

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 1-471-136-768
	)	
Petitioner.	)	DECISION
<hr style="width: 50%; margin-left: 0;"/>	)	

(Petitioner) protested the Notice of Deficiency Determination (Notice) dated April 4, 2023, issued by the Property Tax Division (Division) of the Idaho State Tax Commission (Tax Commission). Petitioner objected to the Notice which requested repayment of 2020 and 2021 Idaho Property Tax Reduction (PTR) Benefit. The Tax Commission reviewed the matter and hereby upholds the Notice for the reasons stated below.

**BACKGROUND**

Petitioner filed applications for PTR benefits with Canyon County for tax years 2020 and 2021. Canyon County sent these applications to the Division for processing. The Division processed Petitioner’s 2020 and 2021 applications, and he received benefits for payments of a portion of the property taxes on his homestead.

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 applications, the Division discovered Petitioner received income that he did not include on the applications. The omitted income for tax year 2019 was distributions from pensions, annuities or IRAs on Form 1099-Rs. The omitted income for tax year 2020 was rents on Form 1099-MISC and non-employee compensation on Form 1099-NEC. The Division added the omitted income to that shown on Petitioner’s application, which increased Petitioner’s net household income and decreased the amount of allowable benefit. Therefore, a Notice was issued requesting Petitioner re-pay a portion of the benefits received.

Petitioner protested the Notice, arguing that the “items being added to his income for 2019 and 2020 is incorrect - these items were from non-income sources (closing of a broker managed investment account in 2019 and rent money that was used for expenses related to the rental property in 2020).”

After receiving Petitioner’s protest, the Division referred the matter to the Tax Commission’s Appeals Unit (Appeals) for administrative review. Appeals sent Petitioner a letter informing him of the options available for redetermining a protested Notice. Petitioner did not respond.

### **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. Qualifying individuals cannot have income above a certain amount.

Income, for purposes of the PTR benefit, is defined in Idaho Code section 63-701(5) as the sum of federal adjusted gross income (AGI), as defined in the Internal Revenue Code and Idaho Code section 63-3004, and to the extent not already included in federal AGI:

- (a) Alimony,
- (b) Support money,
- (c) Nontaxable strike benefits,
- (d) The nontaxable amount of:
  - individual retirement accounts,
  - pensions and annuities,
  - social security (other than the death benefit),
  - state unemployment insurance,
  - veterans’ disability pensions and compensation,
- (e) Tax exempt interest on government securities,
- (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.)

The calculation of income for the property tax reduction benefit begins with federal AGI.

If the claimant does not file a federal income tax return, the starting point for the income calculation is the equivalent of the federal AGI, had the claimant filed a federal return.

In the present matter, Petitioner had not filed federal income tax returns when he applied for PTR benefits. Therefore, the starting point for the calculation of income would be the equivalent of the federal AGI. For 2020, Petitioner reported his social security income in the amount of \$20,082 and spouse's social security of \$10,518. When the \$84,828 of pension, annuity, or IRA distributions are added and the \$7,807 of medical expenses are subtracted, Petitioner's net household income for the purposes of the PTR benefit is \$107,621. For 2020, the maximum income amount to receive a benefit is \$31,280, thus making Petitioner ineligible for the benefit.

For 2021, Petitioner reported his social security income in the amount of \$20,407, spouse's social security of \$10,699, and interest income of \$2,315. When the \$1,868 of rents and non-employee compensation is added and the \$6,800 of medical expenses are subtracted, Petitioner's net household income for the purposes of the property tax reduction benefit is \$28,489. Based on a net household income of \$28,489 for 2021, Petitioner is entitled to receive a benefit not to exceed \$490.

**CONCLUSION**

Petitioner received property tax reduction benefits for 2020 and 2021 of \$660 and \$590 respectively, based on the amount of income shown on his applications. However, Petitioner's applications did not include all income he received in 2019 and 2020 from 1099-Rs, 1099-MISC, and 1099-NEC. When this income is added, Petitioner qualifies to receive a benefit of \$0 for 2020 and \$490 for 2021.

THEREFORE, the Notice dated April 4, 2023, and directed to \_\_\_\_\_ is hereby APPROVED and MADE FINAL.

It is ordered that Petitioner repay the following PTR benefits plus interest.

<u>YEAR</u>	<u>BENEFIT</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$660	\$41.46	\$701.46
2021	\$100	\$4.28	<u>\$104.28</u>
		TOTAL	<u>\$805.74</u>

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.

---

---