BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of) $\mathbf{D}_{\mathbf{C}}(\mathbf{F}_{\mathbf{T}}, \mathbf{N}_{\mathbf{C}}, 0, 7, 7, 0, 5, 0, 0, 2)$
) DOCKET NO. 0-774-956-032)
Petitioner.)) DECISION)

The Tax Discovery Bureau (Bureau) sent **Markov Markov Markov** (Petitioner) a Notice of Deficiency Determination (Notice) for tax years 2017 through 2021. Petitioner protested, disagreeing with the estimates of their business income and expenses made by the Bureau. Petitioner has since filed returns for tax years 2020 and 2021. The Tax Commission has reviewed the matter and hereby upholds the Notice for tax years 2017 through 2019.

BACKGROUND

Petitioner is an active Idaho S Corporation that registered with the Idaho Secretary of State on According to Petitioner's previously filed returns, their principal business activity is medical office services. In review of Petitioner's file, the Bureau discovered they had not filed their 2017 through 2021 returns. The Bureau then sent Petitioner correspondence requesting the missing returns or an explanation for why they don't need to file. Petitioner did not respond, so the Bureau prepared the returns for them using estimates to calculate their Idaho taxable income.

The Bureau averaged the gross income reported on Petitioner's 2013 through 2016 income tax returns to estimate their business income. To estimate business expenses, the Bureau averaged Petitioner's profit margins reported on their 2013 through 2016 returns. Additionally, the Bureau allowed for payroll expenses reported by the Department of Labor to further reduce estimated business income. Petitioner protested the Notice, stating the estimates are incorrect and they will be providing actual returns. Petitioner also stated that they were not in business for 2020 and 2021. The

Bureau examined the information available and determined Petitioner was indeed not in business for 2020 and 2021. The Bureau sent Petitioner a letter on May 13, 2024, informing them the Notice for tax periods 2020 and 2021 were cancelled.

The Bureau continued to request their business returns for 2017 through 2019, but Petitioner appeared to have problems communicating with their accountant regarding records. After multiple extensions of time, the Bureau transferred the case to the Tax Commission's Appeals Unit (Appeals). Appeals sent Petitioner a letter explaining the appeals process and their right to a hearing. Petitioner responded, insisting that their business returns were prepared and filed by their accountant before April 15th of each year in question. After some discussion, it was clear that Petitioner's preparer did not file the returns in question. Petitioner then decided to try and prepare the returns themselves and requested an extension. An extension was granted, but Petitioner failed to provide the returns. Therefore, the Tax Commission must make its decision with the information available.

LAW AND ANALYSIS

Idaho Code section 63-3030(4) states a tax return is required by:

"Every corporation reporting as an S-corporation pursuant to Internal Revenue Code sections 1361 through 1379 to the federal government, which is transacting business in this state, or is authorized to transact business in this state."

According to information available to the Tax Commission, Petitioner was an operating business which was required to file tax returns for years 2017 through 2019. When no returns were filed, the Bureau prepared tax returns for Petitioner with estimated Idaho taxable income and expenses.

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). Petitioner has failed to provide any substantial evidence or provide actual returns to prove the Notice is incorrect.

In the present matter, Petitioner does not contest its requirement to file Idaho S-Corp income tax returns, or its requirement to pay the \$20 minimum tax according to Idaho Code section 63-3025. Petitioner provided no specific objections to the amounts shown in the Notice, instead stating the returns should have already been filed and paid.

CONCLUSION

Petitioner transacted business in Idaho during the years in question and has a requirement to file Idaho S-Corp income tax returns. But, because Petitioner is an S-corporation with a resident shareholder, all its income flows through to the shareholder and is taxed on the individual income tax returns. Nevertheless, Petitioner must file a return and pay the minimum franchise tax. Therefore, the Tax Commission upholds the Bureau's determination.

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

THEREFORE, the Notice of Deficiency Determination dated December 7, 2023, directed to

is hereby APPROVED and MADE FINAL for tax years 2017 through

2019.

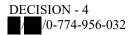
IT IS ORDERED for Petitioner to pay the following tax, penalty, and interest:

YEAR	TAX	PENALTY	INTEREST	TOTAL
2017	\$20	\$10	\$6	\$36
2018	20	10	5	35
2019	20	10	4	34
			TOTAL	\$105

An explanation of Petitioner's 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.



