

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 2-013-250-560
)	
Petitioner.)	DECISION
)	

The Tax Commission’s Property Tax Division (Staff) sent (Petitioner) a Notice of Deficiency Determination (Notice) for tax years 2020, 2021, and 2022. Petitioner protested, and Staff transferred the case to the Appeals Unit (Appeals). The Tax Commission has reviewed the matter and hereby upholds the Notice issued by the Staff.

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 throughout the state. The benefit is in the form of a payment of all or a portion of the applicant’s property tax on the dwelling he/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 applied for property tax reduction benefits before the due date of April 15th. The staff of the Jefferson County assessor’s office sent Petitioner’s applications to the Tax Commission for review and processing. Staff approved the applications and Petitioner received a benefit for payment of a portion of the property tax on her homestead in 2020, 2021, and 2022.

Idaho Code section 63-708 provides for an audit of all claims and recovery of benefits paid in error. During an audit of Petitioner’s 2020, 2021, and 2022 applications, the Staff identified nontaxable compensation that Petitioner did not report on her applications. The Staff sent Petitioner a Notice adding the missing income to her household income calculation, requesting re-

payment of benefits plus interest. Petitioner appealed, and the Staff transferred the file to Appeals for administrative review. Petitioner argued operating a Certified Family Home is a business and the income counted should be net expenses, as that would be fair. She did not participate in an informal hearing.

LAW AND ANALYSIS

Income for property tax reduction benefit purposes is defined in Idaho Code section 63-701 as income received in the calendar year immediately preceding the year in which a claim is filed. The calculation of income starts with federal adjusted gross income and, thereafter, makes certain additions and deductions.

During 2019, 2020, and 2021, Petitioner received money from the federal government that was not taxable under Internal Revenue Code section 131. Section 131 describes the nontaxable income as compensation for providing difficulty of care or the additional care of a qualified foster individual.

Pursuant to Internal Revenue Code section 131, the money paid to Petitioner is: “compensation for providing the additional care of a qualified foster individual which is required by reason of physical, mental or emotional handicap of such individual with respect to which the state has determined that there is a need for additional compensation.” The compensation provided to Petitioner by the Idaho Department of Health and Welfare is partially funded by the Federal Social Security Act.

Idaho Code section 63-701(5) in relevant part, describes income as:

- (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. (Emphasis added)

Senate Bill 1259 changed this statute, adding the sentence: “For purposes of this chapter only and in the case of a claimant who owns and whose homestead is a certified family home as defined in section 39-3502, Idaho Code, "income" does not include payments that the claimant received as an enrolled Medicaid provider from the medical assistance program.” However, this bill was declared to be in effect on and after January 1, 2023, and not retroactive.

CONCLUSION

The compensation Petitioner received for operating a Certified Family Home is provided for and funded by the Federal Social Security Act, and the income must be included in Petitioner’s total 2020, 2021, and 2022 income. The result is that Petitioner’s total 2020, 2021, and 2022 income for the purpose of this benefit program exceeds the maximum amount allowed. She is not entitled to the benefits she received.

THEREFORE, the Notice of Deficiency Determination dated April 4, 2023, is hereby APPROVED and MADE FINAL.

<u>YEAR</u>	<u>TAX</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$220	\$14	\$234
2021	1,260	54	1,314
2022	1,220	8	<u>1,228</u>
		TOTAL	\$2,776

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

DATED this _____ day of _____ 2023.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2023,
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.
