

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

| | | |
|---|---|--------------------------|
| In the Matter of the Protest of |) | |
| |) | DOCKET NO. 1-669-187-584 |
| [Redacted] |) | |
| |) | |
| Petitioner. |) | DECISION |
| <hr style="width: 50%; margin-left: 0;"/> | | |

This case arises from your timely protest of a State Tax Commission (Commission) decision adjusting your property tax reduction benefit for 2015. The Commission reviewed the information in the file and this is our final decision. The Commission upholds the Notice of Deficiency Determination (Notice). This means **you must pay \$708.25**.

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

Background

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 payment of all or a portion of the applicant’s property tax on the dwelling he/she owns and occupies. State sales tax funds these payments. The amount of property tax reduction depends on income—the greater the income, the smaller the benefit.

[Redacted] (Petitioner) filed an application for a 2015 property tax reduction benefit with [Redacted] County. The Commission approved the application and Petitioner received a benefit for payment of the property tax on his homestead.

Idaho Code §§ 63-707 and 63-708 provide for an audit of all claims and recovery of benefits that have been paid in error. During the audit of Petitioner’s application and records available to the Commission, the staff identified income that had not been included. The omitted income was two 1099-Misc payments received by Petitioner, one in the amount of \$874 and the other in the amount of \$9,156.

The Commission issued a Notice on April 4, 2017, requesting Petitioner repay a portion of the benefit received plus interest. Petitioner protested the Notice. The file was transferred to the Appeals unit for administrative review.

Law & Analysis

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 veteran’s 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.

Id.

Gross income is defined in Internal Revenue Code section 61:

General definition Except as otherwise provided in this subtitle, gross income means all income from whatever source derived, including (but not limited to) the following items:

- (1) Compensation for services, including fees, commissions, fringe benefits, and similar items;
- (2) Gross income derived from business;
- (3) Gains derived from dealings in property;
- (4) Interest;
- (5) Rents;
- (6) Royalties;
- (7) Dividends;
- (8) Alimony and separate maintenance payments;
- (9) Annuities;
- (10) Income from life insurance and endowment contracts;
- (11) Pensions;
- (12) Income from discharge of indebtedness;
- (13) Distributive share of partnership gross income;
- (14) Income in respect of a decedent; and
- (15) Income from an interest in an estate or trust.

Id.

The calculation of income for the property tax reduction benefit begins with federal adjusted gross income. If the claimant is not required to file a federal income tax return, the starting point for the income calculation is the equivalent of the federal adjusted gross income, had the claimant filed a federal return.

In the present matter, Petitioner did not file a federal income tax return. Therefore, the starting point for the calculation of income would be the equivalent of the federal adjusted gross income.

Petitioner's application reported social security income in the amount of \$13,296. When the \$10,030 of miscellaneous income is added, the total income for the purposes of the property tax reduction benefit is \$23,326. Petitioner qualifies to receive a property tax reduction benefit of an amount not to exceed **\$520**.

THEREFORE, the Notice dated April 4, 2017, is hereby APPROVED and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that Petitioner repay the following 2015 property tax reduction benefit plus interest:

| <u>BENEFIT</u> | <u>INTEREST</u> | <u>TOTAL</u> |
|----------------|-----------------|--------------|
| \$670.00 | \$38.25 | \$708.25 |

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

DATED this _____ day of _____, 2017.

IDAHO STATE TAX COMMISSION

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.
