

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 1-711-973-376
)	
Petitioner.)	DECISION
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(Petitioner) protested the Intent to Deny Property Tax Reduction Benefit letter dated September 26, 2023. Petitioner argued that he did not receive the income reported on his tax return. The Idaho State Tax Commission (Tax Commission) reviewed the matter and issues its decision upholding the Intent to Deny Property Tax Reduction Benefit letter. This means Petitioner will not receive a benefit for 2023.

BACKGROUND

Petitioner filed a 2023 application for a property tax reduction benefit with the Ada County Assessor’s Office. The staff at the Assessor’s Office then sent the application to the Tax Commission for processing. The Property Tax Division (Property Tax) of the Tax Commission reviewed Petitioner’s application and sent him an Intent to Deny Benefit letter. The letter informed Petitioner that he would not receive a benefit for 2023 because his net household income exceeds the maximum amount allowed to receive a benefit.

Petitioner protested the Intent to Deny Property Tax Reduction Benefit letter and the case was sent to Appeals. Appeals sent Petitioner a letter giving the options for redetermining the Intent to Deny Property Tax Reduction Benefit letter. Petitioner responded requesting an informal hearing, which was held on December 28, 2023. Petitioner asked numerous questions, but he did not supply any additional information. After reviewing the property tax reduction program’s

publication (Pub 135), the application for property tax reduction instructions, and Idaho Code section 63-701(5) Petitioner asked for a written decision.

LAW AND ANALYSIS

All property within the borders of Idaho is subject to property tax. Idaho Code, Title 63, Chapter 7 provides for property tax relief on a homestead for certain qualifying individuals. The benefit is in the form of a payment of part or all of an applicant's property tax on the dwelling he/she owns and occupies. The state's sales tax funds these payments. The amount of property tax reduction depends on income--the greater the income, the smaller the benefit.

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. "Income" does not include veterans disability pensions received by a person

described in subsection (1)(e) of this section 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 veterans 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. 402(i). Documentation of medical expenses may be required by the county assessor and state tax commission in such form as the county assessor 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 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 W-2 and 1099. (Emphasis added)

In 2022, Petitioner converted his traditional IRA to a Roth IRA. When a traditional IRA is converted into a Roth IRA, no cash is distributed, but the amount converted is treated as ordinary income and must be reported on the federal income tax return. Petitioner correctly reported this income on his 2022 federal income tax return, making it part of his federal adjusted gross income of \$67,087. Petitioner also included this income in his application for property tax reduction but argues it should not be included because he did not receive any money.

The definition of "income" for the purpose of the property tax reduction benefit starts with federal adjusted gross income and then makes certain additions and deductions. Petitioner's application shows federal adjusted gross income of \$67,087, and income from pensions, retirements, annuities and/or IRAs of \$7,909 for a net household income as \$74,996. Property Tax allowed a subtraction for the principal of annuity reducing Petitioner's net household income to \$67,087, which is still more than the maximum income amount, \$37,000.

CONCLUSION

Petitioner's 2022 net household income exceeds the 2023 maximum income amount of \$37,000. Petitioner is ineligible for a 2023 property tax reduction benefit.

THEREFORE, the Intent to Deny Property Tax Reduction Benefit letter dated October 24, 2023, directed to _____ is hereby APPROVED and MADE FINAL.

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.
