

IDAHO

State Tax Commission

800 Park Blvd Plaza IV
PO Box 36 • Boise ID 83722

May 7, 2014

FIRST M & FIRST M LAST
STREET ADDRESS
SPIRIT LAKE ID 83869

Reference # XXXXXXXX-01
XXXXXXXX-01

We adjusted your 2011, 2012 Idaho Individual Income Tax Returns based on information available to us. An explanation of these adjustments and the corresponding computations are attached.

As a result, the following Idaho income tax, penalty, and interest are due:

| TAX PERIOD | TAX DUE | PENALTY | INTEREST | TOTAL |
|------------|---------|---------|----------|---------|
| 12/31/11 | \$5,409 | | \$404 | \$5,813 |
| 12/31/12 | 5,420 | | 204 | 5,624 |

TOTAL DUE \$11,437

This billing letter is a request for payment of the total due shown above. If you agree with these adjustments, please sign, date, and return the "Consent to Assessment" no later than May 28, 2014. If you can't pay the total due, you can obtain a Form 40PA, Idaho Payment Agreement Request, from our website at tax.idaho.gov.

If you do not agree, please contact us so we can discuss the adjustments. If we do not receive a response by May 28, 2014, a Notice of Deficiency Determination will be issued.

Sincerely,

Contact Name
Tax Auditor
Ph (208) XXX-XXXX
Fax (208) XXX-XXXX
first.last@tax.idaho.gov

CONSENT TO ASSESSMENT

I consent to the assessment of tax as shown above and as prescribed by Idaho Code section 63-3044.
I understand that by consenting to this assessment, I waive any right to appeal.

Signature _____ Date _____

Signature* _____ Date _____

*If this is a joint income tax liability, both spouses must sign this form.

**IDAHO STATE TAX COMMISSION
INCOME TAX AUDIT BUREAU**

FTI = No

INDIVIDUAL INCOME TAX AUDIT CHANGES

10-042-97

| Employee | Rea Code | Result Code | Name Control | (For State Use Only) |
|---|------------|-----------------------------|--------------|----------------------|
| XXXXX | P9 | 31 | TAYL | |
| Account ID: XXXXXXX-01 | | Spouse Acct. ID: XXXXXXX-01 | | Status: MJ |
| Name | | First M & First M Last | | |
| Address | | Street Address | | |
| City, State, Zip | | Spirit Lake ID 83869 | | |
| TAX YEAR(S) | | 12/31/2011 | 12/31/2012 | |
| BATCH / REPORT | | XXXXXXXX-XXX | XXXXXXXX-XX | |
| 1. IDAHO TAXABLE INCOME per return or as previously adjusted | | 52,693 | 64,428 | |
| 2. Adjustments | | | | |
| a. Summary of Adjustments | | 69,372 | 73,241 | |
| b. | | | | |
| c. | | | | |
| d. | | | | |
| e. | | | | |
| f. | | | | |
| 3. IDAHO TAXABLE INCOME REVISED | | 122,065 | 137,669 | |
| 4. Corrected Income Tax Liability | | 8,845 | 9,711 | |
| 5. Income Tax Liability, before credits per return or as previously adjusted | | 3,436 | 4,291 | |
| 6. Grocery Credit | | | | |
| 7. | | | | |
| 8. | | | | |
| 9. ADDITIONAL TAX or (REFUND) | | 5,409 | 5,420 | * |
| 10. Sales/Use Tax | | | | * |
| 11. Permanent Building Fund Tax | | | | * |
| 12. Idaho Withholding | | | | * |
| 13. | | | | |
| 14. NET ADDITIONAL TAX (REFUND) | | 5,409 | 5,420 | * |
| 15. Penalties | | | | * |
| 16. Interest to 5/28/2014 | | 404 | 204 | * |
| 17. TOTAL DEFICIENCY OR (REFUND) | | 5,813 | 5,624 | * |
| Date | Auditor ID | | | Reviewer |
| 07 May 2014 | First Last | | | JB |

First M & First M Last
Summary of Adjustments

| | 2011 | | 2012 | |
|--|---------|----------|---------|----------|
| | Total | Idaho | Total | Idaho |
| 1. Adjusted Income per Return | 237,882 | 65,475 | 249,318 | 76,140 |
| 2. Audit Adjustments | | | | |
| a. Community Income | | 86,204 | | 88,130 |
| b. Moving Expenses | | | | (1,578) |
| c. | | | | |
| d. | | | | |
| e. | | | | |
| 3. Adjusted Income Corrected | 237,882 | 151,679 | 249,318 | 162,692 |
| 4. a. Itemized Deductions | 44,655 | | 32,001 | |
| b. State Income Taxes | 5,609 | | 5,052 | |
| c. Net Itemized Deductions | 39,046 | | 26,949 | |
| d. Standard Deduction | 11,600 | | 11,900 | |
| e. Larger of Itemized Deductions of Standard Deduction | 39,046 | | 26,949 | |
| f. Personal Exemptions | 7,400 | | 11,400 | |
| g. Net Standard & Personal Deductions | 46,446 | | 38,349 | |
| 5. Idaho Adjusted Income | 151,679 | 151,679 | 162,692 | 162,692 |
| 6. Total Adjusted Income | 237,882 | | 249,318 | |
| 7. Divide Line 5 by Line 6 equals: Idaho Percentage | | 63.76% | | 65.25% |
| 8. Multiply Line 4g by Line 7 equals: Idaho Percentage of Personal Deductions | | 29,614 | | 25,023 |
| 9. Line 5 less Line 8 equals: Net Idaho Taxable Income | | 122,065 | | 137,669 |
| 10. Taxable Income per Return | | 52,693 | | 64,428 |
| 11. Line 9 less Line 10 equals: Adjustment carried to Schedule 042 line 2a. | | \$69,372 | | \$73,241 |

