

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 2-091-262-976
)	
Petitioner.)	DECISION
<hr style="width: 45%; margin-left: 0;"/>)	

The Tax Commission’s Income Tax Audit Bureau (Bureau) issued (Petitioner) a Notice of Deficiency Determination (Notice) for tax year 2021. Petitioner protested, requesting more time to provide documentation for the business expenses claimed on his return. The Tax Commission has reviewed the matter and hereby upholds the Notice issued by the Bureau.

BACKGROUND

The Bureau conducted an examination of Petitioner’s 2021 return, reviewing expenses claimed on his Federal Schedule C and Idaho Energy Efficiency Upgrades. Petitioner claimed expenses on a sole proprietorship called “ _____ which Petitioner described as an _____ Expenses included advertising, car and truck expenses, insurance, legal and professional services, supplies, and utilities. The Bureau requested a general explanation of the activity and accounting records with documentation of the expenses claimed. Petitioner did not respond, so the Bureau sent him a Notice with the limited information available. Petitioner protested on April 18, 2023, stating he needed more time to provide documentation due to being out of town on military orders, and will be back on June 13, 2023. Documentation was never provided, so the Bureau transferred the case to the Tax Commission’s Appeals Unit (Appeals) on July 20, 2023, for further review. Appeals sent Petitioner multiple letters explaining his right to a hearing and the appeals process, but never received a response. With no documentation to review, the Tax Commission issues its decision with the information currently available.

LAW AND ANALYSIS

Internal Revenue Code (IRC) section 162 provides for the deduction of all ordinary and necessary expenses paid or incurred in carrying out a trade or business. Idaho Code section 63-3042 allows the Tax Commission to examine a taxpayer's books and records to determine the correctness of an Idaho income tax return. Tax Commission Administration and Enforcement Rule IDAPA 35.02.01.200 provides that, "A taxpayer shall maintain all records that are necessary to a determination of the correct tax liability."

Deductions are a matter of legislative grace, and the taxpayer bears the burden of proving that he is entitled to the deductions claimed. *New Colonial Ice Co., v. Helvering*, 292 US. 435, 440, 54 S.Ct. 788 (1934). Taxpayers are required to maintain records that are sufficient to enable the determination of their correct tax liability. See IRC section 6001; Treasury Regulation section 1.6001-1(a). The burden rests upon the taxpayer to disclose his receipts and claim his proper deductions. *United States v. Ballard*, 535 F.2d 400, 404 (1976). If a taxpayer is unable to provide adequate proof of any material fact upon which a deduction depends, no deduction is allowed, and that taxpayer must bear his misfortune. *Burnet v. Houston*, 283 U.S. 223, 51 S.Ct. 413 (1931). No documentation has been provided to substantiate the deductions related to "

Therefore, no deductions can be allowed on his 2021 return.

Petitioner also claimed Energy Efficiency Upgrades deduction on Idaho Form 39R, line 4. Idaho allows deductions for costs related to energy efficient purchases to a taxpayer's home built before 2002. Examples for qualified upgrades are laid out in Idaho Code section 63-3022B:

- Insulation if it increases the building's resistance to conduct heat
- Windows that replace less efficient existing windows
- Storm windows
- Weather stripping and caulking
- Duct sealing and insulation with mechanical fastening and mastic sealant

Petitioner did not provide documentation for this deduction. Therefore, the adjustment related to Petitioner’s Energy Efficiency Upgrades for tax year 2021 is upheld.

CONCLUSION

The Bureau adjusted Petitioner’s unsubstantiated deductions on his 2021 return. The Tax Commission recognizes that Petitioner might have legitimate claim to business deductions on his return. However, without any documentation to show the validity of these claims, the Tax Commission cannot allow them on the return. The Tax Commission has reviewed the adjustments made and found them to be appropriate based on the information available. Therefore, the Tax Commission agrees with and upholds the Bureau’s Notice of Deficiency Determination.

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

THEREFORE, the Notice of Deficiency Determination dated March 8, 2023, is hereby APPROVED and MADE FINAL.

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

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$1,463	\$73	\$141	\$1,677

Interest is calculated through May 29, 2024.

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.
