

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 19033
[REDACTED],)	
)	DECISION
Petitioner.)	
_____)	

This case arises from a timely protest of a State Tax Commission staff decision to deny the property tax reduction benefit 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.

[Redacted] (petitioner) filed a property tax reduction benefit application on April 11, 2005. During review of that application and the petitioner's 2004 federal income tax return, the staff identified non-taxable annuities and individual retirement accounts (IRA) in the total amount of \$50,534 that had not been included in the application.

The staff sent the petitioner a letter advising her that her income total for the purpose of the property tax reduction benefit was going to be increased to include the non-taxable portion of the annuities and IRAs. The petitioner protested the intended action that would result in denial of her benefit.

All property within the jurisdiction of this state is subject to property tax. A property tax reduction benefit program is available to certain qualifying individuals throughout the state. The benefit is in the form of 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. However, income is defined differently for the property tax reduction benefit program than it is described in the income tax code. Income for property tax reduction benefit purposes is

defined in Idaho Code § 63-701(5):

(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 married, 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.)

The calculation of income starts with federal adjusted gross income and, thereafter, makes certain additions and deductions. The nontaxable portion of annuities and IRAs are specifically required to be included in income to determine the benefit amount a qualified applicant is to receive.

The only exception is if the annuities and/or IRAs are determined to be qualified as “rollovers as provided in section 402 or 403 of the Internal Revenue Code.”

The petitioner’s federal income tax return and federal 1099-R forms showed she received gross distributions of annuities in the amount of \$54,852 and IRA distributions of \$3,400. Of that amount, \$5, 318 of the annuities and \$2,400 of the IRAs were taxable and were included in the

petitioner's federal adjusted gross income. The federal tax return did not indicate the funds were rollovers.

The petitioner objected to the inclusion of the funds in her income for the property tax reduction benefit. She contacted her financial advisor and asked her to send documents and provide an explanation of the transactions involved in the moving of her funds from one financial vehicle to another.

The financial advisor's explanation and supporting documentation clarified the transactions involved in the moving of the petitioner's investments. The funds were consolidated in order to simplify the record keeping and create a weekly income stream for the petitioner.

Review of the documents and the explanation confirms that all of the funds qualified as rollovers except \$2,100 of annuity funds the petitioner deposited in her personal account and the \$1,000 nontaxable portion of an IRA.

The petitioner's 2004 income as defined for the property tax reduction benefit is \$14,804.52 rather than \$11,704.52 as reported in the application she submitted. The petitioner qualifies for a property tax reduction benefit of an amount not to exceed \$720.

The State Tax Commission is aware there is some potential this decision could cause a hardship to the property tax reduction benefit applicant. 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 to deny the property tax reduction benefit is 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 I have on this _____ day of _____, 2005, 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]

Receipt No.