

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 1-408-345-088
)	
Petitioner.)	DECISION
<hr style="width: 45%; margin-left: 0;"/>)	

(Petitioner) protested the Notice of Deficiency Determination (Notice) for tax years 2015 and 2021 dated August 18, 2023. The Tax Commission reviewed the matter and hereby issues its final decision to uphold the Notice.

Background

During a review of taxpayer information, the Tax Commission’s Tax Discovery Bureau (Bureau) could not locate Petitioner’s Idaho individual income tax returns for tax years 2015 through 2021. The Bureau sent Petitioner a letter on June 29, 2023, inquiring about the missing returns. When no response was received, the Bureau prepared returns for Petitioner and prepared the Notice with the same address as the original correspondence. The Bureau asserted tax, penalty, and interest totaling \$5,698 for tax years 2015 and 2021 based on income information provided by the IRS. The Bureau used the Single filing status and allowed Petitioner the standard deduction amount.

Before the Notice was issued, the June 29 letter was returned to the Bureau by the United States Postal Service as “not deliverable” and “unable to forward.” The Bureau conducted additional research and found a different address where Petitioner was more likely to receive mail. The Bureau mailed the Notice on August 18, 2023.

On October 19, 2023, Petitioner mailed to the Bureau a written protest of the Notice, in which he provided multiple reasons why he believed he did not have to pay the amount due as

shown in the Notice. He questioned the Bureau's authority to issue the Notice. He also argued that he is not a "Taxpayer" by definition and that "Congress is not authorized to tax human beings for their labor." On November 7, 2023, the Bureau sent Petitioner a letter acknowledging the protest and informing Petitioner that his protest was being forwarded to the Tax Commission's Appeals department (Appeals). Petitioner sent additional documents after the case was transferred:

- Act of Expatriation and Oath of Allegiance
- Copy of "Declaration of Political Status" to Secretary of State
- Evidence of Affidavit of Citizenship
- Mandatory Notice (Foreign Sovereign Immunities Act)
- Copy of "Revocation of Election to Pay Taxes"

On February 8, 2024, Appeals sent Petitioner a letter explaining the options available for redetermining a protested Notice, to which he did not respond. Therefore, the Tax Commission's decision is based on the information currently available.

Law & Analysis

In his protest letter, Petitioner requested "validation" that the Bureau was "acting within the scope of his/her fiduciary relationship in this matter." It is unclear exactly what Petitioner is asking in this. Idaho Code Title 63, Chapter 30, governs the implementation of the Idaho Income Tax Act. Idaho Code section 63-3038 reads as follows:

It shall be the duty of the state tax commission of the state of Idaho as established in chapter 1 of title 63, Idaho Code, to administer and enforce the provision of this title. The state tax commission is authorized to designate deputies and employees to specifically administer the provisions of this title and such deputies and employees may be authorized to act in the name of the state tax commission and in its place and stead, provided, however, that such designation shall be made in writing.

The Bureau and its employees were acting in the name of the Tax Commission in their official capacity to administer and enforce Title 63, Chapter 30.

In his protest letter, Petitioner writes,

... requests that Idaho Tax Discovery Bureau reflect that in light of IRS Codes and the fact that Idaho reflects the codes used by the IRS that is by these codes and cases sighted, is therefore not a “Taxpayer” and/or “Person” as defined by the Code of Federal Regulations [CFR] §1.441-1(8) and the Internal Revenue Code [IRC] title 26 U.S.C. §7701(1), (14) and §7343.

In the supplemental documents sent subsequent to his protest, Petitioner provided a copy of his signed and notarized “Act of Expatriation and Oath of Allegiance” which reads:

Whereas is a naturalized “citizen of the United States” under the Diversity Clause of the Constitution(s) and is the age of majority and whereas such citizenship was never desired nor intended nor willingly nor voluntarily entered into under conditions of full disclosure willingly and purposefully renounces all citizenship or other assumed political status related to the United States defined as “the territories and District of Columbia” (13 Stat. 223, 306, ch. 173, sec. 182, June 30, 1864) and its government, a corporation doing business variously as the UNITED STATES, UNITED STATES OF AMERICA, Municipal Corporation of the District of Columbia, etc. formed under the Act of 1877, and does repatriate to the land of HIS birth known as Washington and does freely affirm HIS allegiance to the same actual and organic state of the Union and does accept and reclaim HIS true Nationality as an American State National and an American State Vessel in all international trade and commerce owned and operated by c/o Coeur d’Alene, Idaho, Postal Code Extension [83814].

The IRS issued a Revenue Ruling in 2007 addressing these specific arguments and warned of civil and criminal penalties for using them. The following three statements come from *Revenue Ruling 2007-22, 2007-1 CB 866*:

... all U.S. citizens and residents are subject to federal income tax. Any argument that a taxpayer's income is excluded from taxation because: 1) the taxpayer has rejected or renounced United States citizenship because the taxpayer is a citizen exclusively of a State (sometime characterized as a “natural -born citizen” of a “sovereign state”); or 2) the taxpayer is not a person as defined by the Internal Revenue Code and is, therefore, not subject to federal tax, has no merit and is frivolous.

Claims that individuals are not citizens of the United States but are solely citizens of a sovereign state and not subject to federal taxation have been uniformly rejected by the courts.

Arguments that an individual is not a “person” within the meaning of the Internal Revenue Code have been uniformly rejected by the courts as have arguments with respect to the term “individual.”

The IRS maintains a list of dozens of frivolous arguments made by people that oppose compliance with tax laws. The IRS document, *The Truth About Frivolous Tax Arguments*, explains many of the common arguments and includes legal responses and cites court cases that refute these claims. Based on Petitioner’s responses to the Bureau’s Notice, the Tax Commission has determined that Petitioner’s arguments are frivolous. “We perceive no need to refute these arguments with somber reasoning and copious citation of precedent; to do so might suggest that these arguments have some colorable merit.”¹

In Idaho, it is well established that a Tax Commission Notice is presumed to be correct, and the taxpayer bears the burden of showing the deficiency is erroneous. *See Parsons v. Idaho State Tax Commission*, 110 Idaho 572, 574-575 n.2 (Ct. App. 1986) (citing *Albertson’s Inc. v. State, Dept. of Revenue*, 106 Idaho 810, 814 (1984)). The Tax Commission requires Petitioner to provide adequate evidence to establish that the amount asserted in the Notice is incorrect. Petitioner has not filed actual returns or provided any substantive argument or documentation to show the individual income tax returns prepared by the Bureau for tax years 2015 and 2021 are incorrect.

The Bureau added interest and penalty to Petitioner’s tax deficiency. The Tax Commission reviewed those additions and finds them to be appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046, respectively.

¹ *Crain v. Commissioner*, 54 AFTR 2d 84-5698 (737 F.2d 1417)

Conclusion

Based on available information, Petitioner met the requirements for filing Idaho income tax returns for tax years 2015 and 2021 but has not filed them. Petitioner has not provided any evidence or compelling argument that the returns prepared by the Bureau are incorrect. The Tax Commission finds the returns prepared by the Bureau to be a reasonable representation of Petitioner’s Idaho taxable income and related tax due for the years in question.

THEREFORE, the Notice dated August 18, 2023, and directed to _____ is hereby UPHeld and MADE FINAL.

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>
2015	\$2,612	\$653	\$754	\$4,019
2021	1,300	325	93	<u>1,718</u>
				<u>\$5,737</u>

The Tax Commission DEMANDS immediate payment of this amount. Interest is calculated through December 31, 2023, and will accrue in accordance with Idaho Code section 63-3045.

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

DATED this _____ day of _____ 2024.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2024,
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.
