

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 1-222-424-576
)	
Petitioner.)	DECISION
<hr style="width: 45%; margin-left: 0;"/>)	

(Petitioner) protested the Notice of Deficiency Determination (Notice) dated June 25, 2021, issued by the Tax Discovery Bureau (Bureau). The Tax Commission reviewed the matter and hereby issues its final decision upholding the Notice. This means Petitioner needs to pay \$48,870 of tax, penalty, and interest for tax years 2013, 2014, 2015, and 2018. The Tax Commission DEMANDS immediate payment of this amount.

BACKGROUND

During a review of taxpayer information, the Bureau could not locate Petitioner’s Idaho individual income tax returns for tax years 2013, 2014, 2015, and 2018. The Bureau determined that Petitioner met the requirements to file Idaho tax returns for the years in question.

The Bureau first contacted Petitioner on February 18, 2021, inquiring about the missing returns. When Petitioner did not respond, the Bureau prepared returns for him and issued a Notice.

In calculating Petitioner’s Idaho taxable income for the years in question, the Bureau included wages, interest¹, debt cancellation², and self-employment income and expenses. The Bureau estimated Petitioner’s self-employment income based on third-party information showing amounts paid to him and to a business bearing his name (_____) The Bureau

¹ Petitioner received 1099-INT for 2014 and 2015.

² Petitioner received 1099-C for 2014.

estimated self-employment expenses based on cost of goods sold claimed on Petitioner's 2011 and 2012 federal Schedule C for

Petitioner filed a timely protest of the Notice, disagreeing specifically with the estimate of income and expenses. The Bureau acknowledged Petitioner's protest and made an additional request for his missing Idaho individual income tax returns. When returns did not arrive, the Bureau forwarded the matter to the Tax Commission's Appeals unit (Appeals) for administrative review.

On January 31, 2022, Appeals sent Petitioner a letter outlining his options for redetermining a protested Notice. Petitioner did not respond. Appeals sent a follow-up letter, which also generated no response.

Petitioner has had more than adequate time to submit his returns but has not done so. Therefore, the Tax Commission decided this matter based on the information currently available.

LAW & ANALYSIS

Idaho Code section 63-3030(a)(1) requires each individual who is a resident of Idaho to file an Idaho income tax return if required to file a federal return. Internal Revenue Code section 6012 states that the requirement to file a federal return is based on gross income.

The information gathered by the Bureau and used to calculate Petitioner's Idaho taxable income clearly shows that Petitioner received gross income above the threshold amounts for filing returns. Petitioner did not express disagreement with the Bureau's conclusion that he was required to file Idaho returns for the years in question, but rather argued that the estimated income and expenses were incorrect.

The Tax Commission realizes that Petitioner may have had more business expenses than those shown on the Notice. However, deductions are a matter of legislative grace, and the taxpayer

bears the burden of showing that each deduction is allowable by statute. *New Colonial Ice Co. v. Helvering*, 292 US. 435, 54 S.Ct. 788 (1934); *Higgins v. C.I.R.*, T.C. Memo. 1984-330, (1984). The burden rests upon the taxpayer to disclose its receipts and claim its 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 the taxpayer must bear its misfortune. *Burnet v. Houston*, 283 US. 223, 51 S.Ct. 413 (1931).

CONCLUSION

In Idaho, it is well established that a Tax Commission Notice is presumed to be correct, and the taxpayer bears the burden of showing the deficiency is erroneous. *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)). The Tax Commission requires Petitioner to provide adequate evidence to establish that the amount asserted in the Notice is incorrect. Petitioner has failed to do so. He has not filed actual returns or provided any substantive argument or documentation to show the individual income tax returns prepared by the Bureau for tax years 2013, 2014, 2015, and 2018 are incorrect. Therefore, the Tax Commission finds the returns prepared by the Bureau are a reasonable representation of Petitioner's Idaho taxable income and related tax due.

The Bureau added interest and penalty to Petitioner's 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.

THEREFORE, the Notice dated June 25, 2021, and directed to _____ is hereby AFFIRMED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013	\$10,856	\$2,714	\$3,899	\$17,469
2014	10,099	2,525	3,223	15,847
2015	5,153	1,288	1,436	7,877
2018	5,579	1,395	928	7,902
			TOTAL DUE	<hr/> \$49,095

Interest is calculated through October 23, 2023.

An explanation of Petitioner's 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.
