

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 0-510-373-888
<b>[Redacted]</b> ,	)	
	)	
Petitioner.	)	DECISION
<hr style="width: 40%; margin-left: 0;"/>	)	

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]** (claimant) filed a property tax reduction benefit application on April 14, 2016. During review of that application and comparison of the information provided by the claimant, the staff identified an income that was not included in claimant’s application. The omitted income was a payment received from the Bureau of Medicaid under the Social Security Act.

The staff sent the claimant a letter advising him that the income total for the purpose of the property tax reduction benefit was going to be increased to include the Bureau of Medicaid payment he received. The claimant protested the intended action that would reduce the amount of benefit he was to receive from an amount not to exceed \$920 to \$0.

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.  
**(Emphasis added)**

Idaho Code § 63-701(5)

In the present matter, the claimant reported on his federal Schedule C as income, the \$19,327 difficulty of care payment, received from the Bureau of Medicaid. As permitted by the Internal Revenue Service (IRS), \$19,327 in expenses was deducted by the claimant, resulting in zero taxable income as the difficulty of care payment is excludable from gross income. The claimant argues that because the payment was reported on his federal income tax return, it was included in federal adjusted gross income, the starting point for the calculation of income for the property tax reduction benefit.

The calculation of income for the purpose of the property tax reduction benefit does start with federal adjusted gross income, or the equivalent thereof, and thereafter, makes certain additions and deductions. The payment received by the claimant from the Bureau of Medicaid is required to be reported on the federal income tax return but as mentioned previously, it is excluded from gross income and therefore not a part of federal adjusted gross income. For the purpose of the property tax reduction benefit, all social security income, except the death benefit, is included in the calculation of income to determine the benefit amount a qualified applicant is to receive.

The claimant's federal adjusted gross income, as shown on his form 1040 is \$18,193. When the claimant's Bureau of Medicaid payment of \$19,327 and Social Security income of \$20,639 is added and medical expenses of \$21,285 are subtracted, the claimant's 2015 net household income is \$36,874.

Petitioner's total net household income of \$36,874 exceeds the maximum income amount of \$29,470, to receive a minimum benefit. He must be denied the benefit for 2016.

THEREFORE, the decision of the Idaho State Tax Commission staff to deny the property tax reduction benefit for 2016 is APPROVED and MADE FINAL.

An explanation of the 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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