

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
)
 ,) DOCKET NO. 1-806-825-472
)
 Petitioners.) DECISION
)
 _____)

(Petitioners) protested the Notice of Deficiency Determination dated January 21, 2022. Petitioners disagreed with the changes made to the qualified business income deduction and to the estimated payments on their 2020 Idaho individual income tax return. The Tax Commission reviewed the matter and hereby modifies the Notice of Deficiency Determination.

BACKGROUND

Petitioners filed their 2020 Idaho individual income tax return claiming a deduction for qualified business income and a credit for estimated payments from a carryover credit from their 2019 Idaho income tax return. During the processing of Petitioners’ 2020 return, it was identified as a return with a potential error. Taxpayer Accounting reviewed Petitioners’ return and found that there was no record of a carryover credit from 2019, and that Petitioners did not include a copy of their federal income tax return to validate the qualified business income deduction. Taxpayer Accounting sent Petitioners a letter asking for information on the credit and a copy of their federal income tax return. Petitioners did not respond. Taxpayer Accounting corrected Petitioners’ return disallowing the carryover credit and the qualified business income deduction. Taxpayer Accounting sent Petitioners a Notice of Deficiency Determination, which they protested.

Petitioners stated they believed they are entitled to the qualified business income deduction. Petitioners stated they inadvertently forgot to provide a copy of their federal income tax return that

supports the deduction. Petitioners provided a copy of their federal income tax return with their protest. Petitioners also stated that they asked for the overpayment on their 2019 return be carried forward to their 2020 return. Petitioners subsequently provided a copy of their 2019 return showing the overpayment as an estimated tax payment for 2020.

Taxpayer Accounting modified the Notice of Deficiency Determination allowing the qualified business income deduction but made no change to the carryover credit. Taxpayer Accounting sent Petitioners the modified Notice of Deficiency Determination and asked them if they wanted to continue with their protest. Petitioners did not withdraw their protest, so Taxpayer Accounting acknowledged Petitioners' protest and referred the matter to the Tax Commission's Appeals Unit (Appeals).

Appeals sent Petitioners a letter explaining the correction for the carryover credit and asked how they wanted to proceed with their protest. Petitioners did not respond. Seeing that Petitioners had an opportunity to validate their claim, the Tax Commission decided the matter based upon the information available.

ANALYSIS AND FINDINGS

When Petitioners filed their 2018 Idaho individual income tax return there was an error in the amount of the estimated payments they claimed on that return. The Tax Commission corrected that error and sent notice to Petitioners of the change. The correction made to Petitioners' 2018 return reduced the amount of the carryover estimated tax payment to Petitioners' 2019 Idaho income tax return.

Petitioners filed their 2019 Idaho individual income tax return but did not account for the correction the Tax Commission made to their carryover estimated payment from 2018. Petitioners reported an overpayment of tax in 2019 of \$1,567 and asked that the overpayment be carried over

to 2020 as an estimated tax payment. However, when Petitioners' 2019 return was processed, it was identified as a return with an error. The error was that Petitioners' estimated payments did not match the records of the Tax Commission. Petitioners did not adjust their 2018 carryover estimated payment for the correction made by the Tax Commission.

Taxpayer Accounting reviewed Petitioners' 2019 return, corrected the error, and sent Petitioners a letter explaining the correction. Included in Taxpayer Accounting's letter was a statement that Petitioners' carryover estimated payment for their next tax year (2020) was changed to reflect the changes made to their 2019 return. However, rather than recording the corrected carryover estimated payment as an estimated payment for 2020, the Tax Commission refunded the overpayment to Petitioners. Petitioners redeemed the refund check on November 25, 2020.

Petitioners filed their 2020 Idaho income tax return on October 15, 2021. Petitioners' return did not include a copy of their 2020 federal income tax return. Petitioners claimed a qualified business income deduction and a carryover estimated payment from tax year 2019. During processing, Petitioners' 2020 return was identified as a return with an error. Taxpayer Accounting sent Petitioners a letter asking for a copy of their 2020 federal income tax return and documentation of the payment of the estimated payment. Petitioners provided a copy of their federal return and a copy of their 2019 Idaho income tax return. Petitioners' federal return supported the qualified business income deduction. Petitioners provided their 2019 Idaho return to support the estimated payment.

As previously explained, Petitioners' overpayment for 2019 was refunded to them. Therefore, Petitioners had no carryover estimated payment, and since Petitioners made no other estimated payments for tax year 2020, Petitioners had no estimated payment credit toward their tax. The adjustment to Petitioners' estimated tax payments must be upheld.

As for the disallowed qualified business income deduction, Petitioners' federal income tax return validated the deduction and Taxpayer Accounting modified its determination to allow the deduction. The Tax Commission reviewed the deduction and agrees with Taxpayer Accounting's modification.

CONCLUSION

Petitioners filed their 2020 Idaho income tax return claiming a qualified business income deduction and a carryover estimated tax payment from tax year 2019. Petitioners supported the qualified business income deduction but failed to show any additional estimated tax payments other than the carryover payment from 2019 that was refunded to them. Because the 2019 overpayment was refunded, Petitioners have no estimated payments for tax year 2020. Accordingly, the Tax Commission must uphold the adjustment to Petitioners' 2020 estimated payments.

Taxpayer Accounting added penalty and interest to Petitioners' tax deficiency. The Tax Commission reviewed those additions and found them appropriate and in accordance with Idaho Code sections 63-3033 and 63-3045.

THEREFORE, the Tax Commission AFFIRMS as MODIFIED the Notice of Deficiency Determination dated January 21, 2022, directed to _____.

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>
2020	\$1,567	\$465	\$78	\$2,110

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

An explanation of Petitioners' right to appeal this decision is enclosed.

DATED this _____ day of _____ 2022.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2022,
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.
