

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 1-695-032-320
	)	
Petitioner.	)	DECISION
<hr style="width: 50%; margin-left: 0;"/>	)	

The Idaho Tax Discovery Bureau (Bureau) sent (Petitioner) a Notice for tax years 2016 through 2021. Petitioner protested, disagreeing with the estimates of income and expenses the Bureau prepared for them in the Notice. The Tax Commission has reviewed the matter and hereby modifies the Notice for the reasons stated below.

**BACKGROUND**

During a review of taxpayer information, the Bureau could not locate Petitioner’s Idaho individual income tax returns for tax years 2016 through 2021. The Bureau contacted Petitioner, inquiring about the missing returns. When Petitioner did not respond, the Bureau prepared returns for him and issued a Notice.

In calculating Petitioner’s Idaho taxable income for the years in question, the Bureau included wages, interest, estimated business income from a sole-proprietorship, and estimated farm income. For tax years 2017, 2018, and 2020, the Bureau used 1099 forms reported to the Tax Commission to estimate income from the sole-proprietorship “ For tax years 2019 and 2021, the Bureau estimated income by using filed Idaho Form 967 annual withholding reports. The estimated income was calculated by multiplying the reported Idaho wages by a factor of three. The Bureau estimated business expenses by multiplying gross receipts by 25% minus wages reported on Form 967. Income for “ was estimated by using 1099 forms reported to the Tax Commission. Due to insufficient information, no deductions

for business expenses were allowed. Petitioner protested, stating the estimates in the Notice were incorrect and he will be filing actual returns. The Bureau acknowledged his protest and transferred the case to the Tax Commission's Appeals Unit (Appeals).

Appeals sent Petitioner a letter explaining the appeals process and his right to a hearing. Petitioner did not request a hearing, but responded to the letter stating the returns will be uploaded soon. Eventually, returns for tax years 2016 through 2019 were provided. The Bureau accepted these returns and sent them for processing. These returns better reflect Petitioner's Idaho taxable income than those prepared by the Bureau. The Tax Commission cancels the Notice for these years, and they will not be discussed in this decision. Additional time was given to Petitioner to provide returns for tax years 2020 and 2021. Petitioner has yet to provide returns for 2020 and 2021. Petitioner has had more than adequate time to submit returns but has not done so. Therefore, the Tax Commission decided this matter on the information currently available.

### **LAW AND ANALYSIS**

Idaho Code section 63-3030(a)(1) requires each individual who is a resident of Idaho to file an Idaho income tax return if required to file a federal return. Internal Revenue Code section 6012 states that the requirement to file a federal return is based on gross income.

The information gathered by the Bureau and used to calculate Petitioner's Idaho taxable income clearly shows that Petitioner received gross income above the threshold amounts for filing returns. Petitioner did not express disagreement with the Bureau's conclusion that he was required to file Idaho returns for the years in question, but rather argued that the estimated income and expenses were incorrect.

The Tax Commission realizes that Petitioner may have had more business expenses than those shown on the Notice. However, deductions are a matter of legislative grace, and the taxpayer

bears the burden of showing that each deduction is allowable by statute. *New Colonial Ice Co. v. Helvering*, 292 US. 435, 54 S.Ct. 788 (1934); *Higgins v. C.I.R.*, T.C. Memo. 1984-330, (1984). The burden rests upon the taxpayer to disclose its receipts and claim its proper deductions. *United States v. Ballard*, 535 F.2d 400 (1976). If a taxpayer is unable to provide adequate proof of any material fact upon which a deduction depends, no deduction is allowed, and the taxpayer must bear its misfortune. *Burnet v. Houston*, 283 US. 223, 51 S.Ct. 413 (1931).

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 erroneous. See *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)). The Tax Commission requires Petitioner to provide adequate evidence to establish that the amount asserted in the Notice is incorrect. Petitioner has failed to do so. He has not filed actual returns or provided any substantive argument or documentation to show the individual income tax returns prepared by the Bureau for tax years 2020 and 2021 are incorrect. Therefore, the Tax Commission finds the returns prepared by the Bureau are a reasonable representation of Petitioner's Idaho taxable income and related tax due.

### **CONCLUSION**

Based on the available information, Petitioner received income exceeding the gross income threshold for filing Idaho income tax returns for tax years 2020 and 2021. Petitioner has yet to file these returns. Petitioner has not provided any evidence or compelling argument that the returns prepared by the Bureau are incorrect. The Tax Commission finds the returns prepared by the Bureau to be a reasonable representation of Petitioner's Idaho taxable income and related tax due for the years in question.

The Bureau added interest and penalty to Petitioner’s 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.

THEREFORE, the Notice of Deficiency Determination dated April 6, 2023, is hereby APPROVED as MODIFIED by this decision 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>
2020	\$16,799	\$4,200	\$2,031	\$23,030
2021	5,795	1,449	578	7,822
			TOTAL DUE:	\$30,852

An explanation of Petitioner’s 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.

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