

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 2-100-850-688
[REDACTED]	)	
Claimant.	)	
	)	DECISION
_____	)	

This case arises from a timely protest of a State Tax Commission (Commission) decision to deny a property tax reduction benefit for taxable year 2015. The Commission has reviewed the file and makes its decision based on the information in the file.

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 the claimant owns and occupies. The amount of property tax reduction depends on income—the greater the income, the smaller the benefit.

[Redacted] (claimant) filed an application for a property tax reduction benefit with [Redacted] Idaho Code §§ 63-707(5) and 63-707(6) allows the Commission review claims and reduce or deny the benefit claimed, if required. During the review of the claimant’s application, and records available to the Commission, the staff discovered income that was not included. The omitted income was a distribution from a retirement account reported on a 1099-R. An Intent to Deny Property Tax Reduction Benefit letter was sent on September 22, 2015, notifying the claimant the application for the property tax reduction benefit would be denied because the claimant’s 2014 income exceeded the maximum income allowed for a minimum benefit.

The claimant filed a timely protest of the Intent to Deny Property Tax Reduction Benefit letter. In the protest, the claimant stated that the distribution was made on December 17, 2014,

and the entire amount was returned on March 18, 2015. However, no information was provided to show that the money returned to the account as a return of principal or a qualified rollover.

The file was referred to the Legal/Tax Policy Division for administrative review. The claimant was sent a letter explaining the methods available for redetermining a protested Intent to Deny Property Tax Reduction Benefit letter. The claimant did not respond.

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 federal adjusted gross income and, thereafter, makes certain additions and deductions. The nontaxable portion of a retirement account is specifically required to be included in income to determine the benefit amount a qualified applicant is to receive. The only exceptions are if the retirement accounts are determined to be qualified as "return of principal paid by the recipient of an annuity" or "rollovers as provided in section 402 or 403 of the Internal Revenue Code."

The property tax reduction benefit is not federal or state income tax – it is payment of property tax based on certain qualifying factors including income. Pursuant to the definition of income as stated in Idaho Code § 63-701(5), the nontaxable portion of annuities, pensions and retirement accounts, is required to be included in income to determine the benefit amount a qualified applicant receives.

In the present case, the claimant reported Social Security income of \$17,675 and pension income of \$6,248. After subtracting medical expenses of \$5,788, reported net household income was \$18,135. When the additional distribution from the retirement account of \$45,078 reported on the 1099-R is included, the net household income is \$63,213. The claimant's 2014 net household income for the purpose of the property reduction benefit exceeds the \$29,100,

maximum allowed for a minimum 2015 property tax reduction benefit. The claimant must be denied the benefit.

THEREFORE, the decision of the Commission to deny the property tax reduction benefit for taxable year 2015 is hereby AFFIRMED and MADE FINAL.

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

IDAHO STATE TAX COMMISSION

\_\_\_\_\_  
COMMISSIONER

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2015, 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.  
  
\_\_\_\_\_