

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 0-496-816-128
<b>[Redacted]</b>	)	
	)	
Petitioner.	)	DECISION
_____	)	

This case arises from a timely protest of a State Tax Commission staff decision to change the property tax reduction benefit for 2016. 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 6, 2016. During review of that application and comparison of the information provided by Petitioner, the staff identified an income discrepancy related to Social Security benefits and a nontaxable pension or annuity.

The staff sent Petitioner a letter advising her that the income total for the purpose of the property tax reduction benefit was going to be increased to include the nontaxable Social Security benefit payment and a nontaxable pension or annuity received by Petitioner. Petitioner protested the intended action that would reduce the amount of benefit she was to receive from an amount not to exceed \$1,320 to an amount not to exceed \$560.

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. 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.

*Idaho Code § 63-701(5)*

In this case Petitioner disagrees with the inclusion of \$10,742 in her income, the non-taxable payments of both Social Security benefits and non-taxable pension or annuity which were reported to Petitioner on form SSA-1099 and from other sources. In addition, Petitioner disagreed with the State Tax Commission staff decision to include the medical expenses from her Form 1040 Schedule A as reported to the Internal Revenue Service (IRS) instead of the medical expenses included with the filed property tax reduction benefit application. The decision to use medical expenses accepted by the IRS is pursuant with Idaho § 63-701(5).

The calculation of income for the purpose of the property tax reduction benefit starts with federal adjusted gross income, or the equivalent thereof, and thereafter, makes certain additions and deductions. Social Security income is required to be reported on the federal income tax return but for the majority of taxpayers it is not included in federal adjusted gross income. For the purpose of the property tax reduction benefit, Social Security income, taxable and non-taxable is included in the calculation of income along with the nontaxable amount of any individual retirement account, pension or annuity, to determine the benefit amount a qualified applicant is to receive.

In the present matter, the Petitioner's federal adjusted gross income, as shown on form 1040 is \$18,147. When Petitioner's nontaxable Social Security benefits of \$10,700 is added along with the nontaxable pension or annuity of \$42, and medical expenses of \$5,902 are subtracted, Petitioner's 2015 net household income is \$22,987. Petitioner's 2015 income for purposes of the property tax reduction benefit entitles her to a 2016 benefit not to exceed \$560.

THEREFORE, the decision of the Idaho State Tax Commission staff to change the property tax reduction benefit is APPROVED and MADE FINAL.

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

IDAHO STATE TAX COMMISSION

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COMMISSIONER

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2017, 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.

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