

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of

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Petitioner.

DOCKET NO. 0-627-500-032

DECISION

The Tax Discovery Bureau (Bureau) sent ■■■■■ (Petitioner) a Notice of Deficiency Determination (Notice) for tax years 2016, 2017, and 2022. Petitioner protested, disagreeing with the estimated taxable income presented in the Notice. The Tax Commission has reviewed the matter and hereby modifies the Notice issued by the Bureau.

**BACKGROUND**

During a review of taxpayer information, the Bureau could not locate Petitioner's Idaho individual income tax returns for tax years 2016, 2017, and 2022. The Bureau determined that Petitioner met the requirements to file Idaho tax returns for the years in question. The Bureau contacted Petitioner inquiring about the missing returns. Petitioner responded, stating he was unable to pay his taxes because he is 73 years old and on Social Security. Around a month later, the Bureau prepared the returns for him and issued a Notice.

In calculating Petitioner's Idaho taxable income for the years in question, the Bureau used 1099-MISCs, 1099-Rs, W-2s, and W-2Gs available to the Tax Commission. Petitioner protested, stating the 1099-MISC distributions in 2016 and 2017 were for material, labor, and excavation for various buildings and made zero profit. Petitioner did not dispute the 2022 assessment. The Bureau sent Petitioner a letter, explaining if he wanted credit for his expenses, he would need to file actual returns and fill out a Schedule C. In the letter, the Bureau gave Petitioner options to resolve the case: withdrawing his protest, providing more information, filing actual returns, or continuing his

protest with no additional information. Petitioner decided to continue his protest and provide additional information. Petitioner provided some receipts for the projects, but no returns. The Bureau acknowledged his protest and transferred the case to the Tax Commission's Appeals Unit (Appeals) for administrative review. Appeals sent Petitioner a letter on October 9, 2024, explaining the appeals process and his right to an informal hearing. Petitioner did not respond, so the Tax Commission must make its decision on the information available.

### **LAW AND ANALYSIS**

Idaho Code section 63-3030(a)(1) requires each individual who is a resident of Idaho to file an Idaho income tax return if required to file a federal return. Internal Revenue Code section 6012 states that the requirement to file a federal return is based on gross income.

The information gathered by the Bureau and used to calculate Petitioner's Idaho taxable income clearly shows that Petitioner received gross income above the threshold amounts for filing returns. Petitioner did not express disagreement with the Bureau's conclusion that he was required to file Idaho returns for the years in question but rather argued that he incurred expenses related to the 1099s he received.

The Tax Commission has reviewed the documentation provided and believes he had successfully substantiated some of his expenses for tax years 2016 and 2017. Namely, Petitioner claimed he had \$25,000 in materials expense in 2016 and \$5,000 in 2017. However, Petitioner failed to substantiate other expenses such as concrete, dump trucks, excavation, and labor. The Tax Commission realizes that Petitioner may have had different business income and expenses than those shown on the Notice. However, deductions are a matter of legislative grace, and the taxpayer bears the burden of proving he is entitled to the deductions claimed. *New Colonial Ice Co., Inc. v. Helvering*, 292 US. 435, 440, 54 S.Ct. 788 (1934).

## CONCLUSION

Petitioner received income exceeding the gross income threshold for filing Idaho income tax returns for tax years 2016, 2017 and 2022. Petitioner has yet to file the returns. Petitioner did however provide documentation for some of his expenses not shown on the Notice. The Tax Commission has reviewed all the relevant information available and hereby modifies the Notice to include substantiated business expenses.

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

THEREFORE, the Notice of Deficiency Determination dated March 25, 2024, directed to

■■■■ is hereby MODIFIED by this decision 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>
2016	\$300	\$75	\$96	\$471
2017	2,176	544	646	3,366
2022	778	195	90	<u>1,063</u>
			TOTAL:	\$4,900

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.

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