BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of	)	
	)	DOCKET NO. 1-622-418-432
	)	
	)	
Petitioners.	)	DECISION
	)	

(Petitioner-wife; jointly, Petitioners) protested the Notice of Deficiency Determination (Notice) dated March 7, 2023. The Tax Commission reviewed the matter and hereby issues its final decision to uphold the Notice.

Background

Petitioners filed individual income tax returns for tax years 2019, 2020, and 2021. The Tax Commission's Audit Division (Audit) reviewed these returns, determined that the activity Petitioners reported on Schedule F for tax year 2019 and Schedule C for tax years 2020 and 2021 was not engaged in for profit, and denied all claimed business expenses for the audit period along with bonus depreciation addition and subtraction related to the activity. Audit also denied deductions for energy efficiency upgrades (2019) and technological equipment donations (2021) after determining that Petitioners did not qualify for them.

Petitioners disagreed with Audit's determination that their activity was not engaged in for profit and submitted a timely written protest. Petitioners cited four reasons for their protest: 1) Audit relied solely on the fact that the activity had not shown a profit to determine that it was not engaged in for profit; 2) it takes many years to build a reputation as a 3) the factors used by the Internal Revenue Service to differentiate between a business and a hobby are only guidelines and not absolute; and 4) the state may not have jurisdiction to audit a federal issue.

Audit sent Petitioners a letter acknowledging the protest and telling them that their case was being forwarded to the Tax Commission's Appeals unit (Appeals) to continue the redetermination process. Petitioners were informed of their appeal rights and requested a hearing, which was held on July 31, 2023. Petitioner-wife attended the hearing, during which she provided additional information regarding the activity. In accordance with Idaho Code section 63-3045B(3)(b), the Tax Commission must render its final decision before January 27, 2024.

In their protest, Petitioners did not express disagreement with the adjustments for the energy efficiency upgrades deduction or technological equipment donation deduction. Petitioner-wife confirmed during the July 31, 2023, hearing that they agreed with these changes. These issues will not be mentioned further in this decision.

Law & Analysis

Authority

Petitioners argued in their Protest to the Notice that the Tax Commission may not have authority to change income and expenses shown on their federal return. Idaho Code section 63-3002 states that the legislature's intent was "to make the provisions of the Idaho act identical to the provisions of the Federal Internal Revenue Code [IRC] relating to the measurement of taxable income" so that the taxable income reported to the Internal Revenue Service is the same amount reported to the state, except for adjustments required or allowed by Idaho law. This is to be achieved "by the application of the various provisions of the [IRC] relating to the definition of income, . . . deductions (personal and otherwise) . . . and other pertinent provisions to gross income as defined therein, resulting in an amount called 'taxable income' in the [IRC], and then to impose the provisions of this act thereon to derive a sum called 'Idaho taxable income'". This means that the Tax Commission has authority to adjust amounts reported as income and deductions on

Petitioners' federal return as they apply to the calculation of Idaho taxable income, which is what Audit did in the Notice for tax years 2019, 2020, and 2021.

Profit Motive

IRC section 162 allows taxpayers to claim a deduction for ordinary and necessary expenses paid or incurred in carrying on a trade or business. A trade or business expense is "ordinary" if it is normal or customary within a particular trade, business, or industry.[1] An expense is "necessary" if it is appropriate and helpful for the development of the taxpayer's business. Expenses of a personal nature are not deductible under IRC section 162.[2] The taxpayer must be able to demonstrate that she is carrying on a trade or business for profit to be allowed expenses under IRC section 162.[3] Whether a taxpayer is carrying on a trade or business within the meaning of IRC Section 162 is a matter of degree to be inferred from an examination of the facts and circumstances of the case. The taxpayer bears the burden to show that the activity is engaged in for profit, with the taxpayer's statement of intent given less weight than the objective facts of the case.[4] An activity does not need to show a profit, but taxpayers must have an actual and honest objective of making one.[5] IRC section 183 establishes that if an activity is found to be "not engaged in for profit," then losses are deductible only to the extent of the income earned by the activity and cannot be used to offset other income.

