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2 BEFORE THE STATE OF ALASKA OFFICE OF ADMINISTRATIVE HEARINGS

3  
4 IN THE MATTER OF: )  
5 NORTHWEST MEDICAL )  
6 IMAGING, INC. )  
7 )  
8 Tax Years 1991-1995 )

OAH No. 07-0127-TAX

9  
10 **CORRECTED ORDER AFFIRMING INFORMAL CONFERENCE DECISION**

11 The Department of Revenue having filed a Motion for Summary Judgment in which the  
12 department requested the Office of Tax Appeals to affirm the department's October 13, 1999  
13 Informal Conference Decision, as amended October 15, 2000, following receipt of subsequent  
14 substantiation from the taxpayer. After considering the motion and the opposition, if any,  
15 submitted by the taxpayer, the office hereby enters the following findings of fact and  
16 conclusions of law:

17 1. During the tax years in question, 1991-1995, Northwest Medical Imaging Inc.'s  
18 employee Dr. James D. Pister was an Alaska resident with homes in Anchorage and Sterling,  
19 Alaska.

20 2. Because Dr. Pister was an Alaska resident during the tax years in question, the  
21 department properly disallowed the deductions claimed by the taxpayer for Dr. Pister to travel  
22 between Seattle and Alaska.

23 3. Because the taxpayer failed to provide substantiation of the other travel  
24 expenses that were disallowed by the department, the department properly disallowed them.

25 4. During the tax years in question, Dr. Pister lived in his homes in either  
26 Anchorage or Sterling.

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5. Because the rent expense deductions claimed by the taxpayer were for the expense of renting residences for Dr. Pister while in Alaska and Dr. Pister lived in his own homes at this time, and the taxpayer failed to provide any documentation to show that rent was actually paid to anyone, the department properly disallowed all the rent deductions claimed by the taxpayer for the tax years in question.

6. The department properly disallowed 20 percent of the deductions the taxpayer claimed for telephone service expenses for lack of substantiation.

7. The department properly disallowed the taxpayer's attempt to take carry forward Net Operating Loss as deductions in the tax years in question.

8. The department properly disallowed 100 percent of the deductions the taxpayers claimed for utilities costs in 1992, 1993, 1994, and 1995.

9. For 1991 the department properly disallowed \$43,500 in rent expense deductions, \$854 in telephone service deductions, \$33,495 in travel expense deductions, and a Net Operating Loss deduction of \$7,320 for a total of \$85,169 in disallowed expenses for that year.

10. For 1992 the department properly disallowed \$43,500 in rent expense deductions, \$897 in telephone service deductions, \$29,375 in travel expense deductions, \$1,641 in utilities deductions, and a Net Operating Loss deduction of \$4,202 for a total of \$79,615 in disallowed expenses for that year.

11. For 1993 the department properly disallowed \$57,400 in rent expense deductions, \$1,125 in telephone service deductions, \$38,743 in travel expense deductions, \$2,108 in utilities deductions, and a Net Operating Loss deduction of \$36,937 for a total of \$136,313 in disallowed expenses for that year.

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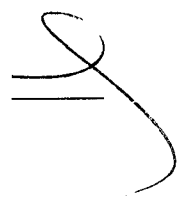
12. For 1994 the department properly disallowed \$72,189 in rent expense deductions, \$1,824 in telephone service deductions, \$43,908 in travel expense deductions, \$1,987 in utilities deductions, and a Net Operating Loss deduction of \$1,887 for a total of \$121,795 in disallowed expenses for that year.

13. For 1995 the department properly disallowed \$69,600 in rent expense deductions, \$2,435 in telephone service deductions, \$46,079 in travel expense deductions, and \$2,744 in utilities deductions for a total of \$120,858 in disallowed expenses for that year.

14. Northwest Medical Imaging Inc. owes \$28,358 in corporation income taxes, \$8,507 in penalties and \$86,253 in interest as of June 15, 2007.

This is the final decision of the Administrative Law Judge under AS 43.05.465. Pursuant to AS 43.05.465(f) this decision becomes final for purposes of seeking judicial review sixty days from the date of service.

Dated this 28<sup>th</sup> day of August, 2007.

  
\_\_\_\_\_  
Christopher Kennedy  
Administrative Law Judge

THE UNDERSIGNED CERTIFIES THAT ON THIS DATE AN EXACT COPY OF THE FOREGOING WAS PROVIDED TO THE FOLLOWING INDIVIDUALS:

R. Rego  
D. Branch  
H. Kovach  
SIGNATURE

DATE  
8-28-07

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