

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO.18280
[Redacted],)	
)	DECISION
Petitioner.)	
_____)	

This case arises from a timely protest of a State Tax Commission staff's (staff) decision adjusting property tax reduction benefits for 2004. This matter was submitted for a decision based on the documents in the file. The State Tax Commission has reviewed the file and makes its decision based on the contents of that file.

All property within the jurisdiction of this state is subject to property tax. A property tax reduction benefit is available to certain qualifying individuals. The benefit is in the form of a payment (either total or partial) of the applicant's property tax on the dwelling he/she owns and occupies. The payment is funded by state sales tax. The amount of property tax reduction depends on income--the greater the income, the smaller the benefit.

[Redacted] (petitioner) filed an application for property tax reduction benefits with Idaho County on or about April 7, 2004. In his application, the petitioner listed federal adjusted gross income and the non-taxable portion of a pension. However, he did not list the funds he received from the Railroad Retirement Board (RRB) as a Social Security equivalent.

The staff sent the petitioner a notice advising him of the intent to deny his benefit because the income information appeared to be incomplete. The petitioner protested the intended action, and his file was transferred to the Legal/Tax Policy Division for administrative review.

Income for property tax reduction benefits purposes is defined in Idaho Code § 63-701(5) as follows:

(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:

- (a) Alimony;
- (b) Support money;
- (c) Nontaxable strike benefits;
- (d) The nontaxable amount of any individual retirement account, pension or annuity, **(including railroad retirement benefits, all payments received under the federal social security act** except the social security death benefit as specified in this subsection, state unemployment insurance laws, and veterans disability pensions and compensation, excluding rollovers as provided in section 402 or 403 of the Internal Revenue Code);
- (e) Nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities;
- (f) Worker's compensation; and
- (g) 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, the cost of medical care as defined in section 213(d) of the Internal Revenue Code, incurred or paid by the claimant and/or, if applicable, the claimant's spouse, may be deducted from income. To the extent not reimbursed, personal funeral expenses, including prepaid funeral expenses and premiums on funeral insurance, of the claimant and claimant's spouse only, may be deducted from income up to an annual maximum of five thousand dollars (\$5,000) per claim. (Emphasis added.)

For property tax reduction benefits purposes, the calculation of income starts with federal adjusted gross income and, thereafter, makes certain additions and deductions.

On October 4, 2004, the petitioner and his accountant telephoned the Tax Commission to discuss the petitioner's Railroad Retirement benefit. The accountant said the only income the taxpayer received from the RRB was shown in the Form 1099-R that is attached to the income

tax return on file. When advised of the statement requested and received from the RRB, the accountant asked for a copy of the statement. The Tax Commission complied with the request.

The Tax Commission has reviewed the RRB's statement and noted, effective April 2004, the petitioner is receiving a monthly payment (after Medicare is taken out) of \$1,897.96. According to the RRB, this amount is 2.1 percent more than the amount paid to the petitioner in 2003. When the adjustment is made for the lesser amount in 2003, the petitioner received a monthly payment from the RRB of \$1,858 for an annual total of \$22,296 during 2003.

Examination of the petitioner's federal tax return and the attached Form 1099-R shows \$8,447 of the RRB payment was included in the \$10,533 adjusted gross income figure. The petitioner listed the \$10,533 of federal adjusted gross income and \$574 of non-taxable pensions in his application for property tax reduction benefits. He did not report the Social Security equivalent he received from the RRB. When that \$13,275 is added to the \$10,533 federal adjusted gross income and the \$574 non-taxable pension, the petitioner's total net income for property tax reduction benefit purposes is \$24,382. The petitioner's income for 2003 exceeds the amount allowed for qualification for 2004 property tax reduction benefits.

The State Tax Commission is aware there is some potential this decision could cause a hardship to the applicant for property tax reduction in certain circumstances. The proper jurisdiction to handle such hardship situations falls with the [Redacted] County Commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the Intent to Deny Benefits letter dated September 14, 2004, is hereby APPROVED, AFFIRMED, and MADE FINAL.

An explanation of the taxpayer's right to appeal this decision is included with this decision.

DATED this ____ day of _____, 2004.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of _____, 2004, 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:

[Redacted]
[Redacted]
[Redacted]

Receipt No.
