



Petitioners protested stating the calculation was incorrect. Petitioners provided another copy of their federal income tax return showing that their federal taxable income was far less than Staff's calculation and far less than the maximum allowed income for the PTR benefit.

Staff acknowledged Petitioners' protest and referred the matter to the Tax Commission's Appeals Unit (Appeals). Appeals sent Petitioners a letter explaining what is included in total net income for purposes of the PTR benefit and why they were not eligible for the benefit. Appeals gave them the option of withdrawing their protest or continuing their protest by selecting one of the methods for having the intent to deny redetermined. Petitioners did not respond. Seeing that Petitioners had the opportunity to further their position, the Tax Commission reviewed the information available and makes its decision as follows.

### **LAW AND ANALYSIS**

All property within the borders of this state is subject to property tax. Idaho Code, Title 63, Chapter 7 provides for property tax relief on a homestead for certain qualifying owners of the homestead. Qualifying owners or claimants cannot have income above a certain amount. For tax year 2022, the maximum allowed income is \$32,230.

Income, for purposes of the PTR benefit, is defined in Idaho Code section 63-701(5) as the sum of federal adjusted gross income, as defined in the Internal Revenue Code and Idaho Code section 63-3004, 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:

- individual retirement accounts,
- pensions and annuities,
- social security (other than the death benefit),
- state unemployment insurance,
- veterans' disability pensions and compensation,

- (e) Tax exempt interest on government securities,
- (f) Worker's compensation, and
- (g) The gross amount of loss of earnings insurance.

In other words, income starts with federal adjusted gross income and makes certain additions.

Petitioners' calculation of total net income begins with federal adjusted gross income and ends with federal taxable income. Essentially, Petitioners' calculation is a mirror of their federal income tax return. However, the PTR benefit is a benefit provided by the Idaho legislature and does not follow the federal income tax return. The legislature set the income limits on the benefit and specified how income is to be calculated. Federal adjusted gross income is just the beginning of the calculation. From there to the final figure the calculation has very little in common with the federal income tax return.

Petitioners' application showed federal adjusted gross income of \$37,059. Petitioners did not add their nontaxable portion of their social security which amounted to \$34,349. With this addition, Petitioners' total income is \$71,408. Subtracting their allowed medical expenses of \$5,100, Petitioners' total net income is \$66,308. The maximum allowed income for receiving the PTR benefit is \$32,320, well under Petitioners' total net income.

Petitioners argued the calculation of their income was incorrect. Petitioners provided a copy of their federal income tax return as evidence. Petitioners are correct in that Staff's calculation was incorrect. Staff's error was that they included the taxable portion of Petitioners' social security in Petitioners' income twice. Nevertheless, the error Staff made does not reduce Petitioners' total net income below the maximum allowed income.

The determination of the PTR benefit starts with all the income earned by the claimant. Certain deductions are allowed, such as medical expenses and prepaid funeral expenses, to arrive

at a total net income figure that is compared to the maximum allowed income prescribed by the law. If the claimant's income is greater than the maximum allowed income, no benefit is allowed. If the income is less than the maximum allowed income, a portion of the maximum benefit is awarded up to \$1,500. In this case, Petitioners' total net income is \$33,988 over the maximum allowed income. Therefore, Petitioners do not qualify for the benefit.

### **CONCLUSION**

Petitioners applied for the Property Tax Reduction Benefit with the Ada County. The Assessor reviewed Petitioners' application and found their income was over the maximum amount allowed to receive a benefit. The Tax Commission reviewed Petitioners' application, as required by law, and agreed with the Assessor's finding regarding Petitioners' income. Petitioners are not eligible for the benefit.

THEREFORE, the Intent to Deny Property Tax Reduction Benefit dated July 25, 2022, directed to \_\_\_\_\_ is hereby AFFIRMED and MADE FINAL.

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

DATED this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

IDAHO STATE TAX COMMISSION

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2022,  
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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