

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 15880
[Redacted],	)	
	)	DECISION
Petitioners.	)	
	)	
	)	

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This case arises from a timely protest of a State Tax Commission staff (staff) decision adjusting property tax reduction benefits for 2001. This matter was submitted for decision based on the documents in the file. The State Tax Commission has reviewed the file and makes its decision thereon.

The amount of property tax reduction benefits depends on the household income--the greater the income, the smaller the benefit. The staff notified the petitioners of the intent to deny their benefits for 2001 because the amount of income shown in the application as received by the petitioners during 2000 was incomplete and appeared to be greater than the amount shown in that application.

[Redacted] (petitioners) filed a property tax reduction application on or about April 16, 2001. In a letter dated September 4, 2001, the staff advised the petitioners of the intent to deny their benefits. The petitioners protested the determination.

The staff routinely audits the applications that have been submitted to the county where