

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 0-931-117-056
	)	
	)	
	)	DECISION
Petitioners.	)	

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(Petitioners) protested the Notice of Deficiency Determination dated October 12, 2021. Petitioners disagreed with the Tax Discovery Bureau’s (Bureau) determination of their Idaho taxable income for tax years 2015 through 2019. Petitioners stated they would file returns reporting their actual Idaho taxable income. The Tax Commission reviewed the matter and hereby modifies the Notice of Deficiency Determination.

**BACKGROUND**

During a review of Petitioners’ filing history with the Tax Commission, the Bureau found Petitioners stopped filing Idaho income tax returns after filing their 2014 individual income tax return. The Bureau sent Petitioners a letter asking about their requirement to file Idaho income tax returns for the tax years 2015 through 2019. Petitioners did not respond. The Bureau, using W-2 information and information from a recently completed audit of Mr. \_\_\_\_\_ pass-through entity, determined Petitioners were required to file Idaho income tax returns for each of the years in question. The Bureau prepared income tax returns for Petitioners and sent them a Notice of Deficiency Determination.

Petitioners protested stating the returns the Bureau prepared did not include all their dependents and were missing deductions. Petitioners stated their delinquent returns were due to an automobile accident in 2015 that Mr. \_\_\_\_\_ was involved in and most recently Mr. \_\_\_\_\_ illness. Petitioners stated they would file the missing tax returns and get current with their income tax filing. Petitioners asked for additional time to prepare and submit their income tax returns.

The Bureau acknowledged Petitioners' protest and asked that Petitioners provide their returns within a specific timeframe. Petitioners did not meet the Bureau's timeframe because of them contracting the COVID virus. Petitioners requested more time, but the Bureau stated its procedures are firm and that Petitioners' case would be sent for administrative review.

The Bureau sent Petitioners' case to the Tax Commission's Appeals Unit (Appeals). Appeals reviewed the matter and sent Petitioners a letter that discussed the methods available for redetermining a Notice of Deficiency Determination. Petitioners contacted Appeals and said they were still planning on submitting income tax returns. Petitioners stated they would be in Boise on June 1, 2022, and would like to drop off their returns on that date. Appeals agreed and scheduled a time to meet with Petitioners.

As the June 1<sup>st</sup> date approached, Petitioners contacted Appeals stating that a conflict arose, and they would not be going to Boise. Petitioners asked to reschedule. Appeals agreed to reschedule but also told Petitioners they could mail or e-mail their returns to the Tax Commission. Petitioners stated they would consider those options but wanted to keep the rescheduled date.

When the rescheduled date passed and Petitioners did not show up, Appeals contacted Petitioners about their returns. Petitioners stated they decided they would either mail or e-mail the returns. Appeals allowed a couple more weeks for Petitioners' returns and when no returns appeared, Appeals contacted Petitioners and left a message asking when we could expect their returns. Petitioners did not respond, so Appeals sent Petitioners a letter giving them a final date to have their returns to the Tax Commission. Petitioners responded a few days later stating they were waiting on information from the IRS. Petitioners thought they would have the information the following week and then the returns could be completed.

A month passed and Petitioners still had not provided their returns. Appeals contacted Petitioners asking about the returns. Petitioners stated they still haven't received their transcript information from the IRS. Petitioners stated once they get the information, they can finalize their returns. Another month passed with no returns from Petitioners. Appeals contacted them again. Petitioners stated they would have all the returns to the Tax Commission the following week. Petitioners' returns were not received the following week, but they did provide their returns several weeks later.

Petitioners provided returns for tax years 2016 through 2019. The Tax Commission reviewed those returns and found them to be a better representation of Petitioners' taxable income than the returns prepared by the Bureau, with one exception. On each of their returns, Petitioners claimed two additional dependents. When the Tax Commission reviewed Petitioners' returns, the Tax Commission found one of Petitioners' dependents was claimed by another taxpayer. The Tax Commission asked Petitioners about the dependent and they responded that that dependent should not have been claimed until 2019. Petitioners stated the dependent was an adopted child and he began living with them in 2019.

