



application. The omitted income was income reported to Petitioner on Form 1099-C, Cancellation of Debt. Property Tax added the omitted income to that shown in Petitioner's application, which increased Petitioner's net household income and decreased the amount of allowable benefit. Therefore, a Notice was issued requesting Petitioner re-pay a portion of the benefit. Petitioner protested the Notice stating that she "has no idea why she would have received the 1099-C for \$900 in 2019".

Unable to resolve Petitioner's protest, Property Tax referred the matter to the Tax Commission's Appeals unit (Appeals) for administrative review. Appeals sent Petitioner a letter informing her of the options available for redetermining a protested Notice. Petitioner responded, providing additional information but she did not request an informal hearing.

### **LAW AND ANALYSIS**

Income for property tax reduction benefit purposes is defined in Idaho Code section 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.** (Emphasis added)

Gross income is defined in Internal Revenue Code section 61:

General definition (in relevant part)

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

**(12) Income from discharge of indebtedness.**

Petitioner states in her appeal letter that when her husband passed away in 2016, she took out a home equity loan from D.L. Evans to pay funeral expenses and pay off her car loan, and she does not understand why VW credit would report that they "forgave" her debt in 2019.

During the administrative review, Petitioner stated she took out a loan from Idaho Banking Co. to pay off the car and some other bills after her husband died. Petitioner stated there was nothing for VW to "forgive" since they did not finance her car. To support this claim, Petitioner

included with her correspondence to Appeals, a letter from Capital One Auto Finance that stated the account associated with a 2012 Volkswagen Jetta was paid in full as of January 1, 2017. Petitioner admits her recollection of the dates may be wrong but argues the documentation provided proves “her innocence in this matter.”

The calculation of income for the property tax reduction benefit begins with federal adjusted gross income. If the claimant does not 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. To determine the equivalent of federal adjusted gross income, the Tax Commission uses income reporting forms such as the W2 and 1099. In 2019, VW Credit reported on Form 1099-C, under Petitioner’s name and social security number, debt cancellation of \$2,628. Debt cancellation is considered income and therefore must be included in the calculation of federal adjusted gross income for the purpose of the property tax reduction benefit.

Petitioner’s application showed social security income in the amount of \$21,870 and medical expenses of \$6,730. When the debt cancellation of \$2,628 is added, Petitioner’s net household income is \$17,768, which entitles her to a benefit not to exceed \$990.

### **CONCLUSION**

Petitioner received a 2020 property tax reduction benefit of \$1,095 based on the amount of income shown in her application. However, Petitioner’s application did not include income reported to her in 2019 on Form 1099-C. When this income is added, Petitioner qualifies to receive a benefit of only \$990; she must re-pay \$105, plus interest.

Therefore, the Notice dated May 19, 2022, and directed to \_\_\_\_\_ is hereby APPROVED and MADE FINAL.

IT IS ORDERED that Petitioner repay the following 2020 property tax reduction benefit plus interest.

<u>YEAR</u>	<u>BENEFIT PAID</u>	<u>BENEFIT ALLOWABLE</u>	<u>AMOUNT DUE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$1,095.44	\$990	\$105.44	\$0.58	\$106.02

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

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

IDAHO STATE TAX COMMISSION

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2023,  
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:

Receipt No.

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