Idaho State Tax Commission

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AUDIT DIVISION

| | |
|------------------------|----------------------------|
| Name of Taxpayer | Account Identification No. |
| First M & First M Last | XXXXXXXX-01/XXXXXXXX-01 |

| Item No. | Explanation of Items |
|----------|----------------------|
|----------|----------------------|

2a. Summary of Adjustments

The amount on line 2a. of the 042 is the net adjustment as determined on the Summary of Adjustments schedule. The net adjustment is computed as a result of the following adjustments:

2a. Community Income

Idaho Code section 63-3002 requires a resident of Idaho to report all income regardless of where the income was earned.

Idaho Code sections 63-3002 and 63-3026A require a nonresident of Idaho to report Idaho source income.

When one spouse is domiciled in Idaho and the other is domiciled in another community property state, Idaho Code requires the Idaho resident spouse to report half of the combined community income regardless of source and the nonresident spouse to report half of the community income from Idaho sources.

Under community property law, income acquired after marriage is presumed to be community income attributable one-half to each spouse. Since both Idaho and Nevada are community property states, each spouse has a one-half interest in the income received during the year.

An adjustment is made to include Laurie's half of Richard's wages and also her half of the wages she earned outside of Idaho and rental income since she was a full year resident of Idaho and required to report income from all sources.

| | 2011 | 2012 |
|-----------------------------------|-------------|-------------|
| Nevada Wages - First Name | 168,218 | 175,208 |
| Wages - Spouse Name | 4,189 | |
| Rental Income | | 1,051 |
| Total Income | 172,407 | 176,259 |
| Half Attributable to Idaho Spouse | 86,204 | 88,130 |

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AUDIT DIVISION

| | |
|------------------------|----------------------------|
| Name of Taxpayer | Account Identification No. |
| First M & First M Last | XXXXXXXX-01/XXXXXXXX-01 |

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|----------|----------------------|
|----------|----------------------|

2b. Moving Expenses

Idaho Income Tax Administrative Rule 252.04 provides for a deduction in arriving at Idaho adjusted income for moving expenses. The amount of the deduction is prorated based upon total Idaho income to total income. Your deduction has been recomputed as follows for 2012:

| | |
|--------------------|---------|
| Idaho Total Income | 165,659 |
| Total Income | 253,865 |
| Percentage | .6525 |
| Moving Expenses | 4,547 |
| Amount Allowed | 2,967 |
| Amount Claimed | 1,389 |
| Adjustment | (1,578) |

7 and 8. Idaho Percentage of Personal Deductions

Changing the Idaho Adjusted Income affects the "Idaho Percentage" for the amount of deductions and exemptions allowable. *Idaho Income Tax Administrative Rule 255.02*. Since your percentage of Idaho Adjusted Income to Total Adjusted Income increased, you are allowed a higher percentage of deductions and exemptions. The new amount allowed is reflected on line 8 on the Summary of Adjustments schedule.

**IDAHO STATE TAX COMMISSION
AUDIT DIVISION**

| | |
|---|--|
| Name of Taxpayer(s) First M & First M Last | Account ID: XXXXXXXXXX-01/XXXXXXXX-01 |
|---|--|

INTEREST COMPUTATION - As required by Idaho Code section 63-3045(6), as follows:

Interest is charged at the following annual rates:

| | | | |
|-------------------------|-------------------------|-------------------------|-------------------------|
| 1/1/97 - 12/31/97 -- 9% | 1/1/98 - 12/31/98 -- 8% | 1/1/99 - 12/31/99 -- 7% | 1/1/00 - 12/31/00 -- 8% |
| 1/1/01 - 12/31/01 -- 8% | 1/1/02 - 12/31/02 -- 7% | 1/1/03 - 12/31/03 -- 5% | 1/1/04 - 12/31/04 -- 6% |
| 1/1/05 - 12/31/05 -- 6% | 1/1/06 - 12/31/06 -- 6% | 1/1/07 - 12/31/08 -- 7% | 1/1/09 - 12/31/10 -- 5% |
| 1/1/11 - 12/31/11 -- 4% | 1/1/12 - 12/31/12 -- 4% | 1/1/13 - 12/31/13 -- 3% | 1/1/14 - 12/31/14 -- 4% |

| | | |
|----------------|------------|----------|
| Tax Year Ended | 12/31/2011 | 12/31/12 |
|----------------|------------|----------|

INTEREST

| FROM | TO | | |
|-----------------------|----------|-------|-------|
| Due Date | 12/31/03 | | |
| 01/01/04 | 12/31/04 | | |
| 01/01/05 | 12/31/05 | | |
| 01/01/06 | 12/31/06 | | |
| 01/01/07 | 12/31/07 | | |
| 01/01/08 | 12/31/08 | | |
| 01/01/09 | 12/31/09 | | |
| 01/01/10 | 12/31/10 | | |
| 01/01/11 | 12/31/11 | | |
| 01/01/12 | 12/31/12 | 154 | |
| 01/01/13 | 12/31/13 | 162 | 116 |
| 01/01/14 | 05/28/14 | 88 | 88 |
| TOTAL INTEREST | | 404 | 204 |
| | | ===== | ===== |

Interest shown is through 5/28/2013. Interest will continue to accrue at a rate of \$1.19 per day until paid. If the amount due is paid prior to that date, the same amount per day should be deducted from your payment