

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of

██████ ██████████ ██████████

Petitioners.

DOCKET NO. 0-621-929-472

DECISION

The Intrastate Income Tax Audit Bureau (Bureau) sent ██████████ and ██████████ (Petitioners) a Notice of Deficiency Determination (Notice) for tax years 2020 through 2022. Petitioners protested and provided additional documentation. The Bureau reviewed the documentation and sent Petitioners a modified Notice, reducing the amount due from \$10,691 to \$9,927. Petitioners continued to protest the modified Notice. The Idaho State Tax Commission (Tax Commission) has reviewed the matter and further modifies the Notice for the reasons below.

BACKGROUND

Petitioners filed timely resident Idaho income tax returns during the years in question. The Bureau reviewed Petitioners' returns and requested documentation for a variety of items:

- Energy Efficiency Upgrades (EEU) claimed on ID 39R.
- Alternative Energy Devices (AED) claimed on ID 39R.
- Credits for Taxes Paid to Other States (CTPOS), specifically for taxes paid to Oregon.
- Expenses for Business Use of Your Home claimed on Federal Form 8829.

Petitioners also reported income and expenses related to three sole-proprietorships. The Bureau requested documentation for the following items:

- Office Administrative Services (2021)
 - Insurance, other interest, office expenses, auto expenses
- Offices of Real Estate Agents and Brokers (2021)
 - Insurance, repairs, auto expenses
- ██████████ (2021-2022)
 - Advertising, legal and professional, office expense, travel, meals, and the cost of goods sold
- Real Estate Agent (2022)

- Commissions, taxes and licenses, licensing fees, MLS dues, auto expenses

Petitioners did not provide any of the requested documentation. The Bureau then sent Petitioners a Notice, removing all deductions they had initially requested documentation for. Petitioners protested, providing some documentation for consideration. The Bureau reviewed the documentation and sent Petitioners a modified Notice, reducing the tax due by \$764. Petitioners continued their protest, and the case was then transferred to the Tax Commission's Appeals Unit (Appeals) for administrative review. Appeals and Petitioners conducted an informal hearing to discuss potential resolutions of the case. Petitioners stated they were not in contention of many items brought up during the hearing, but they had some additional documentation to provide. The hearing concluded, and Petitioners provided the additional information for consideration. The Tax Commission has reviewed all relevant information and came to the following conclusions.

LAW AND ANALYSIS

Much of the documentation provided during the appeals process was duplicates of receipts already sent to the Bureau. The following sections will analyze the new documentation provided organized by categories of deductions.

Office Administrative Services (2021)

Petitioners provided a new mileage log regarding their deducted auto expenses. Under review, the miles appeared to be for commuting, which is not deductible under Treasury Regulation section 1.162-2(e). No other new documentation was provided, so no additional adjustments will be made in this category.

Offices of Real Estate Agents (2021)

On Petitioners' original return, they claimed the standard mileage car and truck deduction rather than actual expenses. During the appeals process, they provided a receipt for a tire alignment. The tire alignment will not be allowed, as Petitioners chose to deduct per mile. Treasury Regulation section 1.274-5(j)(2) states a taxpayer may use the standard mileage rate or actual expenses, but not both. Petitioners also provided documentation for items that were never requested during the audit and therefore never adjusted. These items included marketing, supplies, meals, licensing fees, association dues, fees, and education. Because these items were never disallowed, additional deductions would not be allowed. No additional adjustments will be made for this activity.

██████████ (2021)

Petitioners provided additional receipts for advertising expenses from Oily Coup Productions, Magnets USA, and Staples totaling \$685. Petitioners also provided receipts for a website worth \$364. Petitioners also provided a receipt for \$101 for taxes and licenses. For travel expenses, Petitioners provided additional receipts worth \$353. The travel category on the new schedule that was submitted included the new receipts as well as the receipts for Enterprise and Hertz which were previously submitted for the rent category on the return. Finally, Petitioners submitted new receipts for meals totaling \$134. These expenses will be accepted as modified.

Real Estate Agent (2022)

Petitioners provided contradictory auto expense statements during the appeals process. The mileage amounts and business use percentages appear not to be consistent. Based on the previous adjustments and allowances in the Notice, the Tax Commission will not make any changes to their auto expenses or depreciation. Petitioners did however provide receipts that were originally put in

the unknown category, namely receipts for A1 Computer, USPS for \$46.45 under supplies, and Oregon licensing for \$300. Petitioners provided receipts totaling \$530 for association dues, which will also be accepted. Petitioners provided receipts for new categories, such as testing fees, supra keys, and cell phone/internet. The Tax Commission will accept all receipts in those categories except the cell phone/internet. 50% of the cell phone/internet expenses will be accepted as no documentation was provided to show a higher amount.

██████████ (2022)

Petitioners submitted only a few acceptable receipts in this category. Receipts for a website, legal fees, shipping, and miscellaneous expenses will be accepted. Some receipts for cost of goods sold were provided, but it lacked enough information to determine the amount of inventory that were bought and sold.

CONCLUSION

Petitioners were sent a Notice disallowing EEU deductions, AED, CTPOS, and a variety of business expenses. Petitioners provided documentation during the appeals process, which allowed additional deductions that were not allowed on the original Notice.

THEREFORE, the Notice of Deficiency Determination dated July 24, 2024, directed to

██████████ and ██████████ is hereby MODIFIED.

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$2,772	\$139	\$298	\$3,209
2021	1,949	97	168	2,215
2022	3,923	196	199	<u>4,317</u>
			TOTAL	\$9,741

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

An explanation of Petitioners' 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]

[REDACTED]