



## LAW AND ANALYSIS

Petitioners state in their protest letter that their new heating system is energy efficient and were told they were able to deduct it somewhere on their returns. They argued that even though they might not qualify for the AED deduction, they should qualify for the EEU deduction.

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.

Heating systems do not qualify for the EEU deduction according to Idaho Code. Some new heating systems may, however, qualify for the AED deduction.

Idaho Code section 63-3022C(3) defines the AED deduction:

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.

Petitioners purchased a Daikin Multi-Zone Mini Split heating system. This specific heating system does not qualify for the AED deduction because it does not rely on solar, wind, geothermal, propane, or wood to conduct heat. Additionally, Petitioners did not surrender their old wood burning stove to the Department of Environmental Quality.

Petitioners also took issue with the tax calculation form included with the Bureau's audit report. Petitioners claim the Bureau did not include their health insurance premiums, grocery credit, or Idaho withholding in their calculation of additional tax owed. The tax calculation sheet first starts with Petitioners' Idaho taxable income from their originally filed income tax return. This number would include the health insurance premiums deduction. Then the Bureau added back the deductions claimed on Petitioners' return that did not qualify. After the additions of unqualified deductions, Petitioners' corrected income tax liability is calculated. The corrected income tax liability is then subtracted by the original tax liability reported on Petitioners' return. Petitioners' tax liability on their return includes the grocery credit and Idaho withholding. After a review of Petitioners' arguments regarding the tax calculation, the Tax Commission finds them to be without merit.

Petitioners lastly claimed that the Bureau didn't request any information regarding the Technological Equipment Donation deduction. The Tax Commission has reviewed the correspondence between Petitioners and the Bureau during the audit, and the Bureau clearly

requested documentation for this deduction. The Bureau also gave Petitioners sufficient time to provide documentation. The disallowance of the Technological Equipment Donation is therefore upheld.

### CONCLUSION

Petitioners were issued a Notice disallowing EEU, AED, and Technological Equipment Donation deductions. Petitioners believed they qualified for the deductions, but after a review of their documentation, it was clear the new heating unit did not qualify. The tax calculations were also found to be done correctly by the Bureau.

THEREFORE, the Notice of Deficiency Determination sent November 1, 2024, directed to [REDACTED] is hereby AFFIRMED and MADE FINAL.

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>
2021	\$819	\$41	\$107	\$967

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 \_\_\_\_\_ 2025.

IDAHO STATE TAX COMMISSION

## CERTIFICATE OF SERVICE

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_, 2025,  
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.

---

---