

In the Matter of the Protest of

Petitioners.

DECISION

Background

On June 20, 2024, Audit received documents organized by year. These included contribution records from their church; county tax statements; Forms 1098, 1099-R, 1095-A, 1095-B, and 1095-C; various invoices, receipts, and statements from medical providers; record of a hotel stay; records of enrollment in air ambulance services; and records of RV park rental, propane and diesel fuel purchases.

Petitioners also included written statements regarding non-cash charitable donations and unreimbursed employee expenses. One statement on charitable donations read in part, “The charitable donations of the art on form 8283 there were no receipts given but the donations are true. [sic]” Another stated, “We did not get donation receipt [sic] or give donation receipts for the items we donated to charity. I didn’t feel it something that I needed to do ... We are honest people just trying to do the best we can.” The statements regarding unreimbursed employee expenses read in part, “I was required to work away from home for a little over a year. I have responsibilities [sic] at home and it was needed that I return home every weekend to take care of those ... Please take into consideration again that we are honest people just trying to do the best we can.”

On August 19, 2024, Audit issued the Notice based on the information Petitioners had provided. Audit denied the deductions claimed on federal Schedule 1 for unreimbursed employee expenses for 2021 and 2022, increased taxable income for 2021 and 2022 by including unreported income, reduced Petitioners’ itemized deductions for all three years, allowed a deduction for health insurance premiums where none had been claimed on the Idaho returns for 2022 and 2023, and allowed Idaho Child Tax Credit where none had been claimed on the 2022 Idaho return.

On September 8, 2024, Petitioners sent Audit an email protesting the Notice. It read in part, “I am formally protesting your findings, I used an Efile program that promised that they would find the problems and help correct them. I see what you found on the taxes filed per year and it is

my fault. For not getting receipts for the donations that we did make [sic],” and “I can and will if it is would be legal [sic] make receipts for all of the donations made because they were all legal donations.” Petitioners’ protest did not address any specific issue other than the charitable donations.

On September 10, 2024, Audit sent Petitioners a letter acknowledging their protest and informing them that the matter was being transferred to the Tax Commission’s Appeals unit (Appeals). Appeals sent Petitioners a letter on October 1, 2024, providing two options for redetermination of a protested Notice: participate in an informal hearing with a Commissioner; or provide additional statements, documents, or other records for consideration. Petitioners did not choose to participate in a hearing, but instead provided additional information via email.

On November 7, 2024, Petitioners sent an email containing images (digital photographs) of five receipts showing non-cash donations to Deseret Industries dated October 21, 2021; May 12, 2022; June 23, 2022; October 20, 2022; and January 2, 2023. The email indicated that additional receipts would be forthcoming. On November 9, 2024, Petitioners sent another email containing images of five more receipts showing non-cash donations to Patricia A. dated September 21, 2021; to Shontil M. dated September 13, 2023; to Community Support Center dated October 20, 2023; to Idaho Youth Ranch dated October 5, 2022; and to Goodwill dated February 17, 2022.

After an initial review of the images Petitioners sent, Appeals requested the physical documents be provided for inspection. Petitioners expressed reluctance to do so, along with a general distrust of government officials. Appeals attempted to explain that documentation of charitable contributions is required by law, and there are certain standards that must be met. Petitioners refused to provide the physical documents or any other documentation to support their

protest position. Therefore, the Tax Commission must make this decision based on the information currently available.

Law & Analysis

In the protest of the Notice – sent via email on September 8, 2024 – Mr. [REDACTED] wrote that he used an e-file program “that promised they would find the problems and help get them corrected.” He stated that he saw what Audit found on the returns and that he “did not purposely double the interest taxes that was something that the e-file program did not take care of [sic].” Regarding the itemized deductions for charitable contributions, he said he “can make receipts for those cause those were legal donations.” He went on to discuss his feelings about the government, filing taxes, and his ability to pay any amounts resulting from the Notice. In another email sent September 8, 2024, he wrote “I see what you found on the taxes filed per year and it is my fault. For not getting receipts for the donations that we did make [sic].”

The only issue Petitioners addressed with Appeals was itemized deductions for charitable contributions. Petitioners’ itemized deductions for 2021 included monetary gifts to charity of \$9,434 and non-monetary gifts of \$11,200. Petitioners’ itemized deductions for 2022 included monetary gifts to charity of \$33,958 and non-monetary gifts of \$23,997. Petitioners’ itemized deductions for 2023 included monetary gifts to charity of \$38,286 and non-monetary gifts of \$18,838.

Internal Revenue Code (IRC) section 170 and the related Treasury Regulations govern a taxpayer’s right to claim a deduction for charitable contributions, whether monetary or non-monetary. IRC section 170(c) defines a charitable contribution as “a contribution or gift to or for the use of” one of the following:

(1) A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

(2) A corporation, trust, or community chest, fund, or foundation—

(A) created or organized in the United States or in any possession thereof, or under the law of the United States, any State, the District of Columbia, or any possession of the United States;

(B) organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals;

(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual; and

(D) which is not disqualified for tax exemption under section 501(c)(3) by reason of attempting to influence legislation, and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office.