The question in this case is whether the - activity Petitioners reported on Schedule F for 2019 and Schedule C for 2020 and 2021 was engaged in for profit. Petitioner-wife confirmed that it was the same activity reported on a different form beginning on the 2020 income

---

[1] *Hart v. Comm'r, T.C. Memo. 2013-289*
[2] *Marcello v. C.I.R., 380 F.2d 499, 504 (5th Cir. 1967)*
[3] *Fischer v. United States, 336 F. Supp. 428, 431 (E.D. Wis. 1971), aff'd, 490 F.2d 218 (7th Cir. 1973)*
[4] *Burger v. C.I.A., 809 F.2d 355 (7th Cir. 1987)*
[5] *Dreicer v. Commissioner, 78 T.C. 642, 645 (1982)*

tax return. The following nine factors established by *Treasury Regulation section 1.183-2(b)* are used to distinguish between for-profit activities eligible for IRC section 162 deductions and not-for-profit hobbies limited to deductions under IRC section 183 and have been referenced as authority in numerous court cases. No single factor is determinative. Most factors have several facets (the additional considerations shown below are not an exhaustive list).

1. The manner in which the taxpayer carries on the activity (Were books and records maintained in a business-like manner? Did the taxpayer conduct an economic study and follow a business plan? Did the taxpayer change methods or tactics to try to increase profitability?)
2. The expertise of the taxpayer or his or her advisers (What expertise does the taxpayer have on the business, economic, or scientific practices of the activity? Did the taxpayer consult with others who have such expertise and follow their advice?)
3. The time and effort expended by the taxpayer in carrying on the activity (How much time is dedicated to the activity, especially in relation to other income-producing activities such as a wage-earning job? Were others hired to carry on the activity while the taxpayer was engaged outside the activity?)
4. The expectation that the assets used in the activity may appreciate
5. The success of the taxpayer in carrying on other similar or dissimilar activities (Has the taxpayer engaged in other activities that have been profitable? Has the taxpayer turned any non-profitable activity into a profitable one?)
6. The taxpayer's history of income or losses with respect to the activity (Has the taxpayer experienced losses beyond any expected start-up period? Have there been any unforeseen circumstances that would prevent a profit?)
7. The amount of occasional profits, if any, which are earned (How large have profits been compared to losses incurred? How often have profits been achieved?)
8. The financial status of the taxpayer (How much income does the taxpayer have from other sources? Does the taxpayer see substantial tax benefits from losses incurred? If needed, could the taxpayer rely on income from the activity to survive?)
9. Elements of personal pleasure or recreation (What personal motives does the taxpayer have for carrying on the activity? Are there significant recreational elements to the activity?)

Additionally, if an activity includes as a major component and the gross income derived from the activity exceeds the deductions for expenses (i.e., if the activity results in a profit) in any two of seven consecutive years, then the activity is

presumed to be engaged in for profit[6]. In this case, Petitioners do not meet the criteria for such a safe harbor presumption. Each of the nine factors from *Treas. Reg. section 1.138-2(b)* are discussed in turn below.

(2) The manner in which the taxpayer carries on the activity

If a taxpayer carries on an activity in a business-like manner, it may indicate that he or she is engaged in it for profit. This can include maintaining complete and accurate books and records, carrying on in a manner similar to profitable activities that are comparable in nature, or changing operating methods, adopting new techniques, or abandoning unprofitable methods in a way that is consistent with an intent to improve profitability.

Petitioner-wife stated that her activity during the years in question involved buying, and selling For one year prior to the audit period, she offered lessons as well, but she proved to be too busy to continue.

Petitioner-wife stated that she began the activity in 2000. Available records show continuous losses each year from 2005 through 2021. Over that time, Petitioners' returns show a total of $10,850 in gross receipts and $443,131 in total expenses. On their 2019 federal return, Petitioners reported $2,000 in gross receipts from the sale of one they didn't report any gross receipts for tax years 2020 or 2021. Between tax years 2019, 2020, and 2021, expenses totaled $155,576.

Petitioner-wife stated that she adjusted her business model in 2022 to begin and reselling from the Bureau of Land Management instead of the more

[6] *IRC section 183(d)*

expensive on which she had focused. However, prior to and during the years in question, Petitioner did not change her operations to attempt to mitigate losses and turn a profit instead.

