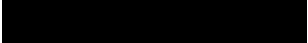
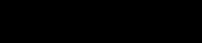


BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-430-639-104
)	
)	
Petitioner.)	DECISION
_____)	

On December 7, 2018, the Tax Discovery Bureau (Bureau) at the Idaho State Tax Commission (Tax Commission) issued a Notice of Deficiency Determination to  (Petitioner). The determination was issued as a result of a federal audit adjustment. The Bureau determined Petitioners had an income tax deficiency of \$3,188.

On February 8, 2019, Petitioner filed a timely appeal and petition for redetermination. On July 9, 2019, the Tax Appeals Unit at the Tax Commission mailed a letter to Petitioners informing them they could request a hearing or submit additional documents. Petitioners did not respond. Therefore, a final decision was made based on the information currently available. The Tax Commission hereby issues its decision to uphold the Notice.

The issues for decision are: (1) whether Petitioner failed to report taxable business income for tax year 2015; and (2) whether Petitioner is entitled to business expenses that were not claimed on his tax return.

FINDINGS

Issue 1: Business Income

Internal Revenue Code 61 defines gross income as all income from whatever source derived, including, income derived from business. This means a business owner is required to report all his business income. Income can be received in any form: cash, property, services, and so on.

For tax year 2015, Petitioner was a self-employed [REDACTED] and [REDACTED]. Petitioner's only source income was from his [REDACTED] business. [REDACTED] filed an informational return showing that Petitioner received \$69,394 in nonemployee compensation (business income). However, Petitioner only reported business income (gross receipts and sales) of \$28,965. Based on his information Petitioner has an additional \$40,429 in taxable business income for tax year 2015.

Issue 2: Business Expenses

Internal Revenue Code § 162 provides a taxpayer may deduct "all ordinary and necessary" expenses of operating a "trade or business." Only expenses that have a business purpose are treated as deductible trade or business expenses. Internal Revenue Code § 6001 and Idaho Code § 63-3042 provides that a taxpayer shall maintain all records that are necessary to a determination of the correct tax liability. It is well established in Idaho law, as well as federal income tax law, that a taxpayer claiming a deduction, exemption or credit bears the burden of establishing his or its entitlement to the same, both as to law and fact.

As previously stated, Petitioner was a [REDACTED] [REDACTED] and [REDACTED]. Petitioner reported \$0 in business expenses. In his protest, Petitioner stated he had unreported business expenses and would document the expenses. On March 29, 2019, the Tax Discovery Bureau requested Petitioner provide the supporting documentation. However, Petitioner did not respond to the request. Although Petitioner may be entitled to some business expenses, Petitioner bears the burden of establishing the amount of business expenses he is entitled to.

In his protest, Petitioner stated he did not make another \$40,429 in profit and, he would provide invoices and cancelled checks to support his argument. The statement suggests Petitioner reported his business net profit as business gross receipts. *Net profit* is business expenses

subtracted from business gross receipts. Assuming Petitioner's net profit was \$28,695, he should have reported \$69,394 in business gross receipts, \$40,429 in business expenses, for a business net profit of \$28,695. Although this may be the case, Petitioner is still required to substantiate the income and expenses reported on his return.

CONCLUSION

On appeal, a deficiency determination issued by the Tax 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 Tax Commission requires the Petitioner to provide adequate evidence to establish that the amount asserted in the Notice is incorrect. Here, the Petitioner did not provide adequate evidence. As a result, the Commission will uphold the Notice.

Absent information to the contrary, the Tax Commission finds the Notice prepared by the Tax Discovery Bureau to be a reasonably accurate representation of the Petitioner's income tax liability for tax year 2015.

The Tax Discovery Bureau added interest and penalty to the income tax deficiency. The Tax Commission reviewed those additions, found both to be appropriate per Idaho Code §§ 63-3045 and 63-3046, and has updated interest accordingly. Interest is calculated through November 23, 2019 and will continue to accrue at the rate set forth in Idaho Code § 63-3045(6) until paid.

THEREFORE, the Notice of Deficiency Determination dated December 7, 2018, is hereby APPROVED, in accordance with the provisions of this decision, and is AFFIRMED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015	\$2,778	\$139	\$398	<u>\$3,315</u>

DEMAND for immediate payment of the foregoing amount is hereby made and given.

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

DATED this _____ day of _____ 2019.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2019, 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.

