

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-365-082-624
)	
)	
Petitioners.)	DECISION
_____)	

(Petitioners) protested the Notice of Refund Determination dated June 30, 2021. Petitioners disagreed with the Income Tax Audit Bureau’s (Bureau) adjustments to their S-Corporation (S-Corp), 2017 and 2018 Idaho S-Corporation income tax returns. The Tax Commission, having decided protest, hereby modifies Petitioners’ individual income tax returns in accordance with that decision.

BACKGROUND

_____ is a shareholder of _____. The Bureau reviewed _____ S-Corp income tax returns for the tax years 2017 and 2018. Specifically, the Bureau examined _____ Idaho Other Subtraction and the Idaho investment tax credit.

The Bureau disallowed the Other Subtraction and made adjustments to depreciation expense, bonus depreciation addback, and the Idaho investment tax credit. Since _____ is a pass-through entity, Petitioners’ income tax returns were adjusted for their proportionate share of the audit adjustments. Petitioners protested the adjustments as did _____.

The Tax Commission and _____ went through the Tax Commission’s administrative appeal process where _____ argued its case. The Tax Commission ruled on the Bureau’s adjustments in its decision on Docket Number 1-707-259-904. In its decision the Tax Commission _____.

modified the adjustments to depreciation and the investment tax credit but affirmed the disallowance of the Other Subtraction.

LAW AND ANALYSIS

S-Corps are flow-through entities, meaning the tax attributes of the S-Corp flow-through to its shareholders and are reported on the shareholder's income tax return. *See* Internal Revenue Code Subchapter S. As a result, any changes to the S-Corp's return requires a change to the shareholder's return.

Regarding this case, the Tax Commission changed depreciation expense, its bonus depreciation addback, its investment tax credit, and disallowed its Other Subtraction. Therefore, the Tax Commission makes the same changes to Petitioners' 2017 and 2018 Idaho individual income tax returns. The Bureau also adjusted Petitioners' 2017 Idaho income tax return allowing additional Idaho capital gains deduction. The Tax Commission hereby upholds that adjustment as well.

CONCLUSION

Petitioners are shareholders of an Idaho S-Corp, As such Petitioners are required to report the flow-through items of on their individual income tax return. Because the Tax Commission made changes to Idaho income tax returns, Petitioners' individual income tax returns also need to be changed. Therefore, in accordance with the Tax Commission's decision on Docket No. 1-707-259-904, the Tax Commission modifies the Bureau's adjustments to Petitioners' Idaho income tax returns.

THEREFORE, the Notice of Refund Determination dated June 30, 2021, directed to is AFFIRMED as MODIFIED by this decision.

IT IS ORDERED that Petitioners receive the following additional refund of tax and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$(51,218)	\$ 0	\$(6,605)	\$(57,823)
2018	1,232	62	106	<u>1,400</u>
			TOTAL	\$(56,423)
			REFUND PAID	<u>56,362</u>
			REFUND DUE	\$ (61)
			INTEREST	<u>(6)</u>
			REFUND	\$ <u><u>(67)</u></u>
			OWED	

Since Petitioners received a net refund from the audit in July 2021, interest is computed from the date the Tax Commission issued the refund check, July 15, 2021, to March 15, 2024.

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

DATED this _____ day of _____ 2024.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2024,
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.
