

In the Matter of the Protest of

Petitioner.

DECISION

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 [REDACTED] 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:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$20	\$10	\$6	\$36
2018	20	10	5	35
2019	20	10	4	<u>34</u>
			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.
