

acknowledged Petitioners' protest and transferred the case to the Tax Commission's Appeals Unit (Appeals).

Appeals sent Petitioners correspondence explaining the appeals process and their right to a hearing. Ms. [redacted] requested an informal hearing and appointed a representative to be with her during the process. During the hearing, Ms. [redacted] explained she did not have anything to do with the business her ex-husband conducted and does not have any documentation. Additionally, she has had no contact with him since the divorce so trying to get the audit taken care of has been difficult. Appeals went over potential options, such as a settlement. Ms. [redacted] stated she would consider it but would need to have more time to come up with a plan. Eventually, Ms. [redacted] decided she would not go through with the settlement, as she believed the criteria did not apply to her. With no documentation from either party, the Tax Commission issues its decision with the information currently available.

LAW AND ANALYSIS

Internal Revenue Code (IRC) section 162 provides for the deduction of all ordinary and necessary expenses paid or incurred in carrying out a trade or business. Idaho Code section 63-3042 allows the Tax Commission to examine a taxpayer's books and records to determine the correctness of an Idaho income tax return. Tax Commission Administration and Enforcement Rule IDAPA 35.02.01.200 provides that, "A taxpayer shall maintain all records that are necessary to a determination of the correct tax liability."

Deductions are a matter of legislative grace, and the taxpayer bears the burden of proving that he is entitled to the deductions claimed. *New Colonial Ice Co., v. Helvering*, 292 US. 435, 440, 54 S.Ct. 788 (1934). Taxpayers are required to maintain records that are sufficient to enable the determination of their correct tax liability. See IRC section 6001; Treasury Regulation section

1.6001–1(a). The burden rests upon the taxpayer to disclose his receipts and claim his proper deductions. *United States v. Ballard*, 535 F.2d 400, 404 (1976). If a taxpayer is unable to provide adequate proof of any material fact upon which a deduction depends, no deduction is allowed, and that taxpayer must bear his misfortune. *Burnet v. Houston*, 283 U.S. 223, 51 S.Ct. 413 (1931). No documentation has been provided to substantiate the deductions related to “

Therefore, no deductions can be allowed on their 2019 and 2020 returns.

Petitioners also claimed Energy Efficiency Upgrades deduction on Idaho Form 39R, line 4, in both 2019 and 2020. Idaho allows deductions for costs related to energy efficient purchases to a taxpayer’s home built before 2002. Examples for qualified upgrades are laid out in Idaho Code section 63-3022B:

- Insulation if it increases the building’s resistance to conduct heat
- Windows that replace less efficient existing windows
- Storm windows
- Weather stripping and caulking
- Duct sealing and insulation with mechanical fastening and mastic sealant

It is not clear what these deductions were for, but when explained what qualifies for the deduction in the informal hearing, Ms. stated no such expenses were made. Therefore, the adjustments related to Petitioners’ Energy Efficiency Upgrades are upheld.

CONCLUSION

The Bureau adjusted Petitioners’ unsubstantiated deductions on their 2019 and 2020 returns. The Tax Commission recognizes that Petitioners might have legitimate claim to business deductions on their returns. However, without any documentation to show the validity of these claims, the Tax Commission cannot allow them on the returns. The Tax Commission has reviewed the adjustments made and found them to be appropriate based on the information available. Therefore, the Tax Commission agrees with and upholds the Bureau’s Notice of Deficiency Determination.

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

THEREFORE, the Notice of Deficiency Determination dated March 8, 2023, is hereby APPROVED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$2,465	\$123	\$361	\$2,949
2020	1,413	10	166	<u>1,589</u>
			TOTAL DUE	\$4,538

Interest is calculated through May 29, 2024.

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 _____ 2024.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2024,
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.

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2024,
a copy of the within and foregoing DECISION was served by sending the same by United States
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