

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
)
[REDACTED],) DOCKET NO. 20606
)
) DECISION
Petitioner.)
_____)

This case arises from a timely protest of a State Tax Commission staff decision adjusting the property tax reduction benefit for 2007. 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 its contents.

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 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] submitted an application for a property tax reduction benefit on March 30, 2007. The staff of [Redacted] County sent that application together with the other applications to the Tax Commission for review and processing.

Income for the property tax reduction benefit purposes is defined in Idaho Code § 63-701 as income received in the calendar year immediately preceding the year in which a claim is filed. The calculation of income starts with federal adjusted gross income and, thereafter, makes certain additions and deductions.

The staff’s review of the petitioner’s application and comparison of the application with records available to the Tax Commission identified taxable income that had not been listed in the

application. Because the taxable income increased the petitioner's income beyond the total allowed for a minimum benefit, the staff sent the petitioner a letter advising him of the intent to deny his benefit.

The petitioner appealed by letter stating the additional income was not income at all. He said "it is a debt, or, debit I payed [sic] out' of my savings account, that took years to save." The petitioner's file was transferred to the Legal/Tax Policy Division for administrative review.

Idaho Code § 63-701(5) describes income as:

(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.

The Tax Commission reviewed the petitioner's file and the Form 1099 on file with the Internal Revenue Service that shows [Redacted] cancelled a \$3,628.74 debt in the petitioner's name. On October 24, 2007, the Tax Policy Specialist sent the petitioner a letter of explanation and a copy of the federal Form 1099-C. The petitioner was advised to contact [Redacted] to secure a corrected Form 1099-C if the information contained in the form was incorrect. To date, the petitioner has not responded to that letter.

In his application, the petitioner reported pensions of \$17,263, social security of \$7,182, and [Redacted] disability of \$2,700 reduced by \$1,062 of medical expenses. Because the Internal Revenue Code requires the cancellation of a debt to be included in federal adjusted gross income, by definition, the debt that was cancelled by [Redacted] must be included as income for the purpose of determining the petitioner's eligibility for the property tax reduction benefit.

Nothing has been submitted to the Tax Commission to change the information shown in the federal Form 1099-C identifying a debt of the taxpayer's that was cancelled. The Tax Commission has no choice but to include the amount of the cancelled debt as additional income. When the \$3,629 is added to the income report in the petitioner's application, the resulting total income (\$29,712) exceeds the maximum income (\$28,000) that is allowed for a petitioner to receive a minimum benefit. The petitioner must be denied the 2007 property tax reduction benefit.

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 Property Tax Reduction Benefit letter dated September 24, 2007, is APPROVED, AFFIRMED, and MADE FINAL.

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

DATED this _____ day of _____, 2007.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2007, 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]

Receipt No.
