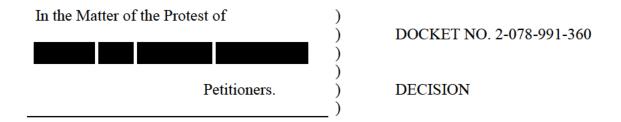
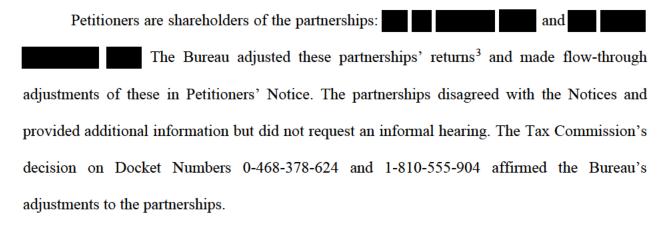
BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO



Determination (Notice) dated May 8, 2024, issued by the Income Tax Audit Bureau (Bureau). Petitioners disagreed with all the Bureau's adjustments¹, except for the adjustment to affected business entity credit. The Idaho State Tax Commission (Tax Commission), having decided the issue with the partnerships and for the reason stated below, modifies the Notice.

BACKGROUND



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¹ The Bureau's adjustments include the flow-through adjustments from partnerships, Idaho capital gains deduction, and affected business entity (ABE) credit.

owned an affected business entity (ABE)² for tax year 2021, and the Bureau allowed Petitioner to claim credit for ABE tax paid on their behalf in the Notice. For tax year 2023, because of the Bureau's adjustments to the ABE, the amount of the ABE tax has changed. The Bureau adjusted the amount of credit for the ABE tax paid on Petitioners' behalf on the Notice. Petitioners agreed with these adjustments; therefore, this decision will not address these adjustments any further.

The Bureau adjusted Idaho returns for Idaho investment tax credit (ITC) and its recapture and Idaho returns for net rental income, Idaho bonus depreciation addition and subtraction, and ITC.

In response to the Notice, Petitioners' representative disagreed with the Bureau's flow-through adjustments for the years under current review and disallowance of the Idaho capital gains deductions Petitioners claimed for tax year 2022. The Bureau acknowledged the protest and referred the matter to the Tax Commission's Appeals Unit (Appeals) for administrative review.

Appeals sent Petitioners a letter explaining the options available for redetermining a Notice. Petitioners responded and provided additional information but did not request an informal hearing. Having reviewed the matter, the Tax Commission hereby issues its final decision.

LAW AND ANALYSIS

entities. All the partnerships' tax attributes flow-through to Petitioners at the percentage of their distributive share. As a result, any change to these partnerships' returns requires a change to the shareholders' returns.

In this case, the Tax Commission upheld the changes to the partnerships' returns. Therefore, the Tax Commission also upholds the changes passed through to Petitioners' 2020 through 2022 Idaho individual income tax returns.

As for the Idaho capital gains deductions claimed on Petitioners' 2022 Idaho individual income tax return, Idaho Code section 63-3022H states in pertinent part under its subsection,

- (3) Property held by an estate, trust, S corporation, partnership, limited liability company or an individual is "qualified property" under this section if the property had an Idaho situs at the time of sale and is:
 - (b) Tangible personal property used in Idaho for at least twelve (12) months by a revenue-producing enterprise;

