lease payments. The lease payments will also represent a reasonable rental value for the asset. Exempt transactions between related parties include sales, rentals, and leases of capital assets other than aircraft, boats and vessels, snowmobiles, off-highway motorbikes, and recreational vehicles, as defined by Section, 63-3622HH, Idaho Code, such as the following:

- a. Sales to family members, but only if all parties to the sale are related within the second degree of consanguinity, relationship by blood, or affinity,

relationship by marriage, i.e., spouses, children, parents, brothers, sisters, or grandparents...

- b. Sales in which the new owners are identical to the prior owners...

Under Idaho Code section 63-3622K and Rule 099.06, a lease to a related party qualifies for the occasional sales exemption only if the initial buyer paid sales tax upon acquisition of the asset and the ownership of the lessor and lessee is identical or consists of qualifying family members. In this case, the relevant ownership information was as follows:

- Lessor: Petitioner ( [REDACTED] [REDACTED] [REDACTED] [REDACTED] ) 100% owned by [REDACTED] [REDACTED]
- Lessee - 2023 Ford Transit Van: [REDACTED] [REDACTED] [REDACTED] initially filed with Idaho Secretary of State on [REDACTED] [REDACTED] [REDACTED] based on [REDACTED] [REDACTED] [REDACTED] 2023 Idaho Form K-1, the owners and ownership percentages were as follows:

- [REDACTED] [REDACTED] - 27.40%
- [REDACTED] [REDACTED] - 27.40%
- [REDACTED] [REDACTED] - 13.70%
- [REDACTED] [REDACTED] - 13.70%
- [REDACTED] [REDACTED] - 17.79%

Because the ownership of [REDACTED] [REDACTED] [REDACTED] was not identical to Petitioner's ownership, the lease of the 2023 Ford Transit Van did not qualify for the occasional sales exemption. Accordingly, the leasing activity between Petitioner and [REDACTED] [REDACTED] [REDACTED] was taxable.

- Lessee - 2022 Chevrolet Silverado Truck: [REDACTED] [REDACTED] [REDACTED] [REDACTED] initially filed with Idaho Secretary of State on [REDACTED] [REDACTED] [REDACTED] [REDACTED] served as registered agent until July 19, 2022, after which [REDACTED] [REDACTED] [REDACTED] became the

Managers and members. Based on [REDACTED] [REDACTED] [REDACTED] 2022 and 2023 Idaho Forms K-1, [REDACTED] [REDACTED] [REDACTED] has eight owners: [REDACTED] [REDACTED] and [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] and [REDACTED] [REDACTED] Ownership percentages were not reported on Idaho Forms K-1.

Petitioner failed to provide documentation substantiating the ownership between Petitioner and [REDACTED] [REDACTED] [REDACTED] [REDACTED]. Based on the information available, the ownership was not identical. Therefore, the lease of the 2022 Chevrolet Silverado did not qualify for the occasional sales exemption and was taxable.

Because the leasing transactions between Petitioner and related parties were taxable, Petitioner properly collected and remitted sales tax on the lease transactions.

### CONCLUSION

The Tax Commission finds that Petitioner's purchase of the 2022 Chevrolet Silverado and the 2023 Ford Transit Van in November 2022 were subject to Idaho sales tax. Petitioner did not possess a valid Idaho seller's permit at the time of purchase and was not eligible to claim the resale exemption. Additionally, Petitioner failed to demonstrate that the ownership of the related-party lessees was identical to its ownership, and therefore the leases did not qualify for the occasional sales exemption.

THEREFORE, the Notice of Taxpayer Initiated Refund Determination dated September 25, 2024, is hereby AFFIRMED and MADE FINAL.

The Notice denied Petitioner's refund claim, therefore no DEMAND for payment is made or necessary.

An explanation of Petitioner's right to appeal this decision is enclosed.

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2026.

IDAHO STATE TAX COMMISSION

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2026,  
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.

---

---

---