

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 15892
[Redacted],)	
)	DECISION
Petitioners.)	
)	
)	

This case arises from a timely protest of a State Tax Commission staff (staff) decision adjusting property tax reduction benefits for 2001. This matter was submitted for decision based on the documents in the file. The State Tax Commission has reviewed the file and makes its decision based on the file.

The amount of property tax reduction benefits depends on the household income--the greater the income, the smaller the benefit. The staff notified the petitioners of the intent to deny their benefits for 2001 because the 2000 income information shown in the application was incomplete.

[Redacted] (petitioners) filed a property tax reduction application on or about April 16, 2001. In a letter dated September 4, 2001, the staff advised the petitioners of the intent to deny their benefits. The petitioners protested the determination.

Idaho Code § 63-707(5) provides: “The state tax commission may audit each and every claim submitted to it, . . .” During this audit process, the staff examined the petitioner’s application and attached documents. The petitioners listed themselves and one other person as household members.

At the time the application was filed, [Redacted] disability claim with the Social Security Administration was pending. Since that time, the Social Security Administration issued a decision retroactive to May of 1998. The decision found [Redacted] to be totally disabled and entitled to receive benefits. As a result, the petitioners qualify to apply as claimants for the property tax

reduction benefits.

Idaho Code § 63-701 uses a series of definitions to state the requirements for qualifying for property tax reduction benefits. The benefit amount is determined by the total income received by household members during the prior year. The records retained by the Tax Commission reflect income received by both [Redacted] and the other household member. In addition, [Redacted] is shown as self-employed.

Idaho Code § 63-701 states in pertinent parts:

(5) **"Income" means the sum of federal adjusted gross income as defined in the internal revenue code, as defined in section 63-3004, Idaho Code, and to the extent not already included in federal adjusted** gross income, alimony, support money, income from inheritances, nontaxable strike benefits, the nontaxable amount of any individual retirement account, pension or annuity, (including railroad retirement benefits, **all payments received under the federal social security act**, state unemployment insurance laws, and veterans disability pensions and compensation, excluding rollovers as provided in section 402 or 403 of the internal revenue code), nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities, worker's compensation and the gross amount of loss of earnings insurance. It does not include capital gains, gifts from nongovernmental sources or inheritances. **To the extent not reimbursed, cost of medical care as defined in section 213(d) of the internal revenue code**, incurred by the household may be deducted from income. "Income" does not include veterans disability pensions received by a person described in subsection (1)(e) who is a claimant or a claimant's spouse, provided however, that the disability pension is received pursuant to a service-connected disability of a degree of forty percent (40%) or more. "Income" does not include lump sum death benefits made by the social security administration pursuant to 42 U.S.C. section 402(i). **Documentation of medical expenses may be required by the county assessor, board of equalization and state tax commission.** "Income" shall be that received in the calendar year immediately preceding the year in which a claim is filed. Where a claimant does not file a federal tax return the claimant's federal adjusted gross income, for purposes of this section, shall be an income equivalent to federal adjusted gross income had the claimant filed a federal tax return. (Emphasis added.)

Idaho Code § 63-701 requires certain monies to be included in income for determining whether an applicant qualifies to receive the property tax reduction benefits. In addition, the amount of benefit to be paid to a qualified applicant is determined by the total household income. The definition of income begins with federal adjusted gross income. The petitioners have not filed their 2000 federal or state income tax returns – only extensions of time to file those returns have been submitted.

In the letter of protest dated September 15, 2001, [Redacted] said she was working on the taxes and hoped to have them completed “within the next two months.” She said they had been “in Bankruptcy status from July ‘96’ and was advised by our attorney not to file our taxes until our Bankruptcy was closed.” She said the bankruptcy closed in March 2000. She identified the difficulties she was having with the disease that disabled her in May of 1998 as the reason the delinquent tax returns were not yet caught up.

The petitioner’s file was transferred to the Legal/Tax Policy Division for administrative review. In response to a letter advising them of the transfer and their appeal rights, [Redacted] telephoned the Tax Appeals Specialist. She said she would try to have their federal and state income tax returns done by the end of the year. She said that was the best she could do.

The property tax reduction benefit is an income-based benefit program. Because the program is dependent on income information for determining an applicant’s eligibility and the amount to be awarded, the income information is vital. Without income information, the Tax Commission is unable to approve the petitioners’ application for property tax reduction benefits. Pursuant to the definition of income as stated in Idaho Code § 63-701(5), the petitioners’ property tax reduction benefits for 2001 must be denied.

The State Tax Commission is aware there is some potential this decision could cause a

hardship to the property tax reduction applicant in certain circumstances. The proper jurisdiction to handle such hardship situations falls with the county commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the decision of the State Tax Commission staff is hereby APPROVED, AFFIRMED, and MADE FINAL.

An explanation of the petitioners' right to appeal this decision is enclosed with this decision.

DATED this _____ day of October, 2001.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that I have on this _____ day of October, 2001, served a copy of the within and foregoing DECISION by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted] Receipt No. [Redacted]
[Redacted] [Redacted]

ADMINISTRATIVE ASSISTANT 1