

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of

██████████

Petitioner.

DOCKET NO. 1-266-226-176

DECISION

██████████ (Petitioner) protested the Notice of Deficiency Determination (Notice) dated March 19, 2024. Petitioner disagreed with the Tax Discovery Bureau's (Bureau) determination of his Idaho taxable income for tax years 2017 through 2022. The Idaho State Tax Commission (Tax Commission) reviewed the matter and hereby modifies the Notice for the reasons stated below.

BACKGROUND

During a review of Petitioner's filing history with the Tax Commission, the Bureau found Petitioner stopped filing Idaho income tax returns after submitting his 2015 return. The Bureau sent Petitioner a letter asking about his requirement to file Idaho income tax returns for tax years 2016 through 2022. Petitioner did not respond. The Bureau, based on information in Tax Commission records, determined Petitioner was required to file Idaho income tax returns. Therefore, the Bureau prepared returns for Petitioner and sent him a Notice.

Petitioner protested the Bureau's determination for each year stating:

I protest the monetary calculations that have been provided as it is based on Single Status and the tax withholdings are different for a married couple. I am married and my wife, ██████████ has received a letter for the same periods under Letter ID ██████████ (separate protest).

We have been working diligently to gather the information needed to prepare tax returns for these periods but have run into several challenges due to the age of the documents identified. However, we continue to work through the process to complete and submit tax documents for these periods, which will include itemizations on our bank statements, receipts, W-2s and other documents used in calculating our tax obligation which will likely result in a different amount of tax during each period (sic) will have them professionally prepared prior to submission.

We understand if our protest doesn't include all the required information, you will send us a letter telling us what we need to do to perfect our protest and that you must receive the information required to complete our protest within (sic) 28 days from the date on the letter you send, notifying us that our protest wasn't complete.

The Bureau acknowledged Petitioner's protest and allowed him additional time to file the missing returns. Petitioner provided returns for tax years 2016, 2017, 2020, 2021, and 2022 all with a filing status of Married Filing Jointly. The Bureau canceled the Notice for these years only. When Petitioner did not provide his 2018 and 2019 returns, the Bureau forwarded the case to the Tax Commission's Appeals Unit (Appeals) for administrative review.

Appeals reviewed the matter and sent Petitioner a letter that discussed the methods available for redetermining a Notice. There was no response. Appeals sent a follow-up letter, which also garnered no response. Seeing that Petitioner had time to file his 2018 and 2019 returns, the Tax Commission decides the matter based on the information available.

LAW AND ANALYSIS

Idaho Code section 60-3030 provides the income thresholds for filing Idaho income tax returns. The information the Bureau gathered clearly shows Petitioner's income exceeded the threshold for tax years 2018 and 2019. Petitioner was required to file Idaho income tax returns.

The Bureau used a filing status of Single, W-2 information in Tax Commission records, and estimated Schedule C income to create Petitioner's returns. The estimated Schedule C income was determined by totaling the 1099-MISC received by Petitioner and allowing an expense for payroll.

Generally, the Tax Commission upholds the Notice when a taxpayer does not submit actual returns. However, after reviewing the returns Petitioner filed for tax years 2016, 2017, 2020, 2021,

and 2022, the Tax Commission makes the following modifications to the Notice to reflect a more accurate determination of Petitioner's Idaho taxable income.

- Changing filing status from Single to Married Filing Jointly
- Including deductions for business expenses

To determine business expenses the Tax Commission added the expenses reported on Petitioner's filed returns, subtracted wages, and divided the remainder by gross income. The resulting percentage, 36.52%, was then applied to the Schedule C gross income for tax years 2018 and 2019 to arrive at the net profit.

Petitioner may have incurred business expenses in excess of what the Tax Commission allowed. However, deductions are a matter of legislative grace. *New Colonial Ice Co., Ince. v. Helvering*, 292 US. 435, 440, 54 S.Ct. 788 (1934). Taxpayers are required to maintain records to enable the determination of their tax liability. See IRC section 6001; Treasure Regulation section 1.6001-1(a). The burden is on the taxpayer to claim his proper deductions. *United States v. Ballard*, 535 F. 2d 400, 404 (1976).

CONCLUSION

Petitioner and his spouse received income in 2018 and 2019 which was over the threshold for filing Idaho income tax returns. Petitioner was required to file Idaho income tax returns, but he has yet to do so. Petitioner and his spouse did file returns for tax years 2016, 2017, and 2020 through 2022, and based on information shown in these returns, the Tax Commission modifies the Notice issued by the Bureau to allow Schedule C expenses and a filing status of Married Filing Jointly.

The Bureau 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 March 19, 2024, and directed to [REDACTED] [REDACTED] is hereby
AFFIRMED as MODIFIED by this decision.

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	\$3,568	\$892	\$1,059	\$5,519
2019	5,456	1,364	1,362	<u>8,182</u>
			TOTAL	\$13,701

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.


