

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 19596
[Redacted],)	
)	DECISION
Petitioner.)	
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)	

This case arises from a timely protest of a State Tax Commission staff decision adjusting property tax reduction benefit for 2006. 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 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 with [Redacted] County on April 17, 2006. In his application, the petitioner listed federal adjusted gross income and the nontaxable portion of a pension.

The staff sent the petitioner a notice advising him of the intent to change his benefit because the amount listed on line 9 “[Redacted] not included on line 1” appeared to be incorrect. 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 benefit 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 any return of principal paid by the recipient of an annuity and 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 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, 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. "Income" does not include veterans disability pensions received by a person described in subsection (1)(e) who is a claimant or a claimant's spouse if the disability pension is received pursuant to a service-connected disability of a degree of forty percent (40%) or more. "Income" does not include dependency and indemnity compensation or death benefits paid to a person described in subsection (1) of this section by the United States department of veterans affairs and arising from a service-connected death or disability. "Income" does not include lump sum death benefits made by the social security administration pursuant to 42 U.S.C. section 402(i). Documentation of medical expenses may be required by the county assessor, board of equalization and state tax

commission in such form as the county assessor, board of equalization or state tax commission shall determine. "Income" shall be that received in the calendar year immediately preceding the year in which a claim is filed. Where a claimant and/or the claimant's spouse does not file a federal tax return, the claimant's and/or the claimant's spouse's federal adjusted gross income, for purposes of this section, shall be an income equivalent to federal adjusted gross income had the claimant and/or the claimant's spouse filed a federal tax return, as determined by the county assessor. The county assessor, board of equalization or state tax commission may require documentation of income in such form as each shall determine, including, but not limited to: copies of federal or state tax returns and any attachments thereto; and income reporting forms such as the W2 and 1099. (Emphasis added.)

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

Examination of the petitioner's federal tax return shows the petitioner's federal adjusted gross income included railroad retirement of \$5,092.20 and taxable interest of \$74.29. In the application, the petitioner listed the \$5,166 of federal adjusted gross income and \$15,156.42 as his [Redacted].

Tax Commission records show two federal Form 1099s were prepared by the [Redacted] Board. One shows the petitioner received \$5,092.20 as retirement income during 2005. The other 1099 shows the petitioner received \$17,460 from the [Redacted] Board as a Social Security Equivalent Benefit.

In his application for the property tax reduction benefit, the petitioner claimed 2005 federal adjusted gross income of \$5,166.49, which included \$5,092.20 of his [Redacted]. However, for [Redacted], he listed \$15,156.42, which is the identical amount shown in the 1099-R for "Employee Contributions." The correct amount, \$17,460, was reported in a second 1099 issued by the [Redacted] Board. When the difference between the two amounts, \$2,303.58, is added to the

\$20,322.92 reported in the original application and \$3,376 of medical expenses are subtracted, the petitioner's total net income for the purpose of the property tax reduction benefit is \$16,947. The petitioner qualifies for a benefit of an amount not to exceed **\$760**.

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 county commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the Intent to Deny Benefits letter dated August 3, 2006, 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 _____, 2006.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this __ day of _____, 2006, 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]

Receipt No.
