

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of) DOCKET NO. 0-467-538-944
[REDACTED])
[REDACTED])
[REDACTED])
Petitioner.) DECISION
[REDACTED])

[REDACTED] (Petitioner) protested the Notice of Deficiency Determination (Notice) dated August 30, 2024. Petitioner disagreed with the Tax Discovery Bureau's (Bureau) determination of its Idaho taxable income for tax years 2019 through 2022. The Idaho State Tax Commission (Tax Commission) reviewed the matter and hereby upholds the Notice for the reasons stated below.

BACKGROUND

During a review of Tax Commission records, the Bureau found Petitioner has not filed any Idaho business income tax returns. The Bureau researched the income information available to the Tax Commission and found Petitioner received 1099-MISC income and 1099-NEC income. In addition, the Bureau found Petitioner paid wages during the tax years 2019 through 2022. Based on this information, the Bureau determined Petitioner had a requirement to file Idaho business income tax returns.

The Bureau sent Petitioner a letter asking about its requirement to file Idaho income tax returns. Petitioner did not respond. The Bureau estimated Petitioner's Idaho taxable income from the information available, prepared returns for Petitioner and sent it a Notice.

Petitioner protested the Notice, stating that it will be filing returns and the Bureau's estimates were not correct. The Bureau acknowledged Petitioner's protest and allowed it more

time to provide the missing returns. When returns were not provided, the Bureau forwarded the matter to the Tax Commission's Appeals Unit (Appeals) for administrative review.

Appeals reviewed the matter and sent Petitioner a letter describing the methods available for redetermining a protested Notice. When there was no response, Appeals sent a follow-up letter. Petitioner responded, stating they are working on their returns and should have them done in a couple of weeks. They did not request an informal hearing. Appeals allowed more time for Petitioner to file its returns, but none were received. Seeing that Petitioner had the opportunity to provide its returns, the Tax Commission decides the matter based on the information available.

LAW AND ANALYSIS

Petitioner began business operations in Idaho in 2013, according to its Certificate of Organization filed with the Idaho Secretary of State. Petitioner registered the business with the Tax Commission in 2013 and obtained an Idaho Withholding permit. Petitioner never filed a business return, but they've filed withholding returns since 2013 and started to report wages in 2019.

Petitioner did not contest its requirement to file Idaho income tax returns, rather it disagreed with the Idaho taxable income the Bureau determined. Petitioner stated it hired an accounting firm to prepare and submit income tax returns. However, Petitioner never provided any returns, nor did it make any further contact.

The Bureau determined Petitioner's income by multiplying the wages reported on its withholding returns by a factor of three. The Bureau estimated business expenses at a rate of 25% of income and also allowed a deduction for payroll expenses.

Deductions are a matter of legislative grace, and taxpayers bear the burden of proving that they are entitled to the deductions claimed. *INDOPCO, Inc. v. Commissioner*, 503 U.S. 79, 84,

112 S. Ct. 1039, 117 L.Ed.2d 226 (1992); *New Colonial Ice Co. v. Helvering*, 292 U.S. 435, 440, 54 S. Ct. 788, 78 L. Ed. 1348 (1934). Since Petitioner failed to provide any information or support for any business deductions, it must bear its misfortune. *Burnet v. Houston*, 283 U.S. 223, 51 S.Ct. 413 (1931).

In Idaho, a Tax Commission deficiency determination is presumed to be correct and the burden is on the taxpayer to show that the deficiency is erroneous. *Parsons v. Idaho State Tax Commission*, 110 Idaho 572, 574-575 n.2, 716 P.2d 1344, 1346-1347 n.2 (Ct. App. 1986). Petitioner did not show that either the income or the expenses the Bureau determined were incorrect. Petitioner did not meet its burden. The Tax Commission reviewed the returns the Bureau prepared for Petitioner and found they are a reasonable representation of Petitioner's income.

CONCLUSION

Petitioner transacted business in Idaho during 2019 through 2022. Petitioner was required to file Idaho business income tax returns. Petitioner disagreed with the income the Bureau determined but failed to provide anything contrary. Therefore, the Tax Commission upholds the Bureau's determination.

The Bureau added interest and penalty to Petitioner's tax deficiency. The Tax Commission reviewed those additions and found them to be appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046, respectively.

THEREFORE, the Notice dated August 30, 2024, and directed to [REDACTED] [REDACTED] [REDACTED] is hereby AFFIRMED and MADE FINAL.

IT IS ORDERED that Petitioner pay the following tax, penalty, and interest calculated per Idaho Code Section 63-3045:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$1,641	\$410	\$402	\$2,453
2020	3,890	973	820	5,683
2021	5,914	1,479	1,112	8,505
2022	8,004	2,001	1,219	<u>11,224</u>
			TOTAL	\$27,865

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 _____ 2025.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2025,
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.

[REDACTED]
