BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of [redacted] Petitioner.	))))))	 DOCKET NO. 1-305-170-944 DECISION

[redacted] (Petitioner) protested the Notice of Deficiency Determination (Notice) dated July 24, 2025, issued by the Idaho State Tax Commission's Tax Discovery Bureau (Bureau). The Notice asserted a penalty for failing to file Idaho partnership returns for tax years 2017 through 2023. The Tax Commission reviewed the matter and hereby upholds the Notice for the reasons stated below.

BACKGROUND

Petitioner is a limited liability company (LLC) registered with Idaho's Secretary of State. It applied for and received an Idaho withholding permit, active from May 1, 2014, to the present, and filed withholding reports for tax periods June 30, 2014 through January 31, 2026.

When the Bureau reviewed the Tax Commission's records, it could not locate Idaho partnership returns for tax years 2017 through 2023. The Bureau sent Petitioner a letter requesting the missing returns, but Petitioner did not respond.

The Bureau determined Petitioner was required to file Idaho partnership returns for tax years 2017 through 2023. Because Petitioner failed to file said returns after being notified, the Bureau prepared returns on its behalf and issued a Notice. To estimate Petitioner's income, the Bureau calculated a payroll-to-gross-receipts ratio using Petitioner's 2014 federal income tax return, then applied that ratio to the wages reported to the Tax Commission and the Idaho Department of Labor (DOL).

The Bureau allowed deductions for wage/payroll expenses equal to the amount of W-2 forms reported to the Tax Commission for tax years 2017, 2021, and 2023, and based on total wages reported to Idaho DOL for tax years 2018 through 2022. The Bureau also allowed for a cost of goods sold (COGS) deduction each year, estimating the amount using the COGS-to gross-receipts ratio from Petitioner's 2014 federal return. The Bureau also allowed an additional business expense deduction equal to 25% of gross receipts, consistent with its standard estimation practices. Since Petitioner is a flow-through entity, the Bureau's Notice showed only the penalty for failing to file informational returns.

Petitioner protested the Notice stating that its federal tax returns were nearly complete and would result in different tax liabilities. Petitioner also stated it intended to file the overdue returns. The Bureau acknowledged Petitioner's protest and granted additional time, but Petitioner did not submit the returns. The Bureau then transferred the file to the Tax Commission's Appeals Unit (Appeals) for administrative review.

Appeals reviewed the case and notified Petitioner of its options for redetermining a protested Notice but received no response. Since Petitioner has had ample time to prepare and submit its income tax returns, the Tax Commission hereby issues its decision.

LAW AND ANALYSIS

Petitioner is an LLC which is a flow-through entity for income tax purposes. An LLC is required to file a return of income reporting its income or loss for its taxable year. Since the LLC's income flows through to its members, the LLC generally has no income tax liability. However, if the LLC fails to file a return and report the information required by Idaho Code section 63-3030, the LLC 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.

Petitioner transacted business in Idaho as evidenced by the wages it reported to the Tax Commission and to the Idaho DOL. Petitioner also did not contest its requirement to file Idaho income tax returns. Therefore, the Tax Commission found that based upon the information available and Petitioner's apparent concession of its requirement to file Idaho returns of income, Petitioner was required to file Idaho partnership income tax returns for tax years 2017 through 2023.

CONCLUSION

Since Petitioner failed to file Idaho partnership returns to report the required information of Idaho Code section 63-3030, the penalty of Idaho Code section 63-3046B is applicable. In addition, Petitioner has not shown reasonable cause for not filing its Idaho returns, the Tax Commission finds the application of the penalty appropriate. Therefore, the Tax Commission upholds the Bureau's determination.

THEREFORE, the Notice dated July 24, 2025, and directed to [redacted] is hereby AFFIRMED and MADE FINAL.

IT IS ORDERED that Petitioner pays the following penalty calculated monthly for two partners at $10 each for five months:

YEAR	TAX	PENALTY	INTEREST	TOTAL
2017	$0	$100	$0	$100
2018	0	100	0	100
2019	0	100	0	100
2020	0	100	0	100
2021	0	100	0	100
2022	0	100	0	100
2023	0	100	0	100
			TOTAL	$700

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 __________________________ 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:

[redacted]

Receipt No.

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