

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 1-352-188-928
	)	
Petitioners.	)	DECISION
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(Petitioners) protested the Notice of Deficiency Determination dated November 22, 2022. Petitioners disagreed with the disallowance of their donations of technological equipment and their Idaho charitable contributions. The Tax Commission, having reviewed the file, hereby issues its decision upholding the Notice of Deficiency Determination.

**BACKGROUND**

Petitioners filed their 2019 and 2020 Idaho individual income tax returns claiming donations of technological equipment and Idaho charitable contributions. The Income Tax Audit Bureau (Bureau) selected Petitioners’ 2019 and 2020 returns to review their contributions as well as other deductions Petitioners claimed. Petitioners provided the documentation they had for their donations, contributions, and other deductions. The Bureau reviewed the documentation and determined that most of Petitioners’ charitable contributions did not qualify, Petitioners’ health insurance premiums were not deductible, Petitioners could not deduct a state income tax refund on their 2020 return, and Petitioners’ technological equipment donations were not substantiated.

The Bureau corrected Petitioners’ income tax returns and sent them a Notice of Deficiency Determination. Petitioners protested stating they provided documentation for fencing and a robot that qualify for the charitable contributions credit and technological donations deduction, respectively. Petitioners stated their other donations and contributions cannot be substantiated

because of inadequate procedures at the donation sites and because the donations are two to three years old. Petitioners offered to settle if the Commission would allow the credit for the fencing and the deduction for the robot.

The Bureau acknowledged Petitioners' protest and referred the matter to the Tax Commission's Appeals Unit (Appeals). Appeals reviewed the matter and sent Petitioners a letter that discussed their options for redetermining a Notice of Deficiency Determination. Petitioners chose a telephone hearing which was held May 22, 2023. During the hearing Petitioners restated their position and the offer presented in their protest letter. Petitioners conceded the adjustments regarding their 2019 adjusted gross income, the health insurance premiums, and state income tax refund. Appeals stated Petitioners' offer would be presented to the settlement committee for consideration.

Petitioners' offer was presented to the committee and after reviewing the offer the Commissioners decided not to accept the offer. Petitioners were informed of the Commission's decision and told a Tax Commission decision would be made based on the information Petitioners provided during the audit and during the hearing.

### **LAW AND ANALYSIS**

The issues in this case are Petitioners' Idaho charitable contributions, donations of technological equipment, and substantiation of their contributions and donations.

Idaho Code section 63-3029A provides for a credit for charitable contributions, often referred to as the Idaho educational entities credit. The statute is specific in the entities to which a contribution can be made to be allowed the credit. The entities specified are,

a nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of institutions of higher learning located within the state of Idaho, including a university related research park, to nonprofit private or public institutions of elementary, secondary, or higher education or their

foundations located within the state of Idaho, to Idaho education public broadcast system foundations within the state of Idaho, to the Idaho state historical society or its foundation, to the council for the deaf and hard of hearing, to the developmental disabilities council, to the commission for the blind and visually impaired, to the commission on Hispanic affairs, to the state independent living council, to the Idaho commission for libraries and to public libraries or their foundations and library districts or their foundations located within the state of Idaho, to the Idaho STEM action center, to nonprofit public or private museums or their foundations located within the state of Idaho, to residency programs accredited by the accreditation council for graduate medical education or the American osteopathic association or their designated nonprofit support organizations based in Idaho and devoted to training residents in Idaho and to dedicated accounts within the Idaho community foundation inc. that exclusively support the charitable purposes otherwise qualifying for the tax credit authorized under the provisions of this section.

Idaho Code § 63-3029A.

Petitioners argued that their donation of a wrought iron fence qualifies for the charitable contributions credit. Petitioners stated they were told by the people at Second Chance Building Materials Center that their donation qualified as a charitable contribution. If Second Chance Building Materials Center is an internal revenue code section 501(c) organization, donations or contributions can qualify as an itemized deduction of charitable contributions. However, Second Chance Building Materials Center is not a qualifying entity for the credit of Idaho Code section 63-3029A. In addition to not being a qualifying entity, the statute requires the contribution be monetary. Petitioners' contribution of fencing is not monetary. Because Petitioners' contribution was not to a qualifying entity and it was not monetary, the Bureau's adjustment to Petitioners' charitable contributions credit is upheld.

Petitioners claimed deductions for donations of technological equipment. Idaho Code section 63-3022J allows for a deduction of the value of technological equipment "to public elementary or public secondary schools, private elementary or private secondary schools, public universities, private universities, public colleges, private colleges, public community colleges, private community colleges, public technical colleges or private technical colleges, or public

libraries and library districts located within the state of Idaho.” Petitioners stated they donated computers and other technological equipment to an elementary school and the Boise Public Library. Petitioners stated when they donated the equipment, they asked for a receipt but no one at either place knew anything about acknowledging donations of that type. Petitioners stated they were told someone would contact them about getting receipts. No one ever contacted them. The only documentation Petitioners had was their purchase invoice for a Ryobi robot.

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 his correct tax liability. See IRC § 6001; Treasury Regulation § 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 a donation was made is not sufficient to establish that the donation was made or made to the proper entity. *Near v. Commissioner of Internal Revenue*, T.C. Memo. 2020-10 (2020). The Tax Commission is cognizant of the fact that some establishments may not have written procedures for accepting donations of equipment. However, in most cases a simple statement acknowledging receipt of donations by someone in that organization would suffice. Because the Tax Commission cannot verify that Petitioners’ donations were made to the required entities, the adjustments for technological equipment donations must be upheld.

**CONCLUSION**

Petitioners’ claimed donations and contributions that needed to meet specific requirements according to the Idaho Code. Petitioners were unable to provide the necessary documentation to support the donations, and their contribution was to a nonqualifying entity and was not monetary. Because the law is clear in the specific nature of the contribution and donation for the allowance of the credit and deduction, the Tax Commission’s duty is to uphold the law as written and disallow Petitioners’ charitable contribution credit and technological equipment deduction. See *Bogner v. State Tax Commission*, 107 Idaho 854, 693 P.2d 1056, (1984), and *Potlatch Corp. v. Idaho State Tax Comm'n*, 128 Idaho 387, 913 P.2d 1157 (1996). Therefore, the Tax Commission must uphold the Notice of Deficiency Determination.

The Bureau added interest to Petitioners’ tax deficiency. The Tax Commission reviewed that addition and found it appropriate and in accordance with Idaho Code section 63-3045.

THEREFORE, the Notice of Deficiency Determination dated November 22, 2022, and directed to \_\_\_\_\_ is AFFIRMED.

IT IS ORDERED that Petitioners pay the following tax and interest:

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$2,328	\$279	\$2,607
2020	1,703	154	<u>1,857</u>
		TOTAL DUE	<u>\$4,464</u>

Interest is calculated to December 15, 2023.

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.

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