



representative requested more time to gather documentation. Appeals granted the time extension, but no additional documentation was provided during the agreed timeline. Without any new information, the Tax Commission must make its decision on the information currently available.

### **LAW AND ANALYSIS**

The Tax Commission is obligated through statute to apply interest to all deficiencies of tax.

Idaho Code section 63-3045(7)(a) states:

Interest shall apply to deficiencies in tax and refunds of tax. Interest shall not apply to any penalty or to unpaid accrued interest. Interest relating to deficiencies or refunds accruing after the original due date of the return, but not including extensions of the due date, shall be computed on the net of any underpayments and overpayments of a tax liability required to be shown as due on the same return.

While it is true that interest does not accrue during the audit or appeals period, interest does accrue from the due date of the return until the Bureau's first contact. Interest then continues to accrue after the issuance of this decision.

Internal Revenue Code (IRC) section 162 provides for the deduction of all the ordinary and necessary expenses paid or incurred in carrying out a trade or business. Idaho Code section 63-3042 allows the Tax Commission to examine a taxpayer's books and records to determine the correctness of an Idaho income tax return. Tax Commission Administration and Enforcement Rule IDAPA 35.02.01.200 provides that, "A taxpayer shall maintain all records that are necessary to a determination of the correct tax liability."

Deductions are a matter of legislative grace, and the taxpayer bears the burden of proving that he is entitled to the deductions claimed. *New Colonial Ice Co., Inc. v. Helvering*, 292 US. 435, 440, 54 S.Ct. 788 (1934). Taxpayers are required to maintain records that are sufficient to enable the determination of their correct tax liability. See IRC section 6001; Treasury Regulation section 1.6001-1(a). The burden rests upon the taxpayer to disclose his receipts and claim his proper

deductions. *United States v. Ballard*, 535 F.2d 400, 404 (1976). If a taxpayer is unable to provide adequate proof of any material fact upon which a deduction depends, no deduction is allowed, and that taxpayer must bear his misfortune. *Burnet v. Houston*, 283 U.S. 223, 51 S.Ct. 413 (1931). A taxpayer's general statement that his or her expenses were incurred in pursuit of a trade or business is not sufficient to establish that the expenses had a reasonably direct relationship to any such trade or business. *Near v. Commissioner of Internal Revenue*, T.C. Memo. 2020-10 (2020).

The Tax Commission understands the difficulty in finding invoices under Petitioner's circumstances, but they are required to substantiate business expenses. Petitioner filed his 2021 Idaho income tax return on October 16, 2022. The Bureau first contacted Petitioner on October 29, 2024, well within the three-year statute of limitations set out in Idaho Code section 63-3068.

### **CONCLUSION**

Petitioner was sent a Notice for tax year 2021 disallowing certain business expenses. Petitioner provided some documentation, but did not properly substantiate expenses related to supplies, utilities, office, and other expenses. The Tax Commission has given Petitioner sufficient time to provide any additional information for consideration.

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

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>
2021	\$5,850	\$293	\$796	\$6,939

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:

Receipt No.

[REDACTED]

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[REDACTED]