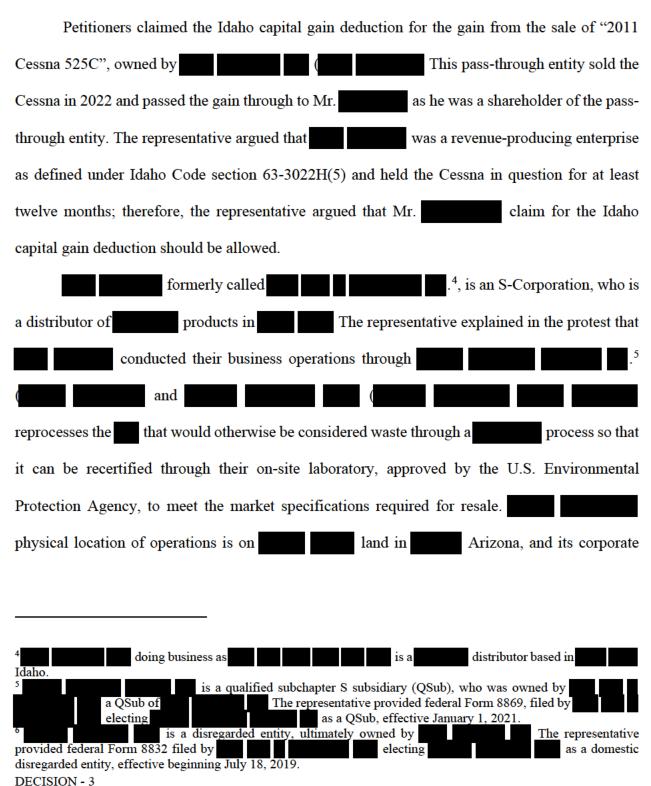
Idaho Code section 63-3022H (5) defines "revenue-producing enterprise" as:

(a) The production, assembly, fabrication, manufacture, or processing of any agricultural, mineral or manufactured product;

- (b) The storage, warehousing, distribution, or sale at wholesale of any products of agriculture, mining or manufacturing;
- (c) The feeding of livestock at a feedlot;

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(d) The operation of laboratories or other facilities for scientific, agricultural, animal husbandry, or industrial research, development, or testing.



Idaho. sells and transports headquarters are in supply products to customers. also operates " a controlled access system designed for commercial and fleet vehicles to automate unattended where drivers can access via a secured card system⁷. physical locations of operations are throughout Arizona, Colorado, Idaho, Nevada, New Mexico, Texas, Utah, and Oklahoma, and its corporate headquarters are in Idaho. The representative argued that used the Cessna within their business operations and held it in a hangar in near the corporate headquarters for at least 12 months after they acquired it on December 18, 2018. The representative provided by-state breakout of the apportionment factor, showing that they reported the Cessna as Idaho property and included the total cost of the Cessna in the property numerator prior to the sale. The Tax Commission finds that including met the definition as a revenue-producing and enterprise and held the Cessna for at least 12 months in Idaho. Therefore, the Tax Commission determines that the Idaho capital gain deduction is allowable for the gain from the sale of the 2011 Cessna 525C.

CONCLUSION

The Tax Commission upholds the Bureau's flow-through adjustments to Petitioners' individual returns based on its decision on Docket Numbers 0-468-378-624 and 1-810-555-904. The Tax Commission finds that the Idaho capital gain deduction is allowable for the gain from the sale of the 2011 Cessna 525C.

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⁷ The representative explained that the secured card system, "and allows fleet managers to monitor and costs more accurately and effectively.

DECISION - 4

The Bureau added interest to Petitioners' Idaho tax due. The Tax Commission reviewed the addition of interest and found it in accordance with Idaho Code section 63-3045.

THEREFORE, the Tax Commission MODIFIES the Notice dated May 8, 2024, directed to Petitioners.

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

<u>YEAR</u>	\underline{TAX}	$\underline{\text{PENALTY}}^{\underline{8}}$	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$3,099	\$0	\$333	\$3,432
2021	13,487	0	1,163	14,650
2022	2,126	0	107	2,233
			TOTAL DUE	\$20,315

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

⁸ The Bureau did not add a 5% negligence penalty to Petitioners' Idaho tax due in the Notice. DECISION - 5

CERTIFICATE OF SERVICE

I hereby certify that on this			_2025,
a copy of the within and foregoing DEC		rved by sending the same by Unite	ed States
mail, postage prepaid, in an envelope ad-	dressed to:		
		Receipt No.	