

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
[Redacted],) DOCKET NO. 38913
)
)
Petitioner.) DECISION
)
_____)

This case arises from a timely protest of a State Tax Commission staff’s decision adjusting the property tax reduction benefit for taxable year 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 2013 property tax reduction benefit application on April 10, 2013. The application did not report any income information because the petitioner had not yet filed her 2012 [Redacted] income tax return. Additional information regarding income was requested and subsequently provided by the petitioner on May 30, 2013. The information was reviewed and added to the 2013 property tax reduction benefit application. The application was approved, and the petitioner received a benefit for payment of the property tax on her homestead. The petitioner filed her 2012 [Redacted] income tax return on September 15, 2013. The petitioner’s 2013 property tax reduction benefit application was reaudited and adjusted to reflect the income included on the [Redacted] income tax return.

On March 4, 2014, the staff sent the petitioner a Notice of Deficiency Determination (NODD) advising her that the income total for the purpose of the 2013 property tax reduction benefit was going to be changed and requesting repayment of the amount previously paid on her behalf. In response to the NODD, the petitioner submitted an email protesting the NODD and

stating that the income received was back pay due to disability. The petitioner's 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 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.

Idaho Code §§ 63-707 and 63-708 provide for an audit of all claims and the recovery of benefits that have been paid in error.

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 benefit income (including funds paid for previous years) is required to be included in income to determine the benefit amount a qualified applicant is to receive.

In the present matter, the petitioner's 2013 application included Social Security income for the petitioner in the amount of \$13,932 and Social Security income for the spouse in the amount of \$8,604. Medical expenses of \$3,766 were deducted, leaving net income of \$18,770. After reviewing the 2012 [Redacted] income tax return submitted by the petitioner, the Commission adjusted the petitioner's 2013 application to include the adjusted gross income of \$11,834 and total Social Security benefits of \$22,546. \$3,766 of out-of-pocket medical expenses were allowed, bringing the petitioner's total net income to \$30,614.

The petitioner's total net income for the purpose of the 2013 property tax reduction benefit exceeds the maximum income allowed for a property tax reduction benefit. The petitioner must be denied the 2013 property tax reduction benefit.

THEREFORE, the Notice of Deficiency Determination dated March 4, 2014, is APPROVED and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the petitioner pay the following tax and interest:

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013	\$387	\$1.98	\$388.98

DEMAND for immediate payment of the foregoing amount is hereby made and given.

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.