A contribution or gift by a corporation to a trust, chest, fund, or foundation shall be deductible by reason of this paragraph only if it is to be used within the United States or any of its possessions exclusively for purposes specified in subparagraph (B). Rules similar to the rules of section 501(j) shall apply for purposes of this paragraph.

(3) A post or organization of war veterans, or an auxiliary unit or society of, or trust or foundation for, any such post or organization—

(A) organized in the United States or any of its possessions, and

(B) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(4) In the case of a contribution or gift by an individual, a domestic fraternal society, order, or association, operating under the lodge system, but only if such contribution or gift is to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

(5) A cemetery company owned and operated exclusively for the benefit of its members, or any corporation chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose, if such company or corporation is not operated for profit and no part of the net earnings of such company or corporation inures to the benefit of any private shareholder or individual.

For purposes of this section, the term “charitable contribution” also means an amount treated under subsection (g) as paid for the use of an organization described in paragraph (2), (3), or (4).

IRC section 170(f) discusses the disallowance of a deduction in certain cases, as well as special rules. Paragraph (8) describes substantiation requirements for certain contributions:

(A) General rule

No deduction shall be allowed under subsection (a) for *any contribution of \$250 or more* [Emphasis added] unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment of the contribution by the donee organization that meets the requirements of subparagraph (B).

(B) Content of acknowledgement

An acknowledgement meets the requirements of this subparagraph if it includes the following information:

- (i) The amount of cash and a description (but not value) of any property other than cash contributed.
- (ii) Whether the donee organization provided any goods or services in consideration, in whole or in part, for any property described in clause (i).
- (iii) A description and good faith estimate of the value of any goods or services referred to in clause (ii) or, if such goods or services consist solely of intangible religious benefits, a statement to that effect.

For purposes of this subparagraph [B], the term “intangible religious benefit” means any intangible religious benefit which is provided by an organization organized exclusively for religious purposes and which generally is not sold in a commercial transaction outside the donative context.

(C) Contemporaneous

For purposes of subparagraph (A), an acknowledgment shall be considered to be contemporaneous if the taxpayer *obtains the acknowledgment* [emphasis added] on or before the earlier of—

- (i) the date on which the taxpayer files a return for the taxable year in which the contribution was made, or
- (ii) the due date (including extensions) for filing such return.

(D) Regulations

The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations that may provide that some or all of the requirements of this paragraph do not apply in appropriate cases.

IRC section 170(f)(11) discusses the documentation requirements to claim a deduction of \$500 or more for a charitable contribution. Unless a taxpayer meets the requirements stated, no

deduction is allowed. The documentation requirements stack, meaning that to claim a deduction greater than \$500, a taxpayer must meet all requirements for a deduction greater than \$250 as well. To claim a deduction more than \$500, the taxpayer must provide a description of donated property with his return, along with “such other information as the Secretary may require,” on Form 8283, *Noncash Charitable Contributions*. IRS Publication 526, *Charitable Contributions*, lists the information taxpayers are required to provide. To claim a deduction over \$5,000, a taxpayer must obtain a qualified appraisal of the donated property and attach it to the return containing the deduction, as well as meeting the documentation requirements for a deduction greater than \$250 and those for a deduction greater than \$500. On their 2021, 2022, and 2023 income tax returns, Petitioners claimed multiple deductions for non-monetary contributions, all of which were greater than \$500. All claimed deductions must be supported by a contemporaneous written acknowledgment (CWA) and a complete Form 8283. Some deductions were greater than \$5,000, which must also be supported by a qualified written appraisal of the donated property.

In their response to Audit’s request for documentation, Petitioners stated that they did not obtain receipts for their non-monetary donations. However, they provided Appeals with images of ten documents.

Petitioners provided images of three documents on a general-purpose business form – specifically NC2581 manufactured by Adams, a brand of TOPS Products. These forms are available for sale at many stores that sell business products (e.g., Office Depot, Staples, Wal-Mart, etc.). On each one, a box is checked next to the words “merchandise returned,” with “returned” crossed out and the word “donated” written in its place. The top of each of these three documents shows, in handwriting, “Donation Receipt From: [REDACTED] [REDACTED] [REDACTED] [REDACTED]” Two of the documents indicate that goods were donated to individuals in Twin Falls. According to IRC section 170(c),

these would not qualify as charitable contributions because the contributions or gifts were not given to or for the use of one of the types of organizations listed. Therefore, the Tax Commission determined that Petitioners are not entitled to a deduction for these donations. The third document indicates the donation is to “Community Support Center,” which does appear to be a qualifying organization under IRC section 170(c)(2). However, the document does not indicate whether any goods or services were received in exchange for the donation. This is a requirement under IRC section 170(f)(8)(B). The Tax Commission therefore determined that this donation also does not qualify for a deduction.

