

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of

██████ ██████████

Petitioner.

DOCKET NO. 2-133-713-920

DECISION

██████ ██████████ (Petitioners) protested the Notice of Deficiency Determination (Notice) dated June 18, 2024. Petitioners disagreed with the disallowance of the deduction claimed for energy efficiency upgrades. The Tax Commission reviewed the matter and hereby upholds the Notice for the reasons stated below.

**BACKGROUND**

Petitioners filed their 2021, 2022, and 2023 Idaho resident individual income tax returns claiming the energy efficiency upgrade (EEU) deduction and the deduction for alternative energy devices (AED). The Income Tax Audit Bureau (Bureau) selected these returns for review, specifically the deduction for the EEU. The Bureau requested Petitioners provide information to support the EEU deduction. In response to the request, Petitioners provided an invoice for a solar panel system. The Bureau reviewed the information provided and sent Petitioners a Notice, disallowing the EEU deduction.

Petitioners filed a petition for redetermination, disagreeing with the disallowance of the solar panel system as an EEU deduction. Petitioners stated, “our system qualifies as an energy efficient upgrade...Energy efficiency improvements like solar reduce the amount of electricity on the grid at one time, known as a load, minimizing congestion and stress on the Idaho electrical grid.” The Bureau acknowledged the protest and called Petitioners to discuss the audit adjustments and explain the difference between the AED and EEU deductions. At the conclusion of the phone

conversation, [REDACTED] stated she would talk with her husband, and they may withdraw their protest. The Bureau heard nothing more from Petitioners and sent the file to the Tax Commission's Appeals (Appeals) unit for administrative review.

Appeals reviewed the matter and sent Petitioners a letter that discussed the methods available for redetermining a Notice. Petitioners did not respond. Appeals called Petitioners and again explained the audit adjustments and their options going forward. Appeals heard nothing further from Petitioners. Therefore, the Tax Commission issues its decision based on the information available.

## **LAW AND ANALYSIS**

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.

Petitioners installed a solar system and claimed the deduction for EEU and AED in 2021, 2022, and 2023. The Bureau allowed Petitioners the AED deduction of \$5,000 for each year

claimed, however the Bureau disallowed the EEU deductions. Petitioners claimed \$95,000, \$95,000 and \$90,000 in EEU deductions on their returns for 2021, 2022, and 2023 respectively. Petitioners did not adequately substantiate these deductions.

### CONCLUSION

Petitioners claimed deductions for EEU and AED on their 2021, 2022, and 2022 Idaho individual income tax returns. The Bureau allowed the AED deduction and disallowed the EEU deduction. The Tax Commission reviewed the Bureau's adjustments and found them appropriate based on the documentation and information available. Therefore, the Tax Commission upholds the Bureau's Notice.

The Bureau added interest and penalty to Petitioners' 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 dated June 18, 2024, and directed to [REDACTED] is APPROVED and MADE FINAL.

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

| <u>YEAR</u> | <u>TAX</u> | <u>PENALTY</u> | <u>INTEREST</u>  | <u>TOTAL</u> |
|-------------|------------|----------------|------------------|--------------|
| 2021        | \$6,174    | \$309          | \$933            | \$7,416      |
| 2022        | 5,702      | 285            | 658              | 6,645        |
| 2023        | 5,220      | 0              | 0                | <u>5,220</u> |
|             |            |                | Less Held Refund | (2,518)      |
|             |            |                | DUE              | \$16,763     |

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.



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