

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 1-483-239-424
[Redacted] ,)	
)	
Petitioner.)	DECISION
<hr style="width: 40%; margin-left: 0;"/>)	

This case arises from a timely protest of a State Tax Commission (Commission) decision to deny a property tax reduction benefit for taxable year 2014. The Commission has reviewed the protest 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 the property tax reduction benefit with Ada County for taxable year 2014. Idaho Code §§ 63-707(5) and 63-707(6) allows the Commission to 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 reported to the claimant on a Form K-1, Partner’s Share of Income, Deductions, Credits, etc., reported by **[Redacted]**

, LLC in 2013. A Notice of Deficiency Determination (NODD) was issued requesting repayment of benefits issued for taxable year 2014, plus interest for a total of \$389.82 on March 2, 2016.

The claimant filed a timely protest of the NODD. In the protest, the claimant stated the income reported on the K-1 was false. The partnership began in August of 2013 and the

claimant was illegally removed from the partnership in the middle of November 2013. The partnership was dissolved in December of 2013.

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 NODD. A hearing was held with the claimant and the tax policy specialist on March 30, 2016. The appeal procedure and the income reported on the K-1 were discussed. The claimant stated he hadn't reported the income on his application because he hadn't received a copy of the partnership tax return with a copy of the K-1. He added that the K-1 was issued fraudulently. The tax policy specialist suggested that the claimant request a corrected K-1 from the partnership. The claimant requested a copy of the K-1 from the Commission, which was mailed to the claimant on the same day. The claimant sent copies to the Commission of records from the Idaho Secretary of State's Office showing that he was deleted from the partnership on November 26, 2016.

The claimant also provided a copy of Form 14157, Complaint: Tax Return Preparer that he sent to the Internal Revenue Service. The form provides taxpayers a method to report professional tax preparer misconduct. There was no evidence provided that the preparer of the partnership tax return was a professional tax preparer.

The property tax reduction benefit is not a federal or state income tax. The property tax is reduced for certain individuals who apply for the property tax reduction benefit. The benefit is based on three factors: status, residency, and income. 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.)

In the present case, the claimant did not demonstrate that the income reported to him on the Form K-1 from **[Redacted]**, LLC was incorrect. The claimant and his

spouse reported Social Security income of \$22,493. After subtracting medical expenses of \$4,462, reported net household income was \$18,031. When the additional partnership income of \$5,469 reported on the K-1 is included, the net household income is \$23,500. The claimant's 2014 net household income for the purpose of the property reduction benefit increased, so the benefit is decreased. The original benefit of \$860 is reduced to \$490. As a result the claimant must repay the difference plus interest.

THEREFORE, the Notice of Deficiency Determinations dated March 2, 2016, for taxable year 2014 is hereby AFFIRMED and MADE FINAL.

IT IS ORDERED that the claimant re-pay the following tax and interest:

YEAR	AMOUNT DUE	INTEREST	TOTAL
2014	\$370	\$19.82	\$389.82

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

DATED this _____ day of _____ 2016.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2016, 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.
