

In the Matter of the Protest of

Petitioners.

DECISION

BACKGROUND

from Petitioners. Consequently, the Bureau referred the matter to the Tax Commission's Appeals Unit (Appeals) for administrative review.

Appeals reviewed the matter and sent Petitioners a letter that discussed the methods available for redetermining a Notice. Petitioners called and again requested more time to discuss the matter with their tax preparer and gather information. Appeals allowed Petitioners the additional time requested but to date, has heard nothing further from them. As a result, the Tax Commission issues its decision based on the information available.

LAW AND ANALYSIS

63-3021.NET OPERATING LOSS. (a) The term "net operating loss" means the amount by which Idaho taxable income, after making the modifications specified in subsection (b) of this section, is less than zero (0).

(b) Add the following amounts:

(1) The amount of any net operating loss deduction included in Idaho taxable income.

(2) In the case of a taxpayer other than a corporation:

(i) Any amount deducted due to losses in excess of gains from sales or exchanges of capital assets; and

(ii) Any deduction for long-term capital gains provided by this chapter.

(3) Any deduction allowed under section 151 of the Internal Revenue Code (relating to personal exemption) or any deduction in lieu of any such deduction.

(4) Any deduction for the standard or itemized deductions provided for in section 63 of the Internal Revenue Code, or section 63-3022(j), Idaho Code, except for any deduction allowable under section 165(c)(3) of the Internal Revenue Code (relating to casualty losses) pertaining to property physically located inside Idaho at the time of the casualty....

63-3022.ADJUSTMENTS TO TAXABLE INCOME. (c) (3) Any portion of the net operating loss not subtracted from income in the two (2) preceding years may be subtracted from income in the next twenty (20) years succeeding the taxable year in which the loss arises in order until exhausted. The sum of the deductions may not exceed the amount of the net operating loss deduction incurred. The carryback shall be limited to a total of fifty thousand dollars (\$50,000) in the case of an individual filing as married filing separate in the year of the loss.

An Idaho NOL is the amount by which Idaho taxable income is less than zero, after adding back the following amounts:

- NOL deduction
- Net capital losses
- Idaho capital gains deduction
- Idaho QBI deduction (beginning 2019)
- Personal exemptions
- Standard or itemized deduction except any deduction for casualty losses related to property physically located in Idaho at the time of casualty.

The amount of Petitioners' NOL carryforward shown on their 2021 Idaho return was adjusted, exhausting any available NOL carryforward for future years. Therefore, Petitioners had no NOL carryforward available for their 2022 and 2023 Idaho returns per Idaho Code 63-3021.

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 Tax Commission requires Petitioners provide adequate evidence to establish that the amount asserted in the Notice is incorrect. In the present matter, Petitioners argue the amount of the NOL shown on their returns is correct, yet they have provided nothing to support their assertions.

CONCLUSION

Petitioners failed to provide anything to show the Bureau's determination was incorrect. The Tax Commission reviewed the adjustments and found they followed Idaho law. Therefore, the Tax Commission upholds the Bureau's determination.

The Bureau added interest and penalty to Petitioners' tax liability. The Tax Commission reviewed those additions and found them appropriate and in accordance with the Idaho Code sections 63-3045 and 63-3046.

THEREFORE, the Notice of Deficiency Determination dated May 23, 2025, directed to

■■■■■■■■■■ is hereby AFFIRMED and MADE FINAL.

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>
2021	\$5,197	\$0	\$857	\$ 6,054
2022	4,145	0	535	4,680
2023	1,159	58	89	<u>1,306</u>
Total Due				\$12,040

The Tax Commission DEMANDS immediate payment of this amount. Interest is calculated in accordance with Idaho Code section 63-3045.

An explanation of Petitioners' 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.


