

installation of windows. The Bureau reviewed the information provided and sent Petitioners a modified Notice, allowing a portion of the EEU deduction claimed for tax year 2021. When the Bureau did not receive additional documentation for the disallowed credits and deductions, they referred the matter to the Tax Commission's Appeals Unit (Appeals) for administrative review.

Appeals sent Petitioners a letter explaining the options available for redetermining a Notice. Petitioners responded, providing documents related to the roofing and plumbing costs, pictures of the concrete work, and the roofing replacement/repair. Petitioners did not request an informal hearing.

ISSUES

The Bureau's review of Petitioners' 2021 through 2023 Idaho individual income tax returns centered on the following issues:

- EEU deduction
- AED deduction
- Donated technological equipment deduction
- Cash charitable contribution credit
- Idaho educational entities credit

The review resulted in the following adjustments, all of which are upheld by the Tax Commission for the reasons that follow.

LAW AND ANALYSIS

Energy Efficiency Upgrades Deduction

63-3022B. DEDUCTION FOR ENERGY EFFICIENCY UPGRADES.

(1) An individual taxpayer may deduct from taxable income an amount actually paid or accrued by the individual taxpayer during the taxable year for the actual installation of energy efficiency upgrade measures within any existing residence. As used in this section, "existing residence" means any residence in the state of Idaho that serves as the primary place of residence of the individual taxpayer in being, under construction, or subject to an outstanding legal building permit on or before January 1, 2002.

(2) As used in this section:

(a) "Energy efficiency upgrade measure" means an energy efficiency

improvement to the building envelope or duct system that meets or exceeds the minimum value for the improved component established by the version of the international energy conservation code (IECC) in effect in Idaho during the taxable year in which the improvement is made or accrued.

(b) "Energy efficiency upgrade measure" includes:

- (i) Insulation that shall be added to existing insulation not in replacement of existing insulation;
- (ii) Windows that may replace less efficient existing windows;
- (iii) Storm windows;
- (iv) Weather stripping and caulking; and
- (v) Duct sealing and insulation. Duct sealing requires mechanical fastening of joints and mastic sealant.

Petitioners claimed the EEU deduction for all three years under review. Petitioners explained in their protest letter that they are restoring an 1898 historic house and the EEU deductions were the cost of replacing or upgrading old windows, doors, sealants, installing high-quality hemp wool insulation and upgrading the house wrap. Petitioners provided documentation for the windows upgrade in 2021 but nothing for the other upgrades. Therefore, the Bureau modified the Notice to allow a portion of the EEU deduction.

Alternative Energy Device Deduction

63-3022C. DEDUCTION FOR ALTERNATIVE ENERGY DEVICE AT RESIDENCE.

(3) As used in this section, "alternative energy device" means any system or mechanism or series of mechanisms using solar radiation, wind or geothermal resource as defined in section 42-4002, Idaho Code, primarily to provide heating, to provide cooling, to produce electrical power, or any combination thereof. Alternative energy device includes a fluid to air heat pump operating on a fluid reservoir heated by solar radiation or geothermal resource. Alternative energy device shall also include either a natural gas heating unit, or a propane heating unit, or a wood burning stove which meets the most current environmental protection agency certification, or a pellet stove which meets the most current industry and state standards, and which natural gas heating unit, or propane heating unit, or wood burning stove which meets the most current environmental protection agency certification, or pellet stove which meets the most current industry and state standards is used to replace during the same tax year a wood burning stove designed for residential heating and that does not meet environmental protection agency requirements for certification, provided the wood burning stove is surrendered to the department of environmental quality or its agent for destruction in accordance with applicable federal and state rules.

Petitioners claimed the AED deduction in 2021 and 2023. Petitioners stated as part of their historic home restoration, they installed a new gas water heater, gas fireplace, and improved the chimney efficiency. While these improvements were no doubt necessary, they are not alternative energy devices, and the expenses were not documented. Therefore, no deduction will be allowed.

Technological Equipment Donation

63-3022J. DEDUCTION OF VALUE FOR TECHNOLOGICAL EQUIPMENT.

(1) Any individual or corporation may deduct from taxable income an amount equal to the fair market value of technological equipment donated to public elementary or public secondary schools, private elementary or private secondary schools, public universities, private universities, public colleges, private colleges, public community colleges, private community colleges, public technical colleges or private technical colleges, or public libraries and library districts located within the state of Idaho, except that the amount of the deduction shall not exceed the amount of the taxpayer's cost of the technological equipment donated nor reduce Idaho taxable income to less than zero.

Petitioners explained in their protest letter they donated an iPad to the [REDACTED] County Historical Museum in 2022 to support their efforts in preserving and sharing local history. To qualify for the technological equipment donation the recipient needs to be a qualified institution. Donations to museums are not eligible for this deduction under Idaho Code 63-3022J.

Charitable Contributions

I.R.C. section 170(p) Special Rule for Taxpayers Who Do Not Elect To Itemize Deductions. In the case of any taxable year beginning in 2021, if the individual does not elect to itemize deductions for such taxable year, the deduction under this section shall be equal to the deduction, not in excess of \$300 (\$600 in the case of a joint return), which would be determined under this section if the only charitable contributions taken into account in determining such deduction were contributions made in cash during such taxable year.

Petitioners claimed Charitable Contributions of \$600 on their 2021 federal return which increased their standard deduction. Petitioners explained in their protest letter that they regularly donate to the [REDACTED] Church in [REDACTED] Idaho, the Idaho Youth Ranch, and [REDACTED] [REDACTED]. However,

no evidence was provided to support these charitable contributions. Without adequate substantiation, no deduction is allowed.

Idaho Education Entity Contribution

Petitioners' 2023 return included the Idaho Form 39R Resident Supplemental Schedule where they claimed a \$1,000 credit for contributions to an Idaho educational entity. Petitioners' protest letter did not include an objection to this adjustment. Therefore, the Tax Commission will not discuss it further in this decision.

CONCLUSION

Deductions are a matter of legislative grace, and the taxpayer bears the burden of proof to show that the deduction claimed is within the applicable statute. *New Colonial Ice Co. v. Helvering*, supra. See also *Higgins v. C.I.R.*, T. C. Memo. 1984-330 (1984). The burden rests upon the taxpayer to disclose his receipts and claim his proper deductions. *United States v. Ballard*, 535 F.2d 400 (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). For the majority of the expenses under review in this matter, Petitioners simply failed to produce the required receipts and/or other documentation required for the deduction. Therefore, Petitioners must bear their misfortune and pay the additional tax associated with the disallowed credits and deductions.

Therefore, the modified Notice dated June 26, 2025, and directed to [REDACTED]

[REDACTED] is 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>
2021	\$1,551	\$78	\$218	\$1,851
2022	304	15	30	349
2023	2,785	139	126	<u>3,050</u>
		TOTAL DUE		<u>\$5,239</u>

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 _____ 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.
