

expenses reported to the Idaho Department of Labor and Tax Commission to reduce their net estimated business expenses. Petitioner protested the Notice, stating the estimates are incorrect and they will be providing actual returns. Petitioner subsequently filed returns for tax years 2018 through 2020. The Bureau accepted the returns filed and sent Petitioner a letter on May 13, 2024, informing them the Notice for tax periods 2018 through 2020 were cancelled. These returns better reflect Petitioner's Idaho taxable income and therefore will not be discussed in this decision.

The Bureau continued to request their business return for 2021 but 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 on August 30, 2024, explaining the appeals process and their right to a hearing. Petitioner did not respond, so the Tax Commission must decide this matter based on the information currently 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. 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. Petitioner is an S-Corporation, meaning the income flows through to its shareholders and the tax is paid on the individual level. The tax shown on the Notice reflects the minimum tax of \$20 as required by Idaho Code section 63-3025.

CONCLUSION

Petitioner was an operating business and received income in the taxable year 2021 that exceeded the threshold for filing a Idaho income tax return. When no returns were filed, the Bureau prepared returns for them with information available to the Tax Commission. Petitioner requested time to file actual returns but failed to provide said returns after multiple extensions were granted. The Tax Commission reviewed the Notice and found it to be a reasonable representation of Petitioner's Idaho taxable income for tax year 2021.

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 November 9, 2023, is hereby APPROVED and MADE FINAL for tax year 2021.

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$20	\$10	\$1	\$31

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.

[REDACTED]

[REDACTED]