While Petitioner-wife did keep receipts to verify purchases, very few of them included a notation of the business purpose for the purchase (though that could be inferred on some of them). The receipts were provided to Audit in an organized manner. Many receipts showed purchases including a mix of items for use with the activity and for personal use. With copies of her receipts, Petitioner-wife provided printouts of spreadsheets for each year 2019 through 2021 showing the expense claimed on each receipt and the totals of various categories (e.g.,

supplies, etc.). The total expenses shown in the spreadsheet do not match the total expenses claimed on Petitioners' federal tax return for any of the three years in question. The explanation provided was either that expenses were omitted from Schedule F or C or that some expenses were reported twice. Petitioner-wife stated she followed the advice of a Certified Public Accountant, who told her she did not need to keep records beyond the last three years. It appears that Petitioners maintained receipts and other records for purposes of substantiating expenses, but not to use as "analytic or diagnostic tools" in an attempt to make their activity profitable. In *Nissley*[7], this was one factor that led the court to conclude the activity in question was not carried out in a business-like manner.

Copies of checks provided by Petitioners show some with only Petitioner-wife's name and others with both spouses' names. The funds for the activity appear to be co-mingled with personal funds. In *Montage*[8], not keeping separate accounts for business and personal funds

[7] *Kenneth J. Nissley, et ux., v. Commissioner, TC Memo 2000-178*
[8] *Brad Montage, et ux. v. Commissioner, TC Memo 2004-252*

was one factor that led to the conclusion that the activity was not conducted in a business-like manner.

When asked how she generates revenue from her activities, Petitioner-wife stated that most of it comes from the sale of she has She also said that her sales are by referral or by clients contacting her, so she does not have to advertise very often. She said that she promotes the with which she is competing when she attends events. The are paramount to the success of the activity, yet when asked if she insured them, Petitioner-wife said she did not.

Petitioner-wife did not provide any kind of formal business plan or economic analysis. In fact, during the hearing held with Appeals, Petitioner-wife indicated she had no idea about financial projections or business plans. The lack of a business plan was another factor cited by the court in *Nissley* in its determination that the activity in question was not carried out in a business-like manner.

(2) The expertise of the taxpayer or his or her advisers

Preparing for an activity by studying accepted business, economic, and scientific practices (or consulting with experts therein) and carrying on the activity in accordance with those practices may indicate a profit motive. When a person has studied accepted practices or consulted with experts but does not conduct an activity following such guidelines, it may indicate lack of a profit motive.

Petitioner-wife stated that she has been around and competed in different events for over 49 years, which gives her extensive knowledge of She has been a member of several organizations related to the activity for approximately half that time including

She provided information showing her achievements

as a with

ciation in 2020, 2021, and 2022. It appears that Petitioner-wife is quite knowledgeable and skilled when it comes to

When asked about consulting with experts or other people who have been successful in the same or a similar industry, Petitioner-wife indicated she only consulted with her CPA, who told her simply to retain information about her expenses.

In its *Burger*[9] opinion, the court wrote:

> "Although petitioners consulted an accountant (about bookkeeping) and an attorney (about whether to incorporate), they did not consult economic experts in the field prior to engaging in the activity. The taxpayers' failure to consult economic experts or develop an economic expertise themselves is another fact that indicates a lack of a profit motive in this case,"

and

> "We note that a formal market study is not necessarily required to make this determination. . . However, taxpayers should develop a plan or establish specific goals, either on their own or after consulting with an expert, outlining the profits expected to be reaped or the anticipated growth of the business activity. If no profits are ever expected, then the activity is clearly a hobby."

Petitioners did not provide any information showing that they made any such plan or conducted any kind of analysis to determine what profits could be expected. During the hearing held with Appeals, Petitioner-wife stated that the accountant with whom she spoke never informed her that she needed to create a business plan or conduct financial projections, etc. In fact, she was never told that she needed to show a profit. Demonstrating a profit motive is a well-known requirement within the accounting community for being allowed to claim ordinary and necessary business expenses.

---

[9] *Burger v. Commissioner, 809 F.2d 355 [59 AFTR 2d 87-431] (7th Cir. 1987)*

It is apparent that, while she is well-versed in the technical aspects of and Petitioner-wife lacks the economic knowledge needed to run a successful (i.e., profitable) business It also appears that she received either poor or incomplete advice from the person with whom she consulted on how to create a profitable business.

In *Metz*[10], the court referred to *Burger*, writing: "We think this means that knowledge of the activity itself apart from its economics is not enough to clear the hurdle: A taxpayer must demonstrate expertise and attempts to improve results in a money-losing business." Petitioners made no effort for over 20 years to improve profitability.

