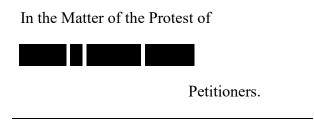
#### **BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**



DOCKET NO. 1-359-979-520

DECISION

(Notice) dated December 5, 2023. Petitioners disagreed with the flow-through adjustments from an S-Corporation (S-Corp), specifically the disallowance of the credit for Idaho research activities (Idaho research credit). The Idaho State Tax Commission (Tax Commission), having decided the issue with the S-Corp, likewise upholds the Notice.

### BACKGROUND

Petitioners are shareholders of **Composition of Composition (S**-Corp). The Income Tax Audit Bureau (Bureau) reviewed the S-Corp's income tax returns for the tax years 2020, 2021, and 2022. The Bureau examined the Idaho research credit for these tax years and the Idaho bonus depreciation addition for tax year 2020. Because of the adjustments, the utilization of Idaho investment tax credit (ITC) for each tax year changed. The Tax Commission doesn't address the Idaho bonus depreciation addition and the ITC utilization in this decision as Petitioners agreed with these adjustments.

The Bureau disallowed the Idaho research credit claimed by the S-Corp; therefore, the Bureau adjusted the flow-through credit claimed on Petitioners' individual income tax returns for the tax years shown in the Notice. Petitioners protested the Bureau's flow-through credit adjustment as did the S-Corp. The Tax Commission held a hearing on the issue where the S-Corp argued its position. The Tax Commission's decision on Docket Number 2-117-100-544 affirmed the Bureau's adjustment to the Idaho research credit.

## LAW AND ANALYSIS

entity. All the S-Corp's tax attributes flow-through to Petitioners at the percentage of their distributive share to be taxed at the individual level<sup>1</sup>. As a result, any changes to the S-Corp return requires a change to the shareholder's return.

In this case, the Tax Commission changed the amount of credit the S-Corp claimed for research activities in Idaho. Therefore, the Tax Commission makes the same change to Petitioners' 2020, 2021 and 2022 Idaho individual income tax returns.

#### CONCLUSION

The Tax Commission adjusts Petitioners' individual income tax returns in accordance with the Tax Commission's decision on Docket No. 2-117-100-544. The Bureau added interest and penalties to Petitioners' Idaho tax due. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046.

THEREFORE, the Tax Commission AFFIRMS the Notice dated December 5, 2023, directed to

<sup>&</sup>lt;sup>1</sup> Internal Revenue Code Subchapter S – Tax Treatment of S Corporations and Their Shareholders DECISION - 2

YEAR	TAX	PENALTY	INTEREST	TOTAL
2020	\$29,796	\$0	\$2,586	\$32,382
2021	106,669	16,000	9,077	131,746
2022	31,589	0	(874)	30,715
			Less: Refund Held	(54,702)
			TOTAL DUE	\$140,141

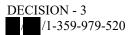
IT IS ORDERED that Petitioners pay the following tax, penalties, and interest:

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of Petitioners' 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:

