

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

| | | |
|---------------------------------|---|--------------------------|
| In the Matter of the Protest of |) | |
| |) | DOCKET NO. 1-249-543-168 |
| |) | |
| |) | |
| Petitioners. |) | DECISION |
| _____ |) | |

This case arises from a timely protest of a Notice of Deficiency Determination (Notice) issued to _____ (Petitioners) for taxable years 2016 through 2020. The Idaho State Tax Commission (Commission), after a review of the matter, modifies the Notice issued to Petitioners for the reasons discussed below.

THEREFORE, the Notice dated March 2, 2022, and directed to Petitioners is AFFIRMED as modified.

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> |
|-------------|------------|----------------|-----------------|--------------|
| 2018 | \$6,078 | \$1,520 | \$953 | \$8,551 |

Interest is computed through August 16, 2023.

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

BACKGROUND

During a review of taxpayer data, the Tax Discovery Bureau (Bureau) found that Petitioners did not file their Idaho individual income tax returns for taxable years 2016 through 2020. The Bureau, using Commission information, third-party information, as well as an estimate of Schedule C business income, determined Petitioners had a filing requirement per Idaho Code section 63-3030 for the years in question. The Bureau sent Petitioners a letter asking about their requirement to file Idaho income tax returns for the tax years in question. Petitioners responded with a telephone call asking the Bureau to use their past itemized deductions. The Bureau informed Petitioners they needed to file actual

returns to use itemized deductions. When Petitioners did not file actual returns the Bureau used the third-party information to prepare returns for them and issued Petitioners a Notice.

Petitioners protested disputing the amount due without the consideration of the itemized deductions that will be represented when their returns are officially filed, showing that the Notice is not currently factual. The Bureau accepted Petitioners' protest and transferred the matter to the Commission's Appeals Unit (Appeals) for administrative review.

Appeals reviewed the matter and sent Petitioners a letter with two methods for redetermining a protested Notice. Petitioners, through their representative, called and requested additional time to file returns which was granted. Petitioners did file returns for the tax years 2016, 2017, 2019, and 2020. In addition, Petitioners filed a return for tax year 2021. All returns were accepted pending normal processing.

Since Petitioners submitted returns, the Commission modifies the Notice cancelling the deficiency for years which are no longer in dispute. However, concerning tax year 2018, the Commission decided that year based upon the information available with no further communication from Petitioners.

LAW AND ANALYSIS

Idaho Code section 63-3030 provides the income thresholds for filing Idaho individual income tax returns. The W-2 and estimate of Schedule C business income gathered by the Bureau clearly shows Petitioners received Idaho source income for 2018 that exceeded the threshold amount for filing an Idaho income tax return. Therefore, Petitioners were required to file an Idaho individual income tax return.

Petitioners did not deny they were required to file an Idaho income tax return. Petitioners stated they have itemized deductions that were not included. Credits and deductions are a matter of

legislative grace. *New Colonial Ice Co., Inc. v. Helvering*, 292 US. 435, 440, 54 S.Ct. 788 (1934). The burden rests upon the taxpayer to claim their proper deductions. *United States v. Ballard*, 535 F.2d 400, 404 (1976).

In Idaho, a State Tax Commission deficiency determination is presumed to be correct, and the burden is on the taxpayer to show that the deficiency is erroneous. *Parsons v. Idaho State Tax Commission*, 110 Idaho 572, 574-575 n.2, 716 P.2d 1344, 1346-1347 n.2 (Ct. App. 1986). Petitioners met their burden when they submitted returns for tax years 2016, 2017, 2019, and 2020. However, because Petitioners provided nothing for tax year 2018, they failed to show the 2018 return the Bureau prepared was in error. Therefore, the Commission agrees that the Bureau's 2018 return is a reasonable representation of Petitioners' Idaho taxable income and therefore their Idaho tax.

CONCLUSION

Petitioners received income in the taxable year 2018 that exceeded the threshold for filing an Idaho income tax return. Petitioners were required to file an Idaho income tax return. Petitioners provided income tax returns for tax years 2016, 2017, 2019, and 2020 showing their income, deductions, and credits. The Commission accepted those returns.

However, Petitioners did not show that the return the Bureau prepared for tax year 2018 was incorrect. The Commission reviewed the return and found it reasonable based on the information available. Therefore, the Commission upholds the Notice as modified by this decision.

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

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.
