BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of [redacted]	)	DOCKET NO. 1-744-557-056
Petitioner.	)	DECISION

[redacted] (Petitioner) protested the Notice of Deficiency Determination (Notice) dated January 23, 2026. Petitioner disagreed with the disallowance of the deduction claimed for alternative energy devices and energy efficiency upgrades. The Tax Commission reviewed the matter and hereby upholds the Notice for the reasons stated below.

BACKGROUND

Petitioner filed her 2022 Idaho resident individual income tax return claiming the alternative energy devices (AED) deduction, the energy efficiency upgrade (EEU) deduction and Idaho other subtraction deduction. The Income Tax Audit Bureau (Bureau) selected the return for review. After review, the Bureau sent Petitioner a Notice disallowing the AED, EEU and Idaho other subtraction deductions claimed. Petitioner protested the Notice arguing the AED and EEU deductions claimed for window shutters should be allowed as they provide energy savings in winter and summer. The Bureau acknowledge Petitioner's protest and sent the file to the Tax Commission's Appeals (Appeals) unit for administrative review.

Appeals reviewed the matter and sent Petitioner a letter that discussed the methods available for redetermining a Notice. Petitioner responded, providing additional documentation but she did not request an informal hearing.[1] Therefore, the Tax Commission now issues its

[1] Home Depot statement showing purchases of $4,583.72 and a handwritten notation of "window shutters".

decision based on the information available.

LAW AND ANALYSIS

Idaho Code section 63-3022B defines the EEU deduction:

63-3022B. DEDUCTION FOR ENERGY EFFICIENCY UPGRADES. (1) An individual taxpayer may deduct from taxable income an amount actually paid or accrued by the individual taxpayer during the taxable year for the actual installation of energy efficiency upgrade measures within any existing residence. As used in this section, "existing residence" means any residence in the state of Idaho that serves as the primary place of residence of the individual taxpayer in being, under construction, or subject to an outstanding legal building permit on or before January 1, 2002.

(2) As used in this section:

(a) "Energy efficiency upgrade measure" means an energy efficiency improvement to the building envelope or duct system that meets or exceeds the minimum value for the improved component established by the version of the international energy conservation code (IECC) in effect in Idaho during the taxable year in which the improvement is made or accrued.

(b) "Energy efficiency upgrade measure" includes:

(i) Insulation that shall be added to existing insulation not in replacement of existing insulation;

(ii) Windows that may replace less efficient existing windows;

(iii) Storm windows;

(iv) Weather stripping and caulking; and

(v) Duct sealing and insulation. Duct sealing requires mechanical fastening of joints and mastic sealant.

63-3022C. DEDUCTION FOR ALTERNATIVE ENERGY DEVICE AT RESIDENCE.

(1) An individual taxpayer who installs an alternative energy device to serve a place of residence of the individual taxpayer in the state of Idaho may deduct from taxable income the following amounts actually paid or accrued by the individual taxpayer: forty percent (40%) of the amount that is properly attributable to the construction, reconstruction, remodeling, installation or acquisition of the alternative energy device in the year when such device is completed or acquired and is placed in service by the taxpayer; and twenty percent (20%) per year thereafter for a period of three (3) succeeding years; provided, however, that said deduction shall not exceed five thousand dollars ($5,000) in any one (1) taxable year.

(2) An individual taxpayer who purchases a residence in the state of Idaho served by an alternative energy device for which none or less than all of the total deduction allowable under this section has been taken, may take the deduction specified in this section, or the unused balance of the deduction.

(3) As used in this section, "alternative energy device" means any system or mechanism or series of mechanisms using solar radiation, wind or geothermal

> resource as defined in section 42-4002, Idaho Code, primarily to provide heating, to provide cooling, to produce electrical power, or any combination thereof. Alternative energy device includes a fluid to air heat pump operating on a fluid reservoir heated by solar radiation or geothermal resource. Alternative energy device shall also include either a natural gas heating unit, or a propane heating unit, or a wood burning stove which meets the most current environmental protection agency certification, or a pellet stove which meets the most current industry and state standards, and which natural gas heating unit, or propane heating unit, or wood burning stove which meets the most current environmental protection agency certification, or pellet stove which meets the most current industry and state standards is used to replace during the same tax year a wood burning stove designed for residential heating and that does not meet environmental protection agency requirements for certification, provided the wood burning stove is surrendered to the department of environmental quality or its agent for destruction in accordance with applicable federal and state rules.

Petitioner's EEU deduction was for the purchase of window shutters in the amount of $4700. Window shutters do not qualify as an EEU expense under Idaho Code section 63-3022B as they do not improve the building envelope or duct system that meets or exceeds the minimum value established by the IECC. Additionally, window shutters do not qualify as one of the five energy efficiency upgrade measures per 63-3002B(2)(b). Therefore, the EEU deduction is disallowed.

Petitioner also claimed a $3,579 AED deduction which consisted of the same window shutters claimed as an EEU deduction and a 2019 furnace and air conditioning (HVAC system). While windows shutters may block the sun and reduce heat, they are not an alternative energy device under Idaho Code section 63-3022C. As for the HVAC system, Petitioner did not show the HVAC system installed in 2019 is a natural gas or propane heating unit which replaced during the same tax year, a wood burning stove designed for residential heating and that does not meet environmental protection agency requirements for certification, provided the wood burning stove is surrendered to the department of environmental quality or its agent for destruction in accordance with applicable federal and state rules. Consequently, Petitioner fails to meet the statutory requirements to claim the $3,579 AED deduction.

CONCLUSION

Petitioner claimed the AED deduction and EEU deduction on their 2022 return. The Bureau disallowed both deductions. The Tax Commission reviewed the Bureau's adjustments and found them appropriate based on the documentation and information available. Therefore, the Tax Commission upholds the Bureau's Notice.

The Bureau added interest and penalty to Petitioner's tax liability. Appeals reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046.

Therefore, the Notice dated January 23, 2026, and directed to [redacted] is APPROVED and MADE FINAL.

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

YEAR	TAX	PENALTY	INTEREST	TOTAL
2022	$811	$41	$141	$993

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 _____ 2026.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2026, 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.

[redacted]

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