

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of )  
 )  
 [REDACTED], ) DOCKET NO. 0-357-128-192  
 )  
 Petitioners. ) DECISION  
 )  
 \_\_\_\_\_ )

This case arises from a timely protest of a Notice of Deficiency Determination (Notice) issued to [REDACTED] (Petitioners) for taxable year 2015. The Idaho State Tax Commission (Commission) after a thorough review of the matter upholds the Notice issued to Petitioners.

THEREFORE, the Notice dated July 17, 2019, and directed to Petitioners, is AFFIRMED.

There is no demand for payment; Petitioners have paid the tax liability in full.

The Commission upholds the decision made by the Tax Discovery Bureau (Bureau) for the reasons discussed below.

**BACKGROUND**

During a review of Petitioners' data, the Bureau discovered Petitioners' federal Adjusted Gross Income (AGI) for taxable year 2015 as reported on their Idaho individual income tax return did not agree with the Internal Revenue Service (IRS) records. It was further determined that Petitioners were audited by the IRS which resulted in an adjustment to their federal AGI that they did not report to the Commission.

The Bureau sent Petitioners a billing letter for taxable year 2015. The Bureau issued Petitioners a Notice when they protested the billing letter claiming they have been active duty military since 2000 and do not reside in Idaho. The Bureau accepted Petitioners' protest and transferred the matter for administrative review.

The Commission sent Petitioners a letter giving them alternatives for redetermining a protested Notice. Petitioners did not respond to the letter nor did they provide evidence that the IRS changed its audit adjustments. The Commission decided the matter based upon available information.

## **LAW AND ANALYSIS**

Petitioners protested the tax liability claiming they were active duty military not living in the state of Idaho. Idaho Code<sup>1</sup> only exempts compensation paid by the armed forces of the United States for services performed outside of Idaho. Petitioners also filed their 2015 Idaho Income Tax Return claiming the grocery credit with an AGI that did not agree with both the Commission and third-party records. Idaho Code requires that federal taxable income reported to the state of Idaho match the federal taxable income reported to the IRS. It is the intent<sup>2</sup> of the Idaho Legislature to follow the federal determination of income subject only to modifications contained in Idaho law. There are no modifications in Idaho law that would allow Petitioners to exclude the IRS audit

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<sup>1</sup> Idaho Code § 63-3022(h) states: In the case of an individual who is on active duty as a full-time officer, enlistee or draftee, with the armed forces of the United States, which full-time duty is or will be continuous and uninterrupted for one hundred twenty (120) consecutive days or more, deduct compensation paid by the armed forces of the United States for services performed outside this state. The deduction is allowed only to the extent such income is included in taxable income.

<sup>2</sup> Idaho Code § 63-3002 states in part, it is the intent of the legislature by the adoption of this act, insofar as possible to make the provisions of the Idaho act identical to the provisions of the Federal Internal Revenue Code relating to the measurement of taxable income, to the end that the taxable income reported each taxable year by a taxpayer to the Internal Revenue Service shall be the identical sum reported to this state, subject only to modifications contained in the Idaho law; to achieve this result by the application of the various provisions of the Federal Internal Revenue Code relating to the definition of income, exceptions therefrom, deductions (personal and otherwise), accounting methods, taxation of trusts, estates, partnerships and corporations, basis and other pertinent provisions to gross income as defined therein, resulting in an amount called "taxable income" in the Internal Revenue Code, and then to impose the provisions of this act thereon to derive a sum called "Idaho taxable income"; to impose a tax on residents of this state measured by Idaho taxable income wherever derived and on the Idaho taxable income of nonresidents which is the result of activity within or derived from sources within this state.

adjustment. Further assertion of the Legislature’s intent is found in Idaho Code that taxpayers are to immediately notify the Commission of a final federal determination of a deficiency<sup>3</sup>.

**CONCLUSION**

The Commission upholds the adjustments made by the Bureau to Petitioners’ Idaho individual income tax return for taxable year 2015. On appeal, a deficiency determination issued by the Commission “is presumed to be correct, and the burden is on the taxpayer to show that the Commission’s decision is erroneous.” *Parker v. Idaho State Tax Comm’n*, 148 Idaho 842, 845, 230 P.3d 734, 737 (2010) (citing *Albertson’s Inc. v. State Dep’t of Revenue*, 106 Idaho 810, 814, 683 P.2d 846, 850 (1984)). The Commission requires Petitioners to provide adequate evidence to establish that the amount asserted in the Notice is incorrect. Here, Petitioners did not provide adequate evidence.

An explanation of Petitioners’ right to appeal this decision is enclosed.

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

IDAHO STATE TAX COMMISSION

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<sup>3</sup> Idaho Code § 63-3069(1) states: NOTICE OF ADJUSTMENT OF FEDERAL OR STATE TAX LIABILITY. (1) Upon final determination of any deficiency or refund of federal taxes, the taxpayer is required to send written notice to the state tax commission within one hundred twenty (120) days of the final determination.

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2021,  
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.

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