



estimates calculated gross receipts of \$296,604, COGS of 41%, and payroll expenses of \$76,101. All estimated income was distributed to Petitioner's owners to report on their individual returns.

Petitioner protested the Notice, stating the estimates are incorrect and they will be providing actual returns. Petitioner did not provide the return in a timely fashion, so the Bureau transferred the case to the Tax Commission's Appeals Unit (Appeals) for administrative review.

Appeals sent Petitioner letters on October 15, 2025, and December 10, 2025, explaining the appeals process and their right to a hearing. Petitioner did not respond, so the Tax Commission must decide this matter based on the information currently available.

### **LAW AND ANALYSIS**

Petitioner is a partnership which is a flow-through entity for income tax purposes. A partnership is required to file a return of income reporting its income or loss for its taxable year. Since a partnership's income is passed down to its members, the partnership generally has no income tax liability. However, in Idaho, if a partnership fails to file a return and report the information required by Idaho Code section 63-3030, the partnership is subject to the penalty provided in Idaho Code section 63-3046B. Idaho Code section 63-3046B states,

[I]f any partnership required to file a return under section 63-3030, Idaho Code, for any taxable year:

(1) Fails to file such return at the time prescribed therefor by section 63-3030, Idaho Code, (determined with regard to any extension of time for filing); or

(2) Files a return which fails to show the information required under section 63-3030, Idaho Code, such partnership shall be liable for a penalty determined under subsection (b) of this section for each month (or fraction thereof) during which such failure continues (but not to exceed five (5) months), unless it is shown that such failure is due to reasonable cause.

(b) Amount per month. For purposes of subsection (a) of this section, the amount determined under this subsection for any month is the product of:

(1) Ten dollars (\$10.00), multiplied by

(2) the number of persons who are partners in the partnership during any part of the taxable year, except that in the case of partnerships with no business activity in Idaho during the taxable year but with partners who are Idaho residents, multiply the amount in subsection (b)(1) of this section by the

number of partners who are either Idaho residents or are persons other than individuals who are transacting business in Idaho.

(c) Assessment of penalty. The penalty imposed in subsection (a) of this section shall be assessed against the partnership.

Idaho Code section 63-3030(9) states a tax return is required by: “Every partnership which transacts business in this state. Such return shall be a supplemental information return and shall include the names and addresses of the persons who would be entitled to share in the net income of the partnership if distributed and the amount of the distributive share of each person. Such return shall be signed by one (1) of the partners.” According to information available to the Tax Commission, Petitioner was an operating business which was required to file tax returns. When no returns were filed, the Bureau prepared tax returns for Petitioner with estimated Idaho apportioned income.

The Tax Commission realizes that Petitioner may have had different business income and expenses than those shown on the Notice. However, deductions are a matter of legislative grace, and the taxpayer bears the burden of proving he is entitled to the deductions claimed. *New Colonial Ice Co., Inc. v. Helvering*, 292 US. 435, 440, 54 S.Ct. 788 (1934). Petitioner has failed to provide any substantial evidence or provide actual returns to prove the Notice is incorrect. Petitioner is a partnership, meaning the income flows through to its partners and the tax is paid on the individual level.

## CONCLUSION

Petitioner was an operating business and received income in the taxable year 2022 that exceeded the threshold for filing an Idaho income tax return. When no return was filed, the Bureau prepared the return for them with information available to the Tax Commission. Petitioner requested time to file actual returns but failed to provide said returns after multiple extensions were granted. The Tax Commission reviewed the Notice and found it to be a reasonable representation

of Petitioner's Idaho apportioned income for tax year 2022. The Bureau added the failure to file partnership return penalty to the Notice for each year. The Tax Commission reviewed this addition and found it to be appropriate and in accordance with Idaho Code section 63-3046B.

THEREFORE, the Notice of Deficiency Determination dated May 6, 2025, is hereby APPROVED by this decision and MADE FINAL.

IT IS ORDERED that Petitioner pay the following penalty:

<u>YEAR</u>	<u>PENALTY</u>	<u>TOTAL</u>
2022	\$100	\$100

The Tax Commission DEMANDS immediate payment of this amount.

An explanation of Petitioner's right to appeal this decision is enclosed.

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2026.

IDAHO STATE TAX COMMISSION

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2026,  
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.

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