(3) The time and effort expended by the taxpayer in carrying on the activity

A person spending much of his or her personal time and effort carrying on an activity, especially one without significant personal or recreational aspects, may indicate that the activity is engaged in for profit. Likewise, if a person leaves another job to devote more time and effort to the activity, it may indicate the same. Spending limited time and effort on an activity does not necessarily show a lack of profit motive when the taxpayer employs qualified, competent people to carry on the activity in his or her absence.

In a response provided during the audit, Petitioner-wife indicated that she was the only one engaged in the day-to-day operations of the activities, working with the seven days a week. She does not have any employees. Her schedule includes time each morning and evening . She also allots time for . She stated that she

[10] *Henry J. Metz, et ux., v. Commissioner, TC Memo 2015-54*

spends five to six hours per day or 25-30 hours per week on the activity. This schedule takes into consideration her current part-time job four days each week from 9:00 am until 1:00 pm.

In 2019 and the first half of 2020, Petitioner-wife was employed full-time as an office manager at an accounting firm, which left less time during the day than noted above to devote to During the hearing with Appeals, Petitioner-wife stated that she was let go during 2020 from her position as the office manager of the accounting firm where she worked and that she had difficulty finding employment afterwards. She was able to find a part-time job during the second half of the year.

Petitioner-wife had indicated that she was not able to spend as much time as she would have liked with her activity when she was working full-time. After becoming unemployed in 2020, she could have then dedicated all her time to this activity. A person leaving an occupation to dedicate most of his or her time to an activity such as this could be an indication of a profit motive. This raises a question of why Petitioner-wife did not do this and instead sought out new employment. One possibility is that she was not engaged in the activity for profit and needed to find other supplementary income.

(4) The expectation that the assets used in the activity may appreciate

The term "profit" can include appreciation in the value of assets, such as land, that are used in an activity. So, even though a person may not show periodic profits from the activity, there may be an expectation of an overall profit when the appreciated assets are sold.

Petitioner-wife listed as assets used in the business three two one and two pick-up trucks. None of these are assets that will appreciate in value over time. She did not list the property where she houses the and her equipment, which is also

used as Petitioners' homestead, as an asset used in her activity. This indicates a lack of expectation to sell the land as a business asset for an overall profit.

(5) The success of the taxpayer in carrying on other similar or dissimilar activities

If a person has engaged in other activities and turned them from unprofitable to profitable in the past, this may indicate that he or she is engaged in the current activity for profit, even if it is not profitable at the moment.

Petitioners indicated that they have not engaged in any prior activities like or unlike the one they reported on Schedules C and F for tax years 2019 through 2021.

(6) The taxpayer's history of income or losses with respect to the activity

If a person incurs a series of losses during what would normally be considered a start-up period, it would not necessarily be indicative of an activity not engaged in for profit. If, however, the losses continue beyond the initial timeframe typically needed to bring the activity to a profitable status, and those continuing losses are not explainable by normal business risks, it may indicate a lack of profit motive. Losses incurred because of unforeseen circumstances – such as disease, fire, theft, weather, etc. – are not indications that an activity is not engaged in for profit. A series of years where an activity results in net income would be strong evidence that it is engaged in for profit.

Petitioner-wife indicated that she has been conducting her activity since at least 2000. According to filed returns, this activity has never resulted in a profit. Between 2005 and 2021, Petitioners accrued $432,281 in annual losses. Total gross income over the same period was $10,850, most of which came between 2010 and 2015. The only gross income reported after 2015 was $2,000 from the sale of one in 2019.

The Tax Commission has no information to define an appropriate start-up period for a business The IRS safe harbor timeframe (mentioned earlier) is seven years for activities. In *Engdahl*[11], the petitioners learned that the start-up phase for a operation was five to ten years. While not entirely analogous, that time frame seems reasonable, especially considering Petitioner-wife's statement that it can take a year or two to . Five to ten years would allow for the , even if Petitioner-wife only owned one at any given time. Twenty years seems like it would be well past any start-up period. In several cases, the courts have found that sustained losses beyond what would be considered a reasonable start-up period were indicative of a lack of profit motive.[12]

(7) The amount of occasional profits, if any, which are earned

Periodic large profits – despite consistent, small losses – may be an indication that an activity is engaged in for profit. Even if the activity generates only losses or small profits, the opportunity for a large ultimate profit could indicate the same. Conversely, an occasional small profit interspersed with consistent losses may indicate that an activity is not engaged in for profit, especially if the person conducting the activity made substantial investments in capital or assets.

