

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
████████) DOCKET NO. 0-541-135-872
████████)
Petitioner.) DECISION
████████)

████████ (Petitioner) protested the Notice of Deficiency Determination (Notice) dated August 8, 2024. Petitioner disagreed with the Tax Discovery Bureau's (Bureau) determination of his Idaho taxable income for tax years 2017, 2018 and 2019. The Idaho State Tax Commission (Tax Commission) reviewed the matter and hereby issues a final decision, modifying the Notice.

BACKGROUND

The Bureau first contacted Petitioner on June 12, 2024, as they could not find Petitioner's Idaho individual income tax returns for tax years 2017 through 2019. Petitioner did not respond. Therefore, the Bureau prepared returns for Petitioner and issued him a Notice, based on information in Tax Commission records.

Petitioner responded to the Notice, stating he disagreed "with this penalty letter. I have no income for 2018-2019. We are in the process of trying to gather stuff up for 2017."

The Bureau sent Petitioner a letter acknowledging the protest and granting time to submit his missing 2017, 2018 and 2019 Idaho returns. The Bureau allowed Petitioner a second extension but when he did not submit the returns, the Bureau forwarded the matter to the Tax Commission's appeals (Appeals) unit for administrative review.

Appeals sent Petitioner a letter informing him of the alternatives for redetermining a protested Notice. Petitioner responded asking for guidance on completing returns. Appeals

provided links to the tax forms on the Idaho State Tax Commission website and explained Form STC-06 can be used to get copies of the income reported to Idaho.

During the administrative review Petitioner provided his 2018 and 2019 Idaho returns. These returns were a better representation of Petitioner's taxable income. Therefore, the Bureau sent the Idaho returns to processing where they will be subject to the normal review procedures. Consequently, the Tax Commission cancels the Notice for tax years 2018 and 2019 and these years will not be mentioned further in this decision.

Petitioner has yet to submit his return for taxable year 2017 and has had more than an adequate amount of time in which to file the missing return. Therefore, the Tax Commission now issues a decision regarding tax year 2017, based upon the information available.

LAW AND ANALYSIS

Idaho secretary of state records show Petitioner initially registered his business, [REDACTED] [REDACTED] in 2016. Petitioner filed an annual report with the Idaho secretary of state in 2017, yet he never filed an Idaho return for this period. When determining Petitioner's taxable income for tax year 2017, the Bureau used income reported to him on Form 1099-Misc and allowed 25% estimated business expenses.

Petitioner more than likely incurred business expenses in excess of what the Bureau allowed. However, deductions are a matter of legislative grace, and the taxpayer bears the burden of showing that each deduction is allowable by statute. *New Colonial Ice Co. v. Helvering*, 292 US. 435, 54 S.Ct. 788 (1934); *Higgins v. C.I.R.*, T.C. Memo. 1984-330, (1984). The burden rests upon the taxpayer to disclose its receipts and claim its proper deductions. *United States v. Ballard*, 535 F.2d 400 (1976). If a taxpayer is unable to provide adequate proof of any material fact upon which a deduction depends, no deduction is allowed, and the taxpayer must bear its misfortune.

Burnet v. Houston, 283 US. 223, 51 S.Ct. 413 (1931). Here, for tax year 2017, Petitioner has provided no documentation to show his entitlement to any additional deductions or credits not shown in the Notice, he has not met his burden.

CONCLUSION

Petitioner received income in tax year 2017 that exceeded the threshold for filing an Idaho income tax return. Petitioner was required to file an Idaho income tax return. Petitioner did not show the return the Bureau prepared was incorrect. The Tax Commission reviewed the return and finds it reasonable based on the information available. Therefore, the Tax Commission upholds the Notice of Deficiency Determination for tax year 2017.

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

THEREFORE, the Notice dated August 8, 2024, and directed to [REDACTED] is MODIFIED, and as modified, APPROVED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$4,585	\$1,146	\$1,537	\$7,268

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]
