

Appeals sent Petitioners a letter explaining the options available for redetermining a Notice. Petitioners responded but did not request an informal hearing. Instead, Petitioners requested Appeals discuss the bonus depreciation adjustment with their appointed representative. Petitioners did not provide Appeals any additional documentation related to contributions to Idaho educational entities. Having reviewed all available documentation, the Tax Commission makes its decision on the matter.

LAW AND ANALYSIS

Idaho Code section 63-3022O (1) states in part that depreciation of depreciable property acquired after December 31, 2009, shall be computed without regard to subsection (k) of section 168 of the Internal Revenue Code.

Petitioners acquired a Coronado freightliner (freightliner) in tax year 2016 but did not claim bonus depreciation on the freightliner for federal purposes nor did they add back bonus depreciation for Idaho purposes. In 2021, Petitioners filed amended federal income tax returns for tax years 2017 and 2018, claiming depreciation on the freightliner as if they timely claimed federal bonus depreciation on their 2016 return¹. Petitioners amended Idaho income tax returns for tax years 2017 and 2018 to subtract the bonus depreciation as if it was properly added back on the 2016 original Idaho return. However, when Petitioners filed amended returns for tax years 2017 and 2018, the statute of limitations on the 2016 federal income tax return had already passed.

Idaho Code section 63-3022O (5) defines that the period of limitations does not expire before three years from the later of “(a) the due date of the return for the tax taxable year an adjustment was required by this section, or (b) the date the return was filed for the last taxable year

¹ Petitioners filed no federal nor Idaho amended return for tax year 2016.

an adjustment was required by this section”. Petitioners’ asset details for tax year 2016 shows that the freightliner had 3-year asset life and the tax year 2019 would be “the last taxable year an adjustment was required” as for Idaho bonus depreciation subtraction.

Idaho Code section 63-3002 requires that the taxable income reported each taxable year by a taxpayer to the Internal Revenue Service shall be the identical sum reported to this state, subject only to modifications contained in the Idaho law.

Idaho Income Tax Administrative Rule 125.02.b, IDAPA 35.01.01.125.02.b states, if a taxpayer failed to make the Idaho addition in the first taxable year bonus depreciation was claimed for federal income tax purposes, the taxpayer is not entitled to claim the Idaho subtractions for additional depreciation in subsequent taxable years.

Petitioners failed to make the Idaho addition of federal bonus depreciation on the freightliner for tax year 2016; therefore, they are not entitled to subtract bonus depreciation for tax years 2017 and 2018.

CONCLUSION

The Tax Commission reviewed the Bureau’s adjustments and found that Petitioners are not entitled to subtract bonus depreciation for tax years 2017 and 2018. The Tax Commission also found that the Bureau’s modifications to the credit for contributions to Idaho educational entities are appropriate and in accordance with Idaho law. Therefore, the Tax Commission upholds the Notice of Deficiency Determination as modified by the Bureau.

The Bureau added the negligence penalty and interest to Petitioners’ tax. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3046 and 63-3045, respectively. Interest is calculated to May 31, 2023.

THEREFORE, the Tax Commission AFFIRMS as MODIFIED the Notice of Deficiency Determination dated October 28, 2022, directed to

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$2,392	\$120	\$453	\$2,965
2018	913	46	134	1,093
2019	200	10	18	228
2020	1,000	50	63	1,113
			TOTAL DUE	<u>\$5,399</u>

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 _____ 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.