Appeals also asked Petitioners about their 2015 return. Petitioners responded that 2015 was the year of Mr. [redacted] automobile accident and that they had no records for that year. Petitioners stated they would have to rely on the Tax Commission's best estimate for 2015.

### **LAW AND ANALYSIS**

Idaho Code section 63-3030 provides the income thresholds for filing Idaho income tax returns. The information the Bureau gathered clearly shows Petitioners' income exceeded the threshold for each of the years. Petitioners were required to file Idaho income tax returns.

Petitioners did not deny they were required to file Idaho income tax returns. Petitioners wanted to file their own returns claiming all their appropriate deductions. Petitioners did file income tax returns for the tax years 2016 through 2019, thus fulfilling the requirement of Idaho Code section 63-3030 for those years. However, the returns for 2016, 2017, and 2018 claimed an extra dependent Petitioners were not entitled to claim. The Tax Commission adjusted those returns disallowing the dependent but otherwise accepts the returns Petitioners provided subject to the Tax Commission's normal review and subject to the statute of limitations beginning on the date the returns were received by the Tax Commission.

As for tax year 2015, Petitioners did not provide an income tax return. Generally, when a taxpayer does not submit an actual return in lieu of a return prepared by the Bureau, the Tax Commission affirms the return the Bureau prepared. However, the return the Bureau prepared was based on the information it had available and an estimate of Mr. [redacted] pass-through income from [redacted]. The Bureau also pursued the tax year 2015 return from [redacted] also protested the Bureau's determination and the Tax Commission decided that protest in its decision on Docket No. 0-275-232-768. In accordance with that decision, the Tax Commission reevaluated the Bureau's estimate of Petitioners' 2015 Idaho taxable income. As a result, the Tax Commission modifies Petitioners' tax deficiency for tax year 2015.

## **CONCLUSION**

Petitioners received income in 2015, 2016, 2107, 2018, and 2019 that was over the threshold for filing Idaho individual income tax returns. Petitioners were required to file Idaho income tax returns. Petitioners submitted income tax returns for the tax years 2016 through 2019. Other than the extra dependent claimed on tax years' 2016, 2017 and 2018 returns, the Tax Commission found Petitioners' returns better represent their taxable income than the returns the Bureau prepared.

Therefore, the Tax Commission accepts Petitioners' 2016 through 2019 returns, after adjusting for the extra dependent, in lieu of the same returns prepared by the Bureau.

Petitioners did not provide an income tax return for tax year 2015. However, based on the Tax Commission's decision regarding [redacted] and the returns Petitioners did provide, the Tax Commission finds it appropriate to modify Petitioners' 2015 Idaho taxable income for the pass-through income from [redacted] and allow them one dependent child.

Petitioners' modified 2015 return resulted in a refund. However, Idaho Code section 63-3072(c) states that a claim for refund of amounts withheld must be made within three (3) years of the due date, and a claim for credit of amounts withheld must be made within ten (10) years of the due date of the income tax return required to be filed, without regard to extensions, for the taxable year with respect to which the tax was withheld or paid. Petitioners have not filed an income tax return for tax year 2015; consequently, Petitioners have not filed a claim for credit. Since Petitioners did not file a return claiming a credit, the Tax Commission cannot allow the credit as determined from the modification of the Bureau prepared return for them. Therefore, no refund or credit is allowed from tax year 2015.

The Bureau added interest and penalty to Petitioners' Idaho tax. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046 for the tax years where Petitioners owe tax.

THEREFORE, the Notice of Deficiency Determination dated October 12, 2021, and directed to [redacted] is AFFIRMED as MODIFIED by this decision.

IT IS ORDERED that Petitioners pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>REFUND CLAIMED</u>	<u>REFUND ALLOWED</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015	\$ 0	0	\$ 0	\$ 0	\$ 0	\$ 0
2016	15	0	85	21	21	127
2017	661	561	0	0	0	(561)
2018			959	240	100	1,299
2019			1,111	278	126	1,515
					TOTAL DUE	<u>\$2,380</u>

An explanation of Petitioners' right to appeal this decision is enclosed.

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

IDAHO STATE TAX COMMISSION

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2023,  
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.

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