

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
[REDACTED],) DOCKET NO. 39304
Petitioner.) DECISION
_____)

On March 11, 2015, the Idaho State Tax Commission (Commission), pursuant to Idaho Code § 63-707(8), issued a Notice of Deficiency Determination (NODD) notifying [Redacted] (Petitioner) that she owed \$854 for receiving an Idaho property tax reduction benefit to which she was not entitled. Petitioner timely protested the NODD and provided additional information to the Commission. The Commission, following a careful review of Petitioner’s file and submitted information, hereby issues its decision and approves the NODD as set forth herein.

BACKGROUND

Petitioner applied for a property tax reduction benefit for taxable year 2013, claiming that her total household income, less allowed deductions, was \$14,919. At this income level, a taxpayer is eligible for a property tax reduction benefit. Petitioner’s claim was audited and, based on information available to the Commission, the Commission discovered that Petitioner had underreported her income when applying for the property tax reduction benefit. Petitioner had an additional amount of \$11,434 of cancellation of indebtedness income that she had not reported when applying for the benefit that increased her total household income, less allowed deductions, to \$26,353. The Commission adjusted the Petitioner’s income to reflect this discrepancy and determined that, based on her income, Petitioner received too much of a property tax reduction benefit.

As a result of this determination, the Commission issued a NODD to the Petitioner on March 23, 2015. The Petitioner timely appealed the NODD and supplied additional narrative information regarding taxable year 2013. Petitioner provided no other additional documentary evidence to support her claim to the property tax reduction benefit for taxable year 2013.

LAW AND ANALYSIS

All property within the jurisdiction of this state is subject to property tax. Idaho Code § 63-601. A property tax reduction benefit is available to certain qualifying individuals and reduces a taxpayer's property tax burden for certain property types. Idaho Code § 63-701 et seq. The benefit, funded by state sales tax, is a payment of all or a portion of the claimant's property tax on the dwelling she owns and occupies. Idaho Code § 63-701; Idaho Code § 63-704. The amount of property tax reduction is prorated based on income; the greater the income, the smaller the benefit. Idaho Code § 63-705 (2).

Income for property tax reduction benefit is calculated differently than income for income tax purposes. Income, for the purposes of a property tax reduction benefit, is calculated by starting with the "federal adjusted gross income as defined in the Internal Revenue Code" and adding in certain sources of income "not already included in federal adjusted gross income." Idaho Code § 63-701 (5).

In the event that a taxpayer is not required to file a federal tax return, her income must still be calculated to evaluate whether a property tax reduction benefit is available to her. Idaho Code § 63-701 (5). In such cases, a taxpayer calculates her income by determining what the taxpayer's federal adjusted gross income would be if she was required to file. Id. Then, as described above, the taxpayer adds in certain sources of income not otherwise included in her federal adjusted gross income. Id.

The cancellation or “writing-off” of a debt gives rise to income that is to be included in the taxpayer’s federal adjusted gross income. 26 U.S.C. 61 (a) (12). The taxpayer is attributed income equal to the amount of debt that is cancelled. Id. Such income may only be excluded from the federal adjusted gross income amount if there is a specific exception to its inclusion, otherwise it must be included in the taxpayer’s federal adjusted gross income. Id.

After calculating gross income, the taxpayer is permitted to deduct certain amounts from income prior to determining whether she qualifies for a property tax reduction benefit. Among the deductions the taxpayer may claim, and as is relevant to this matter, the taxpayer is entitled to deduct “the cost of [non-reimbursed] medical care” from her reported income. Id.

The Commission may require that the taxpayer provide documentation substantiating the income and deductions claimed on her property tax reduction claim. Id. Furthermore, the Commission may audit every claim that it receives and may recover from the taxpayer any erroneous or incorrect payments that it has made. Idaho Code § 63-707(5); Idaho Code § 63-708. If the Commission determines that it has made an erroneous or incorrect payment, it may “recover” such payments using the same “deficiency determination, collection, and enforcement procedures provided by the Idaho income tax act.” Id.

In the present case, Petitioner did not appropriately report the amount of income that she earned in taxable year 2013, and petitioner received too much of a property tax reduction benefit for that taxable year. Petitioner received \$11,434 of cancellation of indebtedness income for taxable year 2013 that she did not report when claiming her property tax reduction benefit. This amount must be included in her adjusted gross income. With this amount included, and including all claimed deductions, Petitioner’s net household income for 2013 was \$26,353. Because Petitioner’s income was actually greater than what she reported, petitioner was not

entitled to receive a property tax reduction benefit of \$1,090. Instead, petitioner was entitled to receive a property tax reduction benefit of \$250.

The Commission, therefore, is entitled to recover the erroneous property tax reduction benefit.

THEREFORE, the Notice of Deficiency Determination for taxable year 2013, dated March 23, 2015, and directed to [Redacted], is APPROVED and MADE FINAL.

IT IS ORDERED that the taxpayer pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>BENEFIT PAID</u>	<u>BENEFIT ALLOWED</u>	<u>INTEREST</u>	<u>TOTAL DUE</u>
2013	\$1,060.00	\$250.00	\$44.11	\$854.11

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

An explanation of the taxpayer'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.
