

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of

██████ ██████████ ██████████

Petitioners.

DOCKET NO. 0-898-360-320

DECISION

██████ ██████████ ██████████ (Petitioners) protested the Notice of Deficiency Determination (Notice) for tax years 2020, 2021, and 2022 (audit period), dated August 14, 2024. The Tax Commission reviewed the matter and hereby issues its final decision to uphold the Notice.

**Background**

Mr. ████████ was a 50% owner of ██████████ dba ██████████ (██████) during the audit period. ████████ filed returns claiming credits for Idaho research activities during the audit period. The Tax Commission's Income Tax Audit Bureau (Audit) examined these returns and disallowed the credits. Since ████████ was a flow-through entity, Audit issued a Notice to assign Mr. ████████ his distributive share of the additional tax due.

Audit also adjusted Petitioners' 2021 tax return to include a previously unreported retirement distribution and their 2022 income tax return to match the income reported on an amended federal return. Audit explained that Petitioners' 2022 income tax return was filed October 15, 2023, and did not include payment of the tax due. Collection efforts began before the amended return was filed, which caused the amended return not to be processed until the collection case was resolved. In the meantime, the examination of ████████ returns was opened. Audit's adjustments for 2022 included decreasing Petitioners' income, increasing their itemized deductions, and decreasing their deduction for qualified business income, all to make the original filed return match the information on amended federal returns without processing the 2022 return. There was no

adjustment for Idaho research credit; the credit shown on the amended return was simply not allowed.

Petitioners protested the Notice, as did [REDACTED]. Audit acknowledged the protests and forwarded the matter to the Tax Commission's Appeals unit (Appeals) to continue the redetermination process. Appeals sent Petitioners and their attorney-in-fact (AIF) letters outlining the options available for redetermining a protested Notice. [REDACTED] responded to the letter and went through the administrative appeal process, participating in an informal hearing and providing additional information. The Tax Commission ruled on Audit's adjustments to the [REDACTED] returns in its decision on Appeals Docket Number 0-689-955-840. The Tax Commission upheld the Notice in that case. Neither Petitioners nor AIF responded specifically regarding Petitioners' Notice. The Tax Commission therefore must make its decision based on the information currently available.

### **Law & Analysis**

[REDACTED] filed Idaho partnership returns for 2020, 2021, and 2022, reporting Mr. [REDACTED] as a resident owner. As a partnership, [REDACTED] was a flow-through entity, meaning that the tax attributes of the partnership flow to the resident partner to be reported on his individual income tax return. The results of the changes to [REDACTED] partnership returns require a change to Mr. [REDACTED] returns. The Tax Commission determined that [REDACTED] was not eligible to claim the Idaho research credit and therefore, Petitioners are not eligible to claim Idaho research credit flowing through from [REDACTED].

Regarding the other adjustments to Petitioners' 2021 and 2022 returns, it is well established in Idaho that a Tax Commission Notice is presumed to be correct, and the taxpayer bears the burden of showing the deficiency is erroneous.<sup>1</sup> The Tax Commission requires Petitioners to provide

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<sup>1</sup> See *Parsons v. Idaho State Tax Commission*, 110 Idaho 572, 574-575 n.2 (Ct. App. 1986) (citing *Albertson's Inc. v. State, Dept. of Revenue*, 106 Idaho 810, 814 (1984)).

adequate evidence to establish that the amount asserted in the Notice is incorrect. Petitioners failed to do so. They have not provided any substantive argument or documentation to show the adjustments are incorrect.

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

### Conclusion

Mr. [REDACTED] was a 50% owner of [REDACTED] which filed partnership returns. The Tax Commission adjusted returns for [REDACTED] resulting in corresponding changes to Petitioners' returns for 2020 through 2022. Petitioners have not provided any information to show other adjustments not stemming from a flow-through entity are incorrect.

THEREFORE, the Notice dated August 14, 2024, and directed to [REDACTED] [REDACTED] [REDACTED] [REDACTED]

[REDACTED] is hereby UPHELD 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>
2020	\$8,360	\$10	\$954	\$9,324
2021	7,902	1,439	208	9,549
2022	(2,338)	0	(232)	<u>(2,570)</u>
			Held refund	<u>(15,236)</u>
				<u>\$1,067</u>

The Tax Commission DEMANDS immediate payment of this amount. Interest is calculated in accordance with Idaho Code section 63-3045.

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:

[REDACTED]

Receipt No.

\_\_\_\_\_  
\_\_\_\_\_

[REDACTED]