As stated previously, Petitioners' activity has never resulted in a profit. Accrued losses total over $400,000. An occasional small profit would hardly make a dent in recouping those losses. The Tax Commission doesn't see any potential for a large windfall to offset the losses sustained over the more than twenty years Petitioner-wife has been Even with the

---

[11] *Engdahl v. Commissioner, 72 TC 659*

[12] For example, see: *Timothy Kuberski, et ux., v. Commissioner, TC Memo 2002-200* (*James P. Donoghue, et ux., v. Commissioner, TC Memo 2019-71* (*James L. Sullivan, et ux., v. Commissioner, TC Memo 1988-367* (and *Victor A. Prieto, et ux., v. Commissioner, TC Memo 2001-266* (

change in business practice of , the profit margin is likely to be minimal, as the which is not an insignificant undertaking.

(8) The financial status of the taxpayer

If a person does not have another source of significant income or capital, it may be a sign that an activity is engaged in for profit. However, substantial income from other sources – especially if faced with losses from the activity that provide sizable tax benefits – may indicate that an activity is not engaged in for profit. This is particularly true if the activity involves personal or recreational elements.

Petitioners' federal income tax returns showed the following information:

Year	Income from other sources[13]	Schedule F/C loss claimed
2011	117,072	(12,642)
2012	126,732	(23,004)
2013	122,026	(29,667)
2014	117,849	(23,756)
2015	126,022	(72,622)
2016	154,261	(49,019)
2017	129,223	(27,220)
2018	125,374	(30,015)
2019	132,413	(32,391)
2020	122,329	(50,096)
2021	71,089	(71,089)

Petitioners clearly had significant income from sources outside the activity to subsidize the losses they declared, from which they gained substantial tax savings. In *Golanty*[14],

[13] Other sources may include wages, pension, and Social Security, but do not include state income tax refunds as those are not taxable in Idaho.
[14] *Golanty v. Commissioner, 72 TC 411*

the court found that petitioner was not engaged in for profit where he had other gross income over $84,000 and $95,000 in the two years he showed losses of $26,000 and $28,000.

(9) Elements of personal pleasure or recreation

The presence of motives other than earning profit may indicate that an activity is not engaged in for profit, especially when the activity includes personal or recreational elements. Just because an activity has elements of personal satisfaction or recreation does not mean that it is not engaged in for profit. The lack of any personal motives beyond making a profit may indicate that an activity is engaged in for profit, but it is not necessary for an activity to be engaged in solely to earn a profit to rise to the level of "business" over "hobby." There can be a mix of personal satisfaction or pleasure and profit motive. If other factors indicate profit motive, the elements of personal satisfaction may be downplayed.

Petitioner-wife repeatedly indicated that she puts a lot of work into her activity. If the daily schedule she provided is accurate, that is most certainly true. At the same time, Petitioner-wife also stated during her hearing with Appeals that she is "trying to make a business" out of what she enjoys doing, that she loves and that she is "passionate" and "dedicated."

Petitioner-wife turned 65 in 2023. She said her knowledge of came from 49 years of being around them and , meaning that she has spent more years being than not. is something that obviously provides Petitioner-wife much personal pleasure, even if it is hard work. Many people dedicate years to an activity simply because they gain satisfaction from it and want to become better at it (e.g., amateur musicians, athletes, artists, etc.).

Conclusion

Based on an evaluation of the nine factors laid out above, tax returns, and all other information available at this time, the Tax Commission determined that Petitioners' - activity reported on Schedule F for 2019 and Schedule C for 2020 and 2021 was not engaged in for profit. While there are some indications that the activity was conducted in a business-like manner – such as the retention of receipts and invoices to document expenses – there are others that indicate the opposite – the lack of a formal business plan, no financial study to examine profitability, no change in practices after years of substantial losses, etc. Although Petitioner-wife could reasonably be called well-versed in the actual , she did not appear to try to expand her expertise on the business aspects of . While she did consult with an accountant, she did not consult with any others who had created a profitable business to glean useful information. Petitioner-wife reportedly spends a significant amount of time and indicates she wishes she had more time for it, but she did not dedicate the extra time she gained after losing her job in 2020 to the activity; rather, she sought out a replacement job. There is no expectation that the value of any assets used in the activity will increase over time. Petitioners have no experience in running a profitable business. Petitioners have never shown a profit from the activity but have accrued a string of losses over more than two decades. Given the size of the operation, the cost of , and other expenditures, not to mention the cost to purchase the it is unlikely that this activity will result in a profit or a series of profits sizable enough to overcome the significant financial hole Petitioners are in with this activity. Petitioners have not been in a situation where they have relied on income from the activity to supplement other income; rather, they have subsidized the yearly losses with income from other sources.

