

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 0-597-894-144
	)	
Petitioner.	)	DECISION
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On June 29, 2023, the Property Tax Division (Property Tax) of the Idaho State Tax Commission (Tax Commission) issued a Notice of Deficiency Determination to (Petitioner). Petitioner objected to the Notice which requested repayment of a 2020 Idaho Property Tax Reduction Benefit. The Tax Commission reviewed the case, and this is our final decision. We uphold the Notice for the following reasons.

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

Petitioner timely filed an application for a property tax reduction benefit with Gooding County for tax year 2020. Gooding County sent the application to Property Tax for processing. Property Tax approved the application and Petitioner received a benefit for payment of a portion of the property tax on her homestead.

Idaho Code sections 63-707 and 63-708 provide for an audit of all claims and recovery of benefits paid in error. During an audit of Petitioner’s 2020 application, and records available to the Tax Commission, Property Tax discovered income that had not been included in the

application. The omitted income was income reported to Petitioner on Form 1099-C, Cancellation of Debt. When the omitted income was added to that shown in Petitioner's application, her net household income exceeded the maximum amount to receive a 2020 property tax reduction benefit. Therefore, a Notice was issued requesting Petitioner re-pay the benefit.

Petitioner protested the Notice, stating she was unaware of this "situation" and had reported her income to the best of her ability and was unaware of the debt cancellation reported to her on Form 1099-C. After receiving Petitioner's protest, Property Tax referred the matter to the Tax Commission's Appeals unit for administrative review. Appeals sent Petitioner a letter informing her of the options available for redetermining a protested Notice. Petitioner did not respond. The Tax Commission has reviewed the information available and upholds the Notice as issued by Property Tax.

### **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.

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.

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 federal adjusted gross income. For 2019, Petitioner reported social security income in the amount of \$21,162. When the \$15,624 of debt cancellation is added and the \$2,402 of medical expenses are subtracted, Petitioner's total income for the purposes of the property tax reduction benefit is \$34,384. For 2020, the maximum income amount to receive a benefit is \$31,280.

**CONCLUSION**

In 2019, Petitioner received a notice of debt cancellation, reported to her on Form 1099-C. Debt cancellation is considered income and must be included in the calculation of household income for the purpose of the property tax reduction benefit. When debt cancellation is included, Petitioner's net household income exceeds the \$31,280 maximum income amount to receive a benefit. She must be denied a benefit for 2020.

The Notice of Deficiency Determination dated June 29, 2022, is hereby APPROVED and MADE FINAL.

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

<u>BENEFIT</u>	<u>INTEREST</u>	<u>TOTAL</u>
\$920.00	\$64.29	\$984.29

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 \_\_\_\_\_ 2024.

IDAHO STATE TAX COMMISSION

**CERTIFICATE OF SERVICE**

I hereby certify that on this \_\_\_\_\_ day of \_\_\_\_\_ 2024,  
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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