

not included on her federal return. The addition of income and removal of funeral expenses changed the amount of benefit she was entitled to, therefore, a Notice was issued requesting Petitioner repay a portion of the benefit received plus interest.

Petitioner protested the Notice, stating she received loans from friends to pay the funeral expenses and provided statements from said individuals verifying they had loaned Petitioner money for the funeral, and she had since repaid them. After further investigation, Property Tax discovered the funeral expenses were not for Petitioner's spouse, but for her grandson.

After receiving Petitioner's protest, Property Tax forwarded the matter to the Tax Commission's Appeals unit for administrative review. Petitioner chose to participate in an informal hearing but provided no additional information. Her main objection was that the instructions on the application itself were not specific enough and she was not aware of the "spouse only" limitation for funeral expenses. She stated she adopted her grandson when he was one year old and has always cared for him as a dependent. She did not object to the addition of the pension distribution.

LAW AND ANALYSIS

Income for the property tax reduction benefit is defined in Idaho Code section 63-701(5) as follows:

(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 26 U.S.C. 402 or 403, and

excluding the nontaxable portion of a Roth individual retirement account distribution, as provided in 26 U.S.C. 408A;

(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.** (Emphasis added)

After reviewing the application, Petitioner is correct that the funeral expenses line does not specify for "the claimant and claimant spouse only." However, the instructions for the Property Tax Reduction Application under Section C line 14 states: "List paid or prepaid funeral expenses for you or your spouse." The instructions and Idaho Code are clear that the claimant can only deduct funeral expenses for themselves or their spouse, no one else.

Petitioner also argues that because she had claimed her grandson as her dependent on her tax returns since he was one year old, he should be considered part of her household. Idaho Code section 63-701(3) provides this definition: "Household means the claimant and the claimant's spouse. The term does not include bona fide lessees, tenants, or roomers and boarders on contract." Idaho Code in reference to the Property Tax Reduction program provides different guidelines than of the Internal Revenue Code. While the Internal Revenue Code provides income tax deductions for both yourself, your spouse, and your dependents, the Property Tax Reduction program does not allow a similar deduction.

CONCLUSION

Petitioner claimed \$5,000 of funeral expenses for someone other than herself or her spouse. She claims the application was not clear for what kind of funeral expenses qualify. Even though the application does not go into detail, the instructions and Idaho Code are clear for what kind of funeral expenses qualify for the deduction.

Therefore, the Notice of Deficiency Determination dated April 13, 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>
\$370	\$10.74	\$380.74

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

An explanation of Petitioner’s 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.