Finally, there are more elements of personal satisfaction and pleasure gained from the activity than any apparent profit motive.

Schedule C/F Deductions

IRC section 183(b)(2) allows an individual conducting an activity deemed "not engaged in for profit" to claim deductions for expenses that would otherwise be allowable only if the activity were deemed "engaged in for profit" up to the amount of gross income generated by the activity. In short, an activity not engaged in for profit cannot generate a loss; one can claim expenses up to the amount of gross income, but not more.

Expenses deductible under IRC section 183 are considered miscellaneous itemized deductions subject to the two-percent-of-adjusted-gross-income floor[15]. These deductions are typically claimed on federal Schedule A, so would only be allowed if the taxpayer itemized deductions instead of claiming the standard deduction amount. However, under the Tax Cuts and Jobs Act of 2017, miscellaneous itemized deductions are not allowed for any tax year starting after December 31, 2017, and before January 1, 2026[16]. This includes all three tax years in the audit period.

Because their activity was not engaged in for profit and miscellaneous itemized deductions are not allowed for the tax years included in the audit period, the Tax Commission determined that Petitioners are not entitled to any expenses claimed on Schedule F for 2019 or Schedule C for 2020 and 2021.

Bonus Depreciation

---

[15] *Treasury Regulation 1.67-1T(a)(1)(iv)*; see also *Carl L. Gregory, et ux. v. Commissioner, TC Memo 2021-115*
[16] *IRC section 67(g)*

Under IRC section 168(k), an individual can claim a special depreciation allowance (bonus depreciation) on qualified assets placed into service in a trade or business. Except for tax years 2008 and 2009, Idaho does not conform to this provision of the IRC; for Idaho purposes, depreciation of business assets must be calculated without regard to the bonus depreciation provision[17]. For those qualifying assets on which a person claims bonus depreciation, the expense in the year the asset is placed into service will be higher on the federal tax return than on the Idaho tax return. The expense will be lower on the federal return than the Idaho return in subsequent years.

To adjust for this difference, a person claiming bonus depreciation must make an addition to their federal adjusted gross income on their Idaho return in the year the qualifying asset is placed in service and may claim a subtraction from federal adjusted gross income in subsequent years. If the individual does not include the addition for bonus depreciation on their Idaho return for the year the asset is placed in service, then no subtractions are allowed in later years.

On their 2019 Idaho tax return, Petitioners claimed a bonus depreciation subtraction of $142. Because all expenses on Schedule F were disallowed, there is not a difference in the amount of depreciation allowed for federal purposes and the amount allowed for Idaho purposes. Therefore, the Tax Commission agrees with Audit's determination that the bonus depreciation subtraction for 2019 should be disallowed.

Petitioners also included a bonus depreciation addition on their 2020 Idaho return. However, as they reported $0 gross income on their federal Schedule C, they are not allowed any business expenses, including depreciation. Since no depreciation expense is allowed on the federal

[17] *Idaho Code section 63-3022O(1)*

return, there is no difference between federal and Idaho calculations and no adjustment is required. Therefore, The Tax Commission agrees with Audit's determination that the bonus depreciation addition for 2020 should be reversed.

Interest and Penalty

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

The Tax Commission finds that Petitioners' - activity was not engaged in for profit. Therefore, Petitioners are not allowed to claim expenses in excess of their gross income from the activity. The allowable expenses are not deductible for tax years 2019, 2020, and 2021. Petitioners are not allowed a bonus depreciation subtraction for 2019 or required to make a bonus depreciation addition for 2020.

THEREFORE, the Notice dated March 7, 2023, and directed to

is hereby UPHELD and MADE FINAL.

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

YEAR	TAX	PENALTY	INTEREST	TOTAL
2019	$3,188	$159	$433	$3,780
2020	2,688	134	286	3,108
2021	2,503	125	214	2,842
				$9,730

The Tax Commission DEMANDS immediate payment of this amount. Interest is calculated through March 25, 2024.

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.

_____

_____