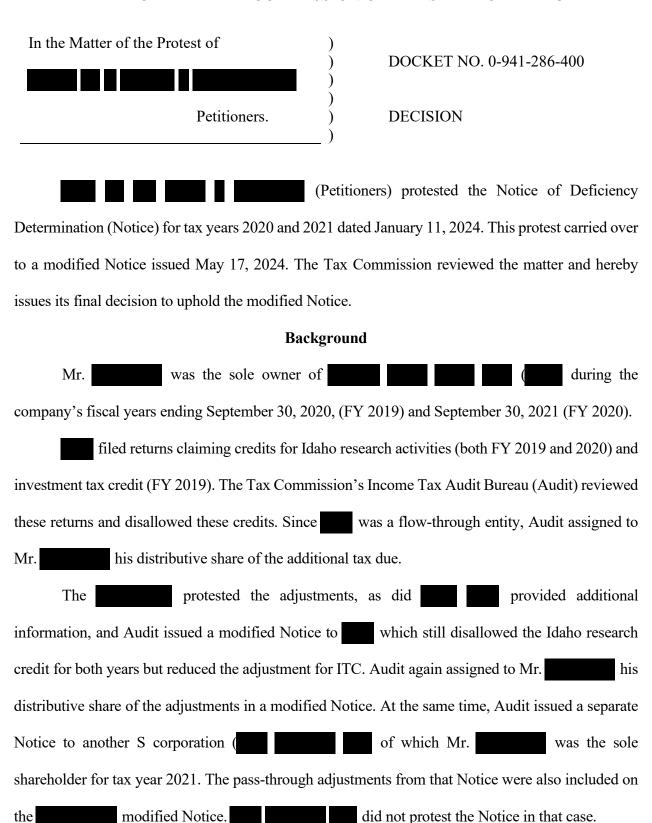
BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO



continued its protest of the modified Notice issued in its case. The did not respond to their modified Notice, but their protest of the original Notice was automatically carried over to the modified Notice.

went through the Tax Commission's administrative appeal process. The Tax Commission ruled on Audit's adjustments to the returns in its decision on Appeals Docket Number 1-588-651-008. The Tax Commission upheld the modified Notice in that case.

Mr. and Mrs. were sent a letter outlining the options available to redetermine a protested Notice, but they did not respond. The Tax Commission therefore must make its decision based on the information currently available.

Law & Analysis

filed S corporation income tax returns for FY 2019 and FY 2020. As an S corporation, was a flow-through entity, meaning that the tax attributes of the S corporation flow to the shareholders to be reported on their individual income tax returns. As a result, any changes to a S corporation return requires a change to the shareholder's return. Mr. was the sole shareholder during the years in question. The Tax Commission determined that was not eligible to claim. Idaho research credit and that had claimed more ITC than it was eligible to claim. Those adjustments must be passed through to Mr. as the sole shareholder at the time.

If filed an S corporation income tax return as an affected business entity for the year in question. As such, the tax due on Mr. distributive share of Idaho taxable income was calculated at the entity level, and the tax due was paid by the entity. The additional tax due must still be reported on the individual income tax return, but they are allowed a credit for the tax that was paid by the entity.

The Bureau added interest to Petitioners' tax deficiency. The Tax Commission reviewed this addition and finds it to be appropriate and in accordance with Idaho Code section 63-3045.

Conclusion

Mr. was the sole owner of and which filed returns as S corporations. The Tax Commission adjusted returns filed by the businesses, resulting in corresponding changes to the returns for 2020 and 2021.

THEREFORE, the modified Notice dated May 17, 2024, is hereby UPHELD and MADE FINAL.

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

| <u>YEAR</u> | \underline{TAX} | <u>INTEREST</u> | TOTAL |
|-------------|-------------------|-----------------|--------------|
| 2020 | \$49,259 | \$5,378 | \$54,637 |
| 2021 | 44,146 | 3,887 | 48,033 |
| | | | \$102,670 |

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 a copy of the within and foregoing DECI mail, postage prepaid, in an envelope add | SION was served by send | 2025, ing the same by United State |
|---|-------------------------|---------------------------------------|
| | Receipt No. | |
| | | |