

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
[Redacted],) DOCKET NO. 18971
)
Petitioner.) DECISION
)
_____)

This case arises from a timely protest of a State Tax Commission staff decision adjusting property tax reduction benefits for 2005. 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 a property tax reduction benefit on or about April 8, 2005. The application listed federal adjusted gross income of \$4,627 and social security of \$9,121 that was reduced by \$3,052 of medical expenses. A signed Medical Expense Statement and copy of the petitioner's federal individual income tax return for the fiscal year ending February 28, 2004, were attached. The federal adjusted gross income shown in the tax return was the same amount claimed in the application.

The staff reviewed the application for accuracy pursuant to Idaho Code § 63-707(5). Because the income tax return showed only a portion of the taxpayer's 2004 income and the property tax reduction benefit is based on income for a calendar year, the staff sent the petitioner a

letter to advise her of the intent to deny her benefit. The petitioner's accountant responded on behalf of the petitioner. He sent a copy of information related to a distribution from a money market account and an investment in an annuity. The activity confirmation statement showed the activity as a normal distribution with an effective date of February 4, 2003. The petitioner's file was transferred to the Legal/Tax Policy Division for administrative review.

Idaho Code § 63-701 uses a series of definitions to describe the property tax reduction benefit program. The claimant is described in § 63-701:

(1) "Claimant" means a person who has filed a claim under the provisions of sections 63-701 through 63-710, Idaho Code. Except as provided in section 63-702(2), Idaho Code, on January 1, or before April 15, of the year in which the claimant first filed a claim on the homestead in question, a claimant must be an owner of the homestead and on January 1 of said year a claimant must be: . . .

Idaho Code § 63-701(4) describes household income:

(4) **"Household income" means all income received** by the claimant and, if married, all income received by the claimant's spouse, **in a calendar year**. (Emphasis added.)

Pursuant to Idaho Code § 63-701, income received by a claimant in a calendar year is a determining factor for qualifying for the benefit and for establishing the benefit amount paid on behalf of the qualified claimant. It becomes more difficult to determine the exact income received in a calendar year if a claimant files an income tax return based on a fiscal year.

The petitioner's application begins with an amount for federal adjusted gross income that is taken from her income tax return for fiscal year ending February 28, 2004, rather than for calendar year ending December 31, 2004. Therefore, only two months of income for calendar year 2004 were included in the federal adjusted gross income shown in the application. The balance of the \$4,627 was income received in calendar year 2003.

The Tax Commission has reviewed the petitioner's federal income tax returns for the years

ending February 28, 2004, and February 28, 2005. Absent an exact amount of income for calendar year 2004, the best estimate of federal adjusted gross income for calendar year 2004 can be determined by prorating each year's income. Each fiscal year's federal adjusted gross income is divided by 12 to get the average monthly income. Two months of average income for tax year ending February 28, 2004, and ten of the months of average income for tax year ending February 28, 2005, are totaled to arrive at the federal adjusted gross income for calendar year 2004.

The petitioner's federal adjusted gross income for calendar year 2004 is determined to be \$5,185. The investment transactions shown in the paperwork furnished by the accountant are not a part of the petitioner's 2004 calendar year income as they took place in calendar year 2003.

The petitioner's Social Security income of \$9,121 is added to \$5,185 and the medical expenses of \$3,052 are subtracted from the total resulting in a total net household income for property tax reduction benefit purposes of \$11,254. The petitioner qualifies to receive a benefit in the amount of \$990 rather than the \$1,050 shown in the original application.

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 Intent to Deny Benefit letter dated August 10, 2005, is hereby MODIFIED and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

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

DATED this ____ day of _____, 2005.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of _____, 2005, 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.
