

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

| | | |
|---------------------------------|---|------------------|
| In the Matter of the Protest of |) | |
| |) | DOCKET NO. 25917 |
| [Redacted], |) | |
| |) | |
| Petitioners. |) | DECISION |
| _____ |) | |

This case arises from a timely protest of a State Tax Commission (Commission) decision denying a property tax reduction benefit for taxable year 2013. The Commission has reviewed the file and makes its decision.

[Redacted] and [Redacted] (claimants) filed an application for a property tax reduction benefit with [Redacted] County on April 9, 2013. Idaho Code § 63-707 provides that the Commission review applications submitted to county assessors. During the review process, the Commission staff discovered the income portion of the application did not include their [Redacted] adjusted gross income as required.

An Intent to Deny Property Tax Reduction Benefit letter was sent to the claimants on July 30, 2013. The letter advised the claimants that their income total for property tax reduction benefit purposes would be increased to include their [Redacted] adjusted gross income. The claimants protested the intended action that would result in a denial of a property tax reduction benefit. The protest was received by the Commission on August 18, 2013. The claimants' file was transferred to the Legal/Tax Policy Division for administrative review.

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, funded by state sales tax, of all or a portion of the claimant's property tax on the dwelling they own and occupy. The amount of property tax reduction depends on income—the

greater the income, the smaller the benefit. Claimants with net household income over \$28,000 do not receive a benefit.

Income for property tax reduction benefit purposes is defined in Idaho Code § 63-701(5):

(5) **“Income” means the sum of [Redacted] 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 [Redacted] 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 [Redacted] 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 [Redacted] 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 [Redacted] tax return, the claimant’s and/or the claimant’s spouse’s [Redacted] adjusted gross income, for purposes of this section, shall be an income equivalent to [Redacted] adjusted gross income

had the claimant and/or the claimant's spouse filed a [Redacted]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 [Redacted] or state tax returns and any attachments thereto; and income reporting forms such as the W2 and 1099. (Emphasis added.)

The claimants reported a combined social security income of \$26,248 and subtracted medical expenses of \$7,303, for net household income of \$18,945. The scheduled benefit for the reported net household income was \$760.

The calculation of income for the property tax reduction benefit starts with [Redacted] adjusted gross income and, thereafter, makes certain additions and deductions. In the present matter, the claimants did not begin with the [Redacted] adjusted gross income, which was reported on line 37 of their 2012 [Redacted] income tax return as \$29,532. This [Redacted] adjusted gross income amount includes taxable social security income of \$3,885, plus two IRA distributions totaling \$25,647.

The claimants' combined social security income was \$28,246. After subtracting the taxable portion, which is included in the [Redacted] adjusted gross income, the result is combined nontaxable social security income of \$24,361. The [Redacted] adjusted gross income and nontaxable social security income are totaled, resulting in adjusted household income of \$53,893. Medical expenses were increased from \$7,303 to \$14,210, based on the Schedule A deduction claimed on their [Redacted] income tax return, and subtracted from the adjusted household income total.

The result is a net household income for property tax reduction benefit purposes of \$39,683. Since the claimants' household income exceeds the maximum allowable income of \$28,000, they are denied a property tax reduction benefit for 2013.

THEREFORE, the decision of the Commission to deny the property tax reduction benefit for taxable year 2013 is hereby AFFIRMED and MADE FINAL.

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

DATED this _____ day of _____ 2013.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2013, 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.
