

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 1-409-188-864
)	
Petitioners.)	DECISION
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(Petitioners) protested the Intent to Deny Property Tax Reduction Benefit dated July 18, 2022. Petitioners disagreed that the interest they earned on their investments should be included in their income for the calculation of the property tax reduction benefit. The Tax Commission reviewed the matter and issues its decision upholding the intent to deny the Property Tax Reduction Benefit. Petitioners are not eligible for the benefit for 2022.

BACKGROUND

On March 30, 2022, the Canyon County Assessor (Assessor) received Petitioners’ application for a property tax reduction benefit for the benefit year 2022. Petitioners’ total net income on their application was \$35,506. Assessor processed Petitioners’ application and sent them a letter stating they would get \$0 in property tax reduction benefit. Assessor informed Petitioners that the Tax Commission would review his determination and confirm or change the amount of their benefit.

The Property Tax Division (Staff) of the Tax Commission reviewed Petitioners’ application along with Petitioners’ federal income tax return. Staff made a minor adjustment to Petitioners’ application reducing their total income to \$35,489. Nevertheless, even with the adjustment, Petitioners’ income made them ineligible for a 2022 benefit. Staff sent Petitioners an intent to deny the benefit letter confirming that they would not receive a benefit for 2022.

Petitioners protested stating that their interest income is not income. Petitioners stated the interest is tax exempt interest from their investments. Petitioners stated the interest was rolled over and reinvested. They did not spend it or touch it. Petitioners stated if it is considered income now, then when they withdraw it, they will be taxed on it again.

Staff acknowledged Petitioners' protest and referred the matter to the Tax Commission's Appeals Unit (Appeals). Appeals sent Petitioners a letter explaining why they were not eligible for the benefit and gave them the options for having the intent to deny redetermined. Petitioners did not request a hearing but provided a statement to argue their position. The Tax Commission reviewed all 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 amount is \$32,230.

Income, for purposes of the property tax reduction benefit, is defined in Idaho Code section 63-701(5) and includes, "Nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities". In other words, tax exempt interest for federal income tax purposes.

Petitioners stated the interest they received was from an investment account they have had for about fifteen years. Petitioners stated the interest earned from this account is exempt interest. Petitioners stated everything earned from this account is reinvested for their future old age needs. Petitioners stated they never received the \$8,624 of interest because it was rolled over/reinvested into the account. Petitioners stated they are living on their social security and with the way property

taxes have increased, they are just trying to take advantage of the available programs.

Petitioners completed their application showing a total income of \$35,506. Petitioners correctly included the interest income from their investment account. Based solely on Petitioners' application, Petitioners' income is greater than the maximum amount allowed. Upon review of Petitioners' application, the Assessor estimated their benefit at \$0 because their income was too high. Likewise, the Tax Commission's review of Petitioners' application resulted in a finding that Petitioners' income was greater than the allowed amount even after making a correction to the interest reported on Petitioners' application.

Petitioners argued the interest is exempt from taxation and if it is included in their income now it will be taxed again when they withdraw and use it; however, this is incorrect. The property tax reduction benefit is not a tax on income. In fact, Petitioners will not pay any more in income tax than what they reported on their federal and Idaho state income tax returns. The tax Petitioners will have to pay is the property tax assessed by the county.

The determination of the property tax reduction 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 \$3,259 over the maximum allowed income. Therefore, Petitioners do not qualify for the benefit.

CONCLUSION

Petitioners applied for the Property Tax Reduction Benefit with Canyon County. The Assessor reviewed Petitioners' application and estimated their benefit at \$0 because their income

was over the maximum amount allowed to receive a benefit. The Tax Commission reviewed Petitioners' application, as required by law, and finds that the Assessor's determination of the benefit is correct. Petitioners are not eligible for the benefit.

THEREFORE, the Intent to Deny Property Tax Reduction Benefit dated July 18, 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.
