

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 18287
[Redacted]                      Petitioners.	)	
	)	DECISION
	)	
	)	
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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 15, 2004. The application submitted to [Redacted] County listed federal adjusted gross income and social security received by both petitioners. Capital Gains and medical expenses were deducted and a Medical Expense Statement was attached.

The staff reviewed the application for accuracy pursuant to Idaho Code § 63-707(5). To verify the federal adjusted gross income and the \$4,000 capital gains deduction, the staff asked the petitioners to send a copy of their 2003 federal 1040 form. A comparison of the application and the petitioners' income tax return resulted in the staff sending the petitioners a notice advising them of

the intent to change the amount of their benefit because the capital gains deduction in the application did not appear to be correct. 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 benefit purposes, the calculation of income starts with federal adjusted gross income and, thereafter, makes certain additions and deductions. The Tax Commission compared the figures shown in the petitioners' application with the amounts listed in their federal income tax return. The federal adjusted gross income was the same in both documents. However, the \$4,000 capital gains deduction listed in the application included the \$3,000 depreciation portion of the gain from the sale of a CAT 518 skidder. Only \$1,000 of the \$4,000 gain could be classified as capital gain for tax purposes or for the purpose of the property tax reduction benefit.

The staff correctly added the \$3,000 back to the petitioners' 2003 income for property tax reduction benefit purposes. As a result, the petitioners qualify to receive a benefit of \$480 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 [Redacted] County Commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the Intent to Change Benefits letter dated September 1, 2004, is hereby APPROVED, AFFIRMED, and MADE FINAL.

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

IDAHO STATE TAX COMMISSION

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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]

Receipt No.

[Redacted]

[Redacted]

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