

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
██████████)	DOCKET NO. 1-081-512-960
)	
Petitioner.)	DECISION
_____)	

██████████ (Petitioner) protests the Notice of Deficiency Determination (Notice) issued by the Idaho State Tax Commission’s (Tax Commission) Income Tax Audit Bureau (Audit) dated June 4, 2025. He disputes the adjustments made by the Internal Revenue Service (IRS), to his 2018 federal income tax return, asserting that the IRS provided no explanation for the changes. After careful review, the Tax Commission upholds the Notice for the reasons outlined below.

BACKGROUND

Audit received information from the IRS regarding an adjustment to Petitioner’s 2018 federal income tax return. Upon review, Audit determined that the same adjustment must be applied to Petitioner’s Idaho individual income tax return. Accordingly, Audit modified Petitioner’s 2018 Idaho income tax return and issued him a Notice.

Petitioner protested the Notice, stating that neither the IRS nor Audit provided a clear basis for the change. Audit acknowledged the protest and forwarded the matter to the Tax Commission’s Appeals Unit (Appeals) for administrative review.

Appeals reviewed the matter and sent Petitioner a letter explaining the options available for redetermining a Notice. Petitioner requested an informal hearing, which was held on July 31, 2025. During the hearing, Petitioner stated that the IRS adjusted his 2018 federal return, but he had no idea what specifically was disallowed. Petitioner further stated the adjustments were most likely related to the business expenses he claimed on his Schedule C. Petitioner maintains that he

attempted to appeal the IRS determination and sent in numerous receipts for his expenses but was told they did not have time to review the documentation.

LAW AND ANALYSIS

Idaho Code section 63-3002 expresses the Idaho Legislature's intent that the Idaho Income Tax Act conforms to the Internal Revenue Code in measuring taxable income. Accordingly, Idaho requires taxpayers to report the same taxable income as reported to the IRS, subject to modifications contained in the Idaho law. Therefore, any changes to Petitioner's federal taxable income must also apply to his Idaho taxable income.

Idaho Code section 63-3069 states that upon a final determination of any deficiency or refund of federal taxes, written notice shall be immediately sent to the state tax commission by the taxpayer. IDAPA 35.01.01 Income Tax Administrative Rule 890.03 provides that negligence penalties may be imposed if a taxpayer has not provided the written notice within 120 days of the final determination. Petitioner did not provide any information about the final determination.

The Tax Commission received information from the IRS indicating that Petitioner's adjusted gross income (AGI) had been revised. Because the IRS adjusted Petitioner's federal taxable income and subsequently closed its audit, the Tax Commission finds it appropriate to apply those same changes to Petitioner's Idaho income tax return. Audit's adjustment to the 2018 Idaho return is consistent with this statutory requirement.

CONCLUSION

The IRS adjusted Petitioner's 2018 federal income tax return. Since Idaho uses the federal adjusted gross income as a starting point for calculating state income tax, Audit reviewed the IRS findings and made corresponding adjustments to Petitioner's Idaho return.

Petitioner's disagreement with the IRS's determination does not alter Idaho's obligation to conform to federal taxable income. As the IRS has finalized its audit and no further federal changes are pending, the Tax Commission upholds the Notice.

Audit 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, respectively.

THEREFORE, the Notice dated June 4, 2025, and directed to [REDACTED] [REDACTED] is hereby AFFIRMED and MADE FINAL.

IT IS ORDERED that Petitioner pay the following tax, penalty, and interest calculated per Idaho Code section 63-3045:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2018	\$570	\$29	\$155	\$754

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of Petitioner's 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.
