

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 18286
[REDACTED])	
Petitioners.)	DECISION
)	
)	

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 taxes. 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 taxes on the dwelling he/she owns and occupies. The payment is funded by state sales tax funds. The amount of property tax reduction depends on income--the greater the income, the smaller the benefit.

[Redacted] (petitioners) filed an application for property tax reduction benefits on or about April 13, 2004. The application submitted to Camas County did not list the petitioners' federal adjusted gross income; rather, it showed the petitioners had filed an extension of the time to file their federal income tax return. In addition, the application did not include the non-taxable portion of a pension received during 2003, or substantiation of the petitioners' reported medical expenses.

The staff sent the petitioners a notice advising them of the intent to deny their benefit until their federal adjusted gross income could be determined and other requested information was available. The petitioners protested the intended action, and their 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 September 24, 2004, the petitioners sent a copy of their 2003 federal income tax return to the Tax Commission.

They included receipts and statements to establish their medical expense deduction. They did not dispute the addition of the non-taxable portion of the retirement.

The Tax Commission has reviewed the documents submitted by the petitioners and found them to be in order. The federal adjusted gross income amount shown in the petitioners' federal income tax return was \$25,274. To that amount, the \$948 non-taxable portion of the pension is added and the \$7,002 verified medical expenses are subtracted. The petitioners' 2003 net total income for property tax reduction benefit purposes is \$19,220. As a result, the petitioners qualify to receive a benefit of \$330 for 2004.

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 Camas County Commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the Intent to Deny Benefits letter dated September 7, 2004, is hereby MODIFIED and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

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

DATED this ____ day of _____, 2004.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE BY MAIL

I hereby certify that I have on this _____ day of _____, 2004, 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]
[REDACTED]
[REDACTED]

[Redacted]

[Redacted]