BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	DOCKET NO. 0-512-017-408
Petitioner.)))	DECISION

(Petitioner) protested the Notice of Deficiency Determination (Notice) dated December 6, 2022. Petitioner disagreed with the flow-through adjustments from an S-Corporation (S-Corp). The Idaho State Tax Commission (Tax Commission), having decided the issue with the S-Corp, likewise upholds the Notice.

BACKGROUND

Petitioner is a shareholder in (an S-Corp. The Income Tax Audit Bureau (Bureau) reviewed S-Corp income tax returns for the tax year 2020. Specifically, the Bureau examined the credit for Idaho research activities (Idaho research credit).

The Bureau disallowed the Idaho research credit claimed; therefore, the Bureau adjusted the flow-through credit claimed on Petitioner's individual income tax return for the tax year shown in the Notice. Petitioner protested the Bureau's flow-through credit adjustment as did

The Bureau made several other adjustments relating to the pass-through ordinary income from the addback of qualified business income deduction, the Idaho percentage of personal deductions, etc. Since Petitioner did not protest these adjustments, the Tax Commission only addresses the flow-through credit for Idaho research activities.

The Tax Commission held a hearing on the issue where argued its case. The Tax Commission ruled on the Idaho research credit adjustment in its decision on Docket Number 1-

854-194-688. In its decision, the Tax Commission affirmed the Bureau's adjustment to the Idaho research credit.

LAW AND ANALYSIS

is a Subchapter S Corporation (S-Corp), a flow-through entity. All tax attributes flow-through to Petitioner at the percentage of his distributive share to be taxed at the individual level¹. As a result, any changes to the S-Corp return requires a change in the shareholder's return.

In this case, the Tax Commission changed the credit claimed for research activities in Idaho. Therefore, the Tax Commission makes the same change to Petitioner's 2020 Idaho individual income tax return.

CONCLUSION

Petitioner is a shareholder of an Idaho S-Corp, As such Petitioner is required to report the flow-through items of on his individual income tax return. Because the Tax Commission disallowed the Idaho research credit claimed by Petitioner's individual income tax return also needs to be changed. Therefore, in accordance with the Tax Commission's decision on Docket No. 1-854-194-688, the Tax Commission adjusts Petitioner's individual income tax return.

The Bureau added interest and penalty to Petitioner's Idaho tax due. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046. Interest is computed to April 17, 2024.

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¹ Internal Revenue Code Subchapter S – Tax Treatment of S Corporations and Their Shareholders

THEREFORE, the Tax Commission AFFIRMS the Notice dated December 6, 2022, directed to

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

YEAR	\underline{TAX}	PENALTY	<u>INTEREST</u>	TOTAL
2020	\$15,024	\$0	\$1,656	\$16,680
			TOTAL DUE	\$16,680

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 _____ 2023.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this a copy of the within and foregoing DECIS mail, postage prepaid, in an envelope addr	SION was served by	2023, sending the same by United States	
	Receip	Receipt No.	