

modified the adjustments to depreciation and the investment tax credit but affirmed the disallowance of the Other Subtraction.

LAW AND ANALYSIS

S-Corps are flow-through entities, meaning the tax attributes of the S-Corp flow-through to its shareholders and are reported on the shareholder's income tax return. *See* Internal Revenue Code Subchapter S. As a result, any changes to the S-Corp's return requires a change to the shareholder's return.

Regarding this case, the Tax Commission changed depreciation expense, its bonus depreciation addback, its investment tax credit, and disallowed its Other Subtraction. Therefore, the Tax Commission makes the same changes to Petitioners' 2017 and 2018 Idaho individual income tax returns. In addition to the pass-through adjustments, the Bureau also corrected Petitioners' 2017 Idaho investment tax credit carryover from 2016. Petitioners used all their investment tax credit in 2016, so there was no carryover to 2017. The Tax Commission hereby upholds that adjustment as well.

CONCLUSION

Petitioners are shareholders of an Idaho S-Corp, As such Petitioners are required to report the flow-through items of on their individual income tax return. Because the Tax Commission made changes to Idaho income tax returns, Petitioners' individual income tax returns also need to be changed. Therefore, in accordance with the Tax Commission's decision on Docket No. 1-707-259-904, the Tax Commission modifies the Bureau's adjustments to Petitioners' Idaho income tax returns.

THEREFORE, the Notice of Deficiency Determination dated October 27, 2021, directed to is AFFIRMED as MODIFIED by this decision.

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	\$600	\$30	\$81	\$ 711
2018	615	31	57	<u>703</u>
			TOTAL	\$1,414
			LESS	<u>1,450</u>
			REMITANCE	
			REFUND	\$ (36)
			INTEREST**	<u>(3)</u>
			TOTAL REFUND	\$ <u>(39)</u>

* Interest on deficiency is computed to November 1, 2021.

** Interest on refund is computed from November 2, 2021 to March 15, 2024.

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.
