

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 26028
[Redacted],)	
)	
Petitioner.)	DECISION
_____)	

This case arises from a timely protest of a State Tax Commission staff decision to deny the property tax reduction benefit for 2013. 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 15, 2013. The assessor’s office forwarded the application to the Tax Commission for review and processing. In conjunction with the review, the petitioner was asked to provide receipts for the \$15,175 of medical expenses she had claimed in her application. The petitioner responded and provided documentation for a portion of the medical expenses claimed. During further review of the application and comparison of the information with State Tax Commission records, the staff identified additional income that had not been included in the application. The additional income was from a taxable distribution not previously reported. On September 30, 2013, a letter of Intent to Deny Property Tax Reduction Benefit was sent to the petitioner advising her that the income total for the purpose of the property tax reduction benefit was going to be increased to include the omitted income and the medical expenses would be decreased. On October 25, 2013, the petitioner’s CPA submitted documentation showing that the taxable distribution was correctly included in the petitioner’s [Redacted] adjusted gross income and on October 28, 2013,

the petitioner submitted additional documentation to substantiate more of the medical expenses claimed on the application.

The petitioner's file was transferred to the Legal/Tax Policy Division for administrative review. The tax policy specialist sent the petitioner a letter advising her of her appeal rights. The petitioner neither requested a hearing, nor provided any additional information.

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 property tax reduction benefit is not [Redacted] or state income tax – it is payment of property tax based on certain qualifying factors, including income. 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 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.)

The calculation of income starts with [Redacted] adjusted gross income and, thereafter, makes certain additions and deductions. Social Security income and pension/annuity/IRA distributions are required to be included in income to determine the benefit amount a qualified applicant is to receive.

In the present matter, the petitioner reported [Redacted] adjusted gross income of \$27,297. This amount includes the additional income from a taxable distribution that was previously thought to be excluded. However, the petitioner has only verified \$7,749 of allowable medical expenses. When Social Security benefits of \$9,373 are added to the

petitioner's [Redacted] adjusted gross income of \$27,297, and the allowable medical expenses of \$7,749 are deducted, the petitioner's total income for 2012 is \$28,921.

The petitioner's 2012 total net income for the purpose of the property tax reduction benefit exceeds the \$28,000 maximum income allowed for a minimum 2013 property tax reduction benefit. The petitioner must be denied the 2013 property tax reduction benefit.

THEREFORE, the Intent to Deny Property Tax Reduction Benefit letter dated September 30, 2013, is APPROVED, and MADE FINAL.

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

DATED this _____ day of _____ 2014.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2014, 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.
