

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of  
[REDACTED]  
Petitioners.

)  
) DOCKET NO. 0-370-992-128  
)  
)  
) DECISION  
)

The Intrastate Income Tax Audit Bureau (Bureau) sent [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] (Petitioners) a Notice of Deficiency Determination (Notice) for tax years 2016 through 2019. Petitioners protested, disagreeing with the Internal Revenue Service’s (IRS) audit findings and insisted they were working through the redetermination process. The Tax Commission has reviewed the matter and hereby upholds the Notice issued by the Bureau.

BACKGROUND

The Bureau received information from the IRS that adjustments were made to Petitioners’ 2016 through 2019 income tax returns. The Bureau reviewed the adjustments and found that the IRS increased Petitioners’ adjusted gross income, reduced their itemized deductions, and removed some of their federal net operating loss. The Bureau determined the changes made to Petitioners’ federal returns also needed to be made on Petitioners' Idaho individual income tax returns. The Bureau sent Petitioners a Notice, adjusting their Idaho income tax returns applying the federal audit adjustments and allowed the Idaho child tax credit for 2018 and 2019.<sup>1</sup>

Petitioners protested the Notice, stating they were going through the redetermination process with the IRS. The Bureau acknowledged Petitioners’ protest and gave them time to correct

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<sup>1</sup> Due to the adjustments made to their Idaho taxable income, they became eligible for the Idaho child tax credit for 2018 and 2019.

the matter with the IRS. A condition was that Petitioners were to contact the Bureau every 30 to 40 days with an update. After several months with no further contact from Petitioners and no updated information from the IRS, the Bureau referred the matter to the Tax Commission's Appeals Unit (Appeals).

Appeals sent Petitioners a letter giving them the options available for redetermining a protested audit. Petitioners' representative (Representative) responded that they were in contact with the Taxpayer Advocate to potentially resolve the issue. Representative then contacted Appeals to provide a letter from the Taxpayer Advocate stating Petitioners' case had been closed. The letter indicated that the Taxpayer Advocate did all it could do to assist Petitioners, and they should consider requesting audit reconsideration with the IRS.

From the information available, it appears that Petitioners did not take the proper steps to request an audit reconsideration. The Tax Commission will decide the matter based on the information currently available.

### **LAW AND ANALYSIS**

Idaho Code section 63-3002 states that Idaho taxable income is to be identical to federal taxable income, subject to certain modifications contained in Idaho law. The IRS changed Petitioners' federal taxable income to account for income that was not reported and to deny itemized deductions and federal net operating losses. Petitioners also did not provide a copy of the federal determination within 120 days of the date of determination as required by Idaho Code section 63-3069. Since Petitioners failed to provide the federal determination, they were subject to a negligence penalty provided in Idaho Code section 63-3069.

A Notice issued by the Tax Commission is presumed to be accurate. *Parsons v. Idaho State Tax Commission*, 110 Idaho 572, 574-575 n.2, 716 P.2d 1344, 1346-1347 n.2 (Ct. App. 1986). The

burden is on the taxpayer to show the deficiency is erroneous. *Albertson's Inc. State, Dept. of Revenue*, 106 Idaho 810, 814, 683 P.2d 846, 850 (1984). Petitioners have not provided sufficient evidence that the Notice is incorrect, nor have they completed the necessary steps to request for IRS audit reconsideration.

### CONCLUSION

The IRS adjusted Petitioners' 2016 through 2019 returns. Because Idaho uses federal adjusted gross income as its starting point, the Bureau reviewed the audit information and made the same adjustments to Petitioners' Idaho income tax returns. Petitioners offered no reason that their Idaho returns should not match their federal returns.

The Bureau added interest and penalty to Petitioners' tax liability. The Tax Commission finds these additions appropriate according to Idaho Code sections 63-3045 and 63-3069.

THEREFORE, the Tax Commission AFFIRMS the Notice of Deficiency Determination dated January 12, 2024, directed to [REDACTED]

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>
2016	\$12,407	\$620	\$3,305	\$16,332
2017	6,688	334	1,562	8,584
2018	5,196	115	991	6,302
2019	51,226	2,561	7,008	<u>60,795</u>
			TOTAL	\$92,013

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:

[REDACTED]

[REDACTED]

Receipt No.

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