Five images provided by Petitioners show donations to Deseret Industries in Twin Falls, Idaho. The Tax Commission has determined that the base documents (pre-printed on the paper, showing “Deseret Industries” with the beehive logo and the indicated spaces for the name of the person who received the donation, the date, the name of the donor, and the items donated) are all photocopies and not original receipts. They are printed in black and white¹. An online search shows that donation receipts from Deseret Industries are printed in blue². Additionally, the back side of the receipt can be seen bleeding through the front side, indicating a photocopy instead of an original document. Three of the copies show “Received by Daniel A.” with the name written in blue ink along with the date (5/12/22, 6/23/22, and 10/20/22). This indicates that the information was written on the photocopy, rather than on an original document that was then scanned or photocopied. This information, taken together with Petitioners’ statements that no receipts were obtained at the time they donated goods, indicates that the documents were created some time after the donation, and most likely after the returns were filed. Additionally, one of the receipts shows

¹ The photos are not black and white. The images show the surface on which the paper is placed, which is brown.

² Information retrieved from <https://dimaterials.byu.edu/product/di-donation-receipts-idaho/10826> on December 30, 2024.

a donation valued at over \$5,000, and no qualified appraisal was provided. The Tax Commission therefore determined that these documents did not meet the requirements of IRC section 170(f)(8)(C) and IRC section 170(f)(11)(C), and no deduction is allowed.

The last two documents show items donated to the Idaho Youth Ranch and Goodwill, both of which are qualifying organizations under IRC section 170(c). Neither indicates donations valued at more than \$5,000, so IRC section 170(f)(11)(C) does not apply. The question at hand for these receipts is whether they are contemporaneous records as required under IRC section 170(f)(8)(C). Petitioners provided initial written statements³ that they did not obtain receipts for the items they donated because they did not feel it was something they needed to do at the time. In their protest email, they also admitted fault for not getting receipts for the donations they made and stated that they would make receipts for all the donations (implying they did not obtain receipts at the time of the donation). Therefore, the Tax Commission determined that the receipts for Idaho Youth Ranch and Goodwill were most likely not contemporaneous records, and no deduction is allowed.

IRC section 170(f)(17) states that no deduction is allowed for contributions of cash, check, or other monetary gift unless the donor keeps records showing the name of the organization donated to, the date of the contribution, and the amount donated. Petitioners provided copies of contribution statements provided by their church showing monetary donations of \$8,312 during 2021; \$19,774 during 2022; and \$22,418 during 2023. They did not provide any records showing monetary contributions to any other organizations. The amounts documented are the amounts Audit used in calculating the adjustments. Therefore, the Tax Commission determined that Audit's adjustments for monetary donations are reasonable.

³ Received by Audit June 20, 2024, with documentation of monetary donations.

In addition to reviewing the protested issue of charitable donations and their effect on itemized deductions, the Tax Commission also looked at the other adjustments Audit made in the Notice. These included the disallowance of a deduction from gross income for employee business expenses, itemized deductions on Schedule A for medical and dental expenses, an Idaho deduction for health insurance premiums, the inclusion of unreported income, and the allowance of the Idaho child tax credit. 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 erroneous⁴. Deductions are a matter of legislative grace, and the taxpayer bears the burden of proving that each deduction is allowed by statute⁵. If a taxpayer is unable to provide adequate proof of any material fact on which a deduction relies, no deduction is allowed, and the taxpayer must bear his misfortune⁶. The Tax Commission requires Petitioners to provide adequate evidence to establish that the amount asserted in the Notice is incorrect. Petitioners have failed to do so for these adjustments. Therefore, the Tax Commission determined that the adjustments shall stand.

The Bureau added interest and penalty to Petitioners' 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.

Conclusion

Petitioners have not provided documentation meeting the requirements of Internal Revenue Code section 170 and are not entitled to deductions allowed thereunder. Petitioners have failed to demonstrate that the Notice is incorrect.

⁴ *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))

⁵ *New Colonial Ice Co. v. Helvering*, 292 U.S. 435, 54 S.Ct. 788 (1934); *Higgins v. C.I.R.*, T.C. Memo. 1984-330, (1984)

⁶ *Burnet v. Houston*, 283 U.S. 223, 51 S.Ct. 413 (1931)

THEREFORE, the Notice dated August 19, 2024, and directed to [REDACTED]

[REDACTED] is hereby UPHeld and MADE FINAL.

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>
2021	\$4,493	\$225	\$480	\$5,198
2022	8,282	414	588	9,284
2023	5,809	290	88	<u>6,187</u>
				<u>\$20,669</u>

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

Interest is calculated in accordance with Idaho Code section 63-3045.

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:



Receipt No.
