

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

In the Matter of the Protest of	)	
██████	)	DOCKET NO. 1-728-668-672
██████	)	
Petitioner.	)	DECISION
_____	)	

██████ (Petitioner) protested the Notice of Deficiency Determination (Notice) for tax year 2017 dated January 2, 2024. The Tax Commission reviewed the matter and hereby issues its final decision to uphold the Notice.

**Background**

During a review of taxpayer information, the Tax Commission’s Tax Discovery Bureau (Bureau) could not locate Petitioner’s Idaho individual income tax return for tax year 2017. The Bureau determined that Petitioner met the requirements to file an Idaho tax return for the year in question.

The Bureau first contacted Petitioner on November 8, 2023, inquiring about the missing return. Petitioner did not respond to the Bureau’s letter, so the Bureau prepared a return for him and issued the Notice. In calculating Petitioner’s Idaho taxable income for 2017, the Bureau included wages and income from the cancellation of debt.

On March 4, 2024, Petitioner mailed a protest of the Notice. He wrote, “The document you sent me list [sic] 3 separate income sources which I never had. My case lists PNC Bank and 2 separate Wells Fargo Bank totally [sic] \$69,268 of income. I did not make this money.” Petitioner stated that he only worked part-time at ██████ while living with friends and that he believes it could be a case of mistaken or stolen identity.

On March 21, 2024, the Bureau sent a letter acknowledging the protest, explaining that the income shown on Form 1099-C was from the cancellation of student debt, and requesting some additional information. Specifically, the Bureau asked if Petitioner had attended college in any of the years before 2017 and to provide a copy of his identity theft report. Petitioner did not respond to the March 21 letter, so the Bureau forwarded the matter to the Tax Commission's Appeals unit (Appeals) for administrative review.

On May 16, 2024, Appeals sent Petitioner a letter explaining the return the Bureau prepared and outlining two options for redetermining a protested Notice. Petitioner did not respond to the letter by the deadline provided, so Appeals sent him an email on June 27, 2024, with a copy of the letter. Petitioner replied via email on July 11, 2024, stating that he didn't make the money the Bureau says he did. Appeals sent follow-up emails on July 15 and July 25, 2024, requesting the same information the Bureau did in its March 21 letter. Petitioner did not respond to either of the July emails. Therefore, the Tax Commission decided this matter based on the information currently available.

### **Law & 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 (IRC) 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 agreed that he earned wages from working at [REDACTED]. He stated that he didn't make any money from Wells Fargo Bank or PNC Bank, though. The income from these banks came from the discharge of indebtedness (also known as cancellation of debt). The Bureau

included it in gross income in accordance with IRC section 61(a)(11). According to the Bureau, the debt was from student loans. The cancellation of debt does not result in the receipt of money. Rather, it enriches the debtor by removing the requirement to pay back what was originally owed, thereby improving his financial situation.

Petitioner stated this could possibly be part of identity theft. He stated his identity was stolen in 2012 and has had credit cards, phones, and other items put in his name. There is information available showing that Petitioner reported the identity theft, but when the Bureau, and later Appeals, asked for additional documentation and information to determine if this was indeed part of the identity theft, Petitioner did not provide anything.

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 an actual return or provided any documentation to show the individual income tax return prepared by the Bureau for tax year 2017 is incorrect. Therefore, the Tax Commission finds that the return prepared by the Bureau is a reasonable representation of Petitioner's Idaho taxable income and related tax due.

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.

**Conclusion**

Petitioner received sufficient income during 2017 to require him to file an income tax return, which he did not do. Petitioner has not provided any documentation or information to show that the return prepared by the Bureau is incorrect.

THEREFORE, the Notice dated January 2, 2024, and directed to [REDACTED] is hereby UPHELD 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>
2017	\$5,379	\$1,345	\$1,477	\$8,201

The Tax Commission DEMANDS immediate payment of this amount. Interest is calculated through December 6, 2024, and will continue to accrue in accordance with Idaho Code section 63-3045.

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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