

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 1-607-620-608
)	
Petitioners.)	DECISION
<hr style="width: 45%; margin-left: 0;"/>)	

(Petitioners) protested the Notice of Deficiency Determination dated January 5, 2021. Petitioners disagreed with the Tax Discovery Bureau’s (Bureau) determination of their Idaho taxable income for tax years 2015 through 2018. Petitioners stated they believe they will owe little tax for those years because they were building a
Petitioners stated they would file their returns shortly. The Tax Commission reviewed the matter and upholds the Notice of Deficiency Determination for the reasons stated below.

BACKGROUND

Petitioners have filed married filing joint Idaho resident income tax returns as early as 1999. After tax year 2014, Petitioners stopped filing Idaho income tax returns. The Bureau discovered Petitioners stopped filing income tax returns and sent them a letter asking about their requirement to file returns for the tax years 2015 through 2018. Petitioners did not respond. The Bureau reviewed Petitioners’ information available in the Tax Commission’s records and based on their W-2 – Wage and Tax Statement information alone determined Petitioners were required to file Idaho income tax returns for each year. The Bureau prepared income tax returns for Petitioners and sent them a Notice of Deficiency Determination.

Petitioners disagreed with the Bureau’s determination, so they filed a protest. Petitioners did not dispute their requirement to file Idaho income tax returns, but instead stated they had write-offs from a they were building that would severely limit the tax they owed. Petitioners stated

they would file all their past due returns. The Bureau acknowledged Petitioners' protest and asked Petitioners to prepare and submit their income tax returns. The Bureau allowed Petitioners additional time to provide their returns; however, none were provided. Therefore, the Bureau referred the matter to the Tax Commission's Appeals Unit (Appeals).

Appeals reviewed the matter and sent Petitioners a letter that discussed the methods available for redetermining a Notice of Deficiency Determination. Petitioners contacted Appeals and said they were still gathering information to prepare their returns. Petitioners stated they were waiting on one piece of documentation for an expense and then they can prepare their returns. Petitioners estimated they could have the returns done in 30 days. Petitioners stated they would contact Appeals again in three weeks with an update. A few months later with no contact or returns from Petitioners, Appeals tried to contact them but did not succeed. Several months later, Petitioners called Appeals and said they have two returns almost complete. All they needed to do was to review them and sign them. Petitioners also informed Appeals that their son was severely injured and in a hospital in Utah. Petitioners stated they have been going back and forth to the hospital over the past few months. Petitioners stated when they get back in town, in the next couple of weeks, they will contact Appeals to let us know when they are sending in the two returns. Petitioners stated the other years' returns should go a lot faster.

A month later, Petitioners had not contacted Appeals or sent in the two returns. Appeals attempted to contact Petitioners but had no success. Appeals sent Petitioners a letter asking for the two completed returns and giving them a final date to have something to the Tax Commission or a decision would be made based on the information available. Petitioners contacted Appeals and asked for a call back. Appeals returned Petitioners' call and called two additional times leaving messages to call each time. Petitioners never returned the calls.

Seeing that Petitioners had ample time to prepare and provide their returns or to provide whatever other information or documentation they wanted the Tax Commission to consider, the Tax Commission decided the matter based upon the information available.

LAW AND ANALYSIS

Idaho Code section 63-3030 provides the income thresholds for filing Idaho individual income tax returns. The information gathered by the Bureau clearly shows Petitioners received Idaho source income during the years in question that exceeded the threshold amount for filing Idaho income tax returns. In addition to the W-2s previously stated, the Bureau estimated Petitioners' income from their activity using Bureau of Labor Statistics for workers. Petitioners were required to file Idaho individual income tax returns.

Petitioners did not deny they were required to file Idaho income tax returns. Petitioners stated they had write-offs related to the cattle ranch that were not included that would substantially reduce their tax.

Deductions are a matter of legislative grace. *New Colonial Ice Co., Inc. v. Helvering*, 292 US. 435, 440, 54 S.Ct. 788 (1934). The burden rests upon the taxpayer to disclose his receipts and claim his proper deductions. *United States v. Ballard*, 535 F.2d 400, 404 (1976). However, when able the government should allow the taxpayer some deductions if the taxpayer proves he is entitled to the deduction but cannot establish the full amount claimed. *Edelson v. C.I.R.*, 829 F.2d 828 (1987) citing *Cohan v. Commissioner*, 39 F.2d 540, 544 (2d Cir. 1930). Even so, the Cohan rule does require some cooperation on the part of the taxpayer. *Edelson*, supra. Since there is very little information of Petitioners' past cattle ranching activity and Petitioners have provided no current information, the Tax Commission has no basis on which to allow expenses for the operation.

Petitioners carry the burden of showing the Tax Commission’s deficiency determination is erroneous. *Parsons v. Idaho State Tax Commission*, 110 Idaho 572, 574-575 n.2, 716 P.2d 1344, 1346-1347 n.2 (Ct. App. 1986). Petitioners have not met that burden. Since Petitioners failed to show the Bureau’s returns were in error, the Tax Commission upholds the Bureau’s determination.

CONCLUSION

Petitioners received income in the taxable years 2015 through 2018 that exceeded the threshold for filing Idaho income tax returns. Petitioners were required to file Idaho income tax returns. Petitioners did not show that the returns the Bureau prepared were incorrect. The Tax Commission reviewed the returns the Bureau prepared and found them reasonable based on the information available. Therefore, the Tax Commission upholds the Notice of Deficiency Determination.

The Bureau added interest and penalty to Petitioners’ Idaho tax. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046. Interest is computed to October 15, 2023.

THEREFORE, the Notice of Deficiency Determination dated January 5, 2021, and directed to _____ is AFFIRMED.

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>
2015	\$27,207	\$6,802	\$7,560	\$41,569
2016	28,267	7,067	6,807	42,141
2017	25,776	6,444	5,360	37,580
2018	18,002	4,501	2,972	<u>25,475</u>
			TOTAL DUE	<u>\$146,765</u>

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.
