

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
██████████ ██████████)	DOCKET NO. 1-851-745-280
)	
Petitioner.)	DECISION
)	

██████████ || ██████████ (Petitioner) protested the Notices of Deficiency Determination (Notices) dated March 8, 2024. Petitioner disagreed with the Tax Discovery Bureau’s (Bureau) determination of her Idaho taxable income for tax years 2020 and 2021. The Idaho State Tax Commission (Tax Commission) reviewed the matter and hereby upholds the Notices for the reasons stated below.

BACKGROUND

Petitioner is a 50% owner of ██████████ ██████████ ██████████ ██████████ (Entity), an Idaho partnership. Her spouse owns the other 50% of the Entity. Typically, the income or loss from a partnership flows through to the respective partners. Tax Commission records indicate that the Entity did not file business returns for tax years 2020 and 2021. The Entity had an active withholding permit and filed the required withholding returns from 2005 to 2023. It last filed a business return for tax year 2007. The Bureau sent a letter requesting the Entity to file business income tax returns. The Entity did not respond. The Bureau prepared business returns on behalf of the Entity and issued a Notice which was uncontested. The net income for the Entity was based on 1099s issued to the partnership with an allowance for expenses¹.

¹ Expenses were estimated by using 25% of the total amount of 1099s each year.

The Bureau reviewed Petitioner's filing history, and discovered she last filed in 2007. The Tax Commission received a timely filed 2020 individual return in Petitioner's name. It reported \$0 for wages, which didn't match Tax Commission records, so it was stopped during processing and Petitioner was contacted to verify she had filed the return. Petitioner did not respond to the inquiry, so the refund claimed on the return was not issued. The Tax Commission did not receive her 2021 individual income tax return.

The Bureau sent Petitioner a letter asking about her requirement to file Idaho individual income tax returns. Petitioner did not respond. The Bureau determined that Petitioner's 2020 individual return needed corrected to include all her income and that she must file a 2021 return. Therefore, two Notices were issued both including W-2 income and 50% of the income from the Entity's business returns prepared by the Bureau.

Petitioner came into the Tax Commission office to discuss the Notices. She stated that she and her spouse live in the same house but keep their finances separate and she intends to protest the Notices.

Petitioner argues that the 2020 individual return was filed without her knowledge and is false. She also disputes the pass-through income from Entity for both years stating she's had nothing to do with the business since 2016 or 2017. She finishes by stating her intent to file actual individual returns for the years mentioned. The Bureau acknowledged Petitioner's protest and allowed her a few more months to file her returns. After a few months Petitioner contacted the Bureau asking for an extension stating she was working with Perfect Tax to get her returns filed. The Bureau replied that she could file returns at any time, but her case was being transferred to the Tax Commission's Appeals unit (Appeals) for administrative review.

Appeals reviewed the matter and sent Petitioner a letter discussing the methods available for redetermining a Notice. Petitioner did not respond. Therefore, the Tax Commission decided the matter based on the information available.

LAW AND ANALYSIS

Idaho Code section 63-3030 provides the income thresholds for filing Idaho income tax returns. The information the Bureau gathered clearly shows Petitioner's income exceeded the threshold for each of the years. Petitioner did not deny she was required to file Idaho income tax returns. Rather, she argued that her taxable income is less than what the Bureau determined.

The Idaho Secretary of State shows the Entity as administratively dissolved² in 2016, and the last annual report form (filed in 2015) listed Petitioner as a member with her signature. Current information available to the Tax Commission shows the Entity has been receiving 1099s from 2007 to 2022. The Tax Commission has not received any documents showing that Petitioner is no longer a 50% owner of the Entity.

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 n.2, 716 P.2d 1344, 1346-1347 n.2 (Ct. App. 1986). The burden is on the petitioner to show the deficiency is erroneous. *Albertson's, Inc. v. State, Dept. of Revenue*, 106 Idaho 810, 814, 683 P.2d 846, 850 (1984). Deductions and credits are a matter of legislative grace. *New Colonial Ice Co. v. Helvering*, 292 U.S. 435, 54 S.Ct. 788 (1934). As with all claimed tax credits, the taxpayer bears the burden of showing that he is entitled to the credit. *United Stationers, Inc. v. United States*, 163 F.3d 440, 443 (7th Cir. 1998) (citing *Interstate Transit Lines v. Commissioner of Internal Revenue*, 319 U.S. 590,

² Meaning the owner(s) stopped filing their annual report form.

593, 63 S.Ct. 1279 (1943)). The burden to show that claimed deductions come clearly within the scope of the statute rests upon taxpayer. *Int'l Trading Co. v. Comm'r*, 275 F.2d 578, 584 (7th Cir. 1960). In this case, Petitioner did not show that the income amounts in the Notices are incorrect. Petitioner did not meet her burden. The Tax Commission reviewed the returns the Bureau prepared for Petitioner and found they are a reasonable representation of Petitioner's income.

CONCLUSION

Petitioner meets the requirements to file Idaho individual income tax returns. She disagreed with the Bureau's determination of her taxable income but failed to provide anything contrary and has not filed the missing returns. Therefore, the Tax Commission upholds the Notices.

The Bureau added interest and penalty to Petitioner's tax deficiency. The Tax Commission reviewed those additions and found them to be appropriate and in accordance with Idaho Code sections 63-3045 and 63-3046, respectively.

THEREFORE, the Notices dated March 8, 2024, and directed to [REDACTED] [REDACTED] are hereby AFFIRMED and MADE FINAL.

IT IS ORDERED that Petitioner pay the following tax, penalty, and interest calculated per Idaho Code section 63-3045:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$35,068	\$1,753	\$3,773	\$40,594
2021	\$20,573	\$5,143	\$1,777	\$27,493
			TOTAL	\$68,087

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 _____ 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.
