

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 1-646-806-016
)	
Petitioner.)	DECISION
<hr style="width: 45%; margin-left: 0;"/>)	

The Tax Discovery Bureau (Bureau) at the Idaho State Tax Commission (Tax Commission) issued a Notice of Deficiency Determination (Notice) to (Petitioner) for failure to file Idaho individual income tax returns for tax years 2014, 2015, 2016, 2019, and 2020. Petitioner filed a timely appeal and petition for redetermination of the Notice. Petitioner didn't request a hearing or submit additional information during the appeals process. The Tax Commission has reviewed the file and hereby issues its decision to uphold the Bureau's Notice.

BACKGROUND

The Bureau determined Petitioner failed to file Idaho individual income tax returns as required by Idaho Code section 63-3030. Therefore, the Bureau determined income, filing status, deductions, and credits based on the information available to the Tax Commission and issued a Notice.

LAW

Idaho Code section 63-3030 provides the general requirements for filing Idaho tax returns. In short, residents of Idaho are required to file when their gross income exceeds the sum of (1) their standard deduction (including the amounts for age but not for blindness), and (2) their allowable personal (not dependency) exemptions. *See* I.R.C. 6012(a)(1).

Idaho Code section 63-3042 provides if a taxpayer fails to file Idaho individual income tax returns when required to do so, the Tax Commission may prepare a return and issue a notice based on the information available.

PETITIONER'S POSITION

Petitioner did not dispute his requirement to file tax returns for the referenced tax years. Instead, Petitioner appealed contending (1) he has no knowledge of several items of income; (2) several of the items of income are probably correct but he never received any distribution to the tax; (3) he never received income statements from several of the entities; and (4) he is financially ruined and has no way of paying the asserted deficiency.

ANALYSIS

Based on the information available, Petitioner was a pass-through owner of several pass-through entities:

and Petitioner's percentage of ownership varied between the entities and the tax years. It also appears Petitioner sold his interest in some of the pass-through entities, and some of the entities declared bankruptcy. In addition to pass-through income from the pass-through entities, Petitioner received wages from had interest income, dividend income, and income from stock sales.

Income reported to the Tax Commission by the pass-through entities, employers, banks, and/or other institutions showed Petitioner received gross income of \$489,992, \$239,558, \$688,785, \$402,588, and \$32,932 for tax years 2014, 2015, 2016, 2019, and 2020, respectively. The Bureau provides a breakdown of the income in its Notice.

Generally, the Commission's Notice of Deficiency is presumed to be correct, and the taxpayer bears the burden of showing the deficiency 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); *Albertson's, Inc. v. State, Dept. of Revenue*, 106 Idaho 810, 814, 683 P.2d 846, 850 (1984). However, following federal tax law, if a taxpayer raises a reasonable dispute regarding an informational return filed by a third party with the Tax Commission, the burden is on the Tax Commission to produce reasonable and probative information on the deficiency as well as the informational return. IRC § 6021(d). This rule only applies with respect to a taxpayer who is fully cooperating with the Tax Commission. *Id.*

A taxpayer failed to cooperate fully with the IRS or assert a reasonable dispute where, in response to the IRS's determination that the taxpayer received income reported on a form 1099, the taxpayer argued that he didn't receive a copy of Form 1099 and that he hadn't performed services or received any money from the payor. The court noted that the taxpayer didn't deny that he received the income, rather, he denied performing any services and receiving any cash from the payor. Because the taxpayer failed to show a reasonable dispute as to the income in question, and failed to fully cooperate with the IRS, the court found that the burden of going forward and producing reasonable and probative information concerning the deficiency did not shift to the IRS. The court concluded that the taxpayer failed to meet his burden of proving he hadn't received the income. *Dennis, Charles A.*, (1997) TC Memo 1997-275.

A taxpayer didn't fully cooperate with IRS where he failed to file a tax return, refused to schedule an appointment with an IRS agent, and challenged the IRS's jurisdiction over him. See *McQuatters, Joseph T.*, (1998) TC Memo 1998-88. Similarly, a taxpayer didn't fully cooperate where, despite repeated requests by the IRS, she never provided the books and records (which she admitted she possessed) of the wholly owned corporation that issued her the Form 1099. Taxpayer instead unsuccessfully attempted to prove her claim that the amounts she received were loan

repayments by relying on ambiguous workpapers of the accountant who prepared the Form 1099.
See *Gussie, Diane*, (2001) TC Memo 2001-302

In this case, Petitioner didn't file Idaho individual income tax returns for the referenced tax years and appears to challenge income information reported to the Tax Commission by third parties. However, Petitioner has failed to fully cooperate with the Tax Commission or provide any adequate evidence to support his claims. Therefore, the Tax Commission hereby issues its decision upholding the Notice.

CONCLUSION

As noted above, it is well established that a Notice of Deficiency Determination issued by the Tax Commission is presumed to be accurate. *Parsons v. Idaho State Tax Commission*, 110 Idaho 572, 574-575 m.2, 716 P.2d 1344, 1346-1347 n,2, (Ct. App. 1986). The burden is on Petitioner to show the deficiency is erroneous. *Albertson's Inc. v. State Dep't of Revenue*, 106 Idaho 810, 814, 683 P.2d 846, 850 (1984). Here, Petitioner has not filed tax returns and has not proven the deficiency is erroneous.

The Bureau added interest and penalty to the income tax deficiency. The Tax Commission reviewed those additions, found both to be appropriate per Idaho Code sections 63-3045 and 63-3046, had has updated interest accordingly. Interest is calculated through October 16, 2023, and will continue to accrue at the rate set forth in Idaho Code section 63-3045(6) until paid.

THEREFORE, the Notice of Deficiency Determination dated April 6, 2022, is hereby APPROVED, in accordance with the provisions of this decision, and is AFFIRMED and MADE FINAL.

IT IS ORDERED that Petitioner pay the following tax, penalty, and interest.

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2014	\$29,466	\$7,367	\$9,376	\$46,209
2015	15,856	3,964	4,410	24,230
2016	49,797	12,449	12,003	74,249
2019	26,779	6,695	3,163	36,637
2020	1,161	290	97	1,548
				<u>\$182,873</u>

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

An explanation of Petitioner's 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.
