

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
██████████)	DOCKET NO. 1-523-508-224
██████████)	
██████████)	
Petitioners.)	DECISION
_____)	

██████████ (Petitioners) protested the Notice of Deficiency Determination (Notice) dated April 21, 2023. Petitioners disagreed with the adjustments made by the Internal Revenue Service (IRS) to their 2019 return. The Idaho State Tax Commission (Tax Commission) reviewed the matter and hereby upholds the Notice for the reasons stated below.

BACKGROUND

The IRS sent the Tax Commission information that they adjusted Petitioners’ 2019 federal income tax return. The Income Tax Audit Bureau (Bureau) reviewed the adjustments and found that the changes made to Petitioners’ federal return also impacted their Idaho income tax return. The Bureau adjusted Petitioners’ Idaho income tax return and sent them a Notice.

Petitioners submitted a letter of protest arguing that they are currently working with the IRS to have the audit reconsidered. They state that they owned a childcare business during the year in question and the IRS did not allow all their legally recognizable business expenses.

The Bureau acknowledged Petitioners’ protest and asked them to provide documentation that the IRS was reconsidering their case. Contact between the Bureau and Petitioners continued for several months. Petitioners did not provide any documentation showing the IRS was still working on their case. The Bureau reviewed IRS information and found that the IRS made no changes to the audit. Therefore, the case was referred to the Tax Commission’s Appeals Unit (Appeals) for administrative review.

Appeals reviewed the matter and sent Petitioners a letter stating the options available for redetermining a protested Notice. There was no response. Therefore, the Tax Commission issues its decision based on the information currently available.

LAW AND ANALYSIS

Idaho Code section 63-3002 states the intent of the Idaho Legislature regarding the Idaho Income Tax Act. It states that the Idaho Act is to be identical to the Internal Revenue Code as it relates to the measurement of taxable income, in so much that taxable income reported to Idaho is the same as that reported to the IRS, subject to the modifications contained in the Idaho law. Therefore, any changes to Petitioners' federal taxable income should also be reflected in Petitioners' Idaho taxable income.

The Bureau adjusted Petitioners' 2019 Idaho individual income tax return to agree with the adjustments made by the IRS. Petitioners stated they are working with the IRS for reconsideration. However, Petitioners provided nothing to show the IRS made changes to the audit nor did the latest information from the IRS show anything pending on Petitioners' 2019 taxable year. The appearance is that the IRS is not going to change its position regarding the audit.

Since Petitioners did not provide anything to show the IRS audit was not final, the Tax Commission must uphold the adjustments to Petitioners' 2019 Idaho income tax return.

CONCLUSION

The IRS audited and adjusted Petitioners' 2019 federal income tax return. Because the Idaho return uses federal adjusted gross income as a starting point, the Bureau reviewed the audit information and made the applicable adjustments to Petitioners' respective Idaho income tax return. Petitioners disputed the changes with the IRS to no avail. Therefore, in accordance with the Idaho statutes, the Tax Commission upholds the Notice.

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

THEREFORE, the Notice dated April 21, 2023, and directed to [REDACTED] is hereby AFFIRMED and MADE FINAL.

IT IS ORDERED that Petitioners pay the following tax, penalty, and interest calculated per Idaho Code section 63-3045:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$4,465	\$223	\$641	\$5,329

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 _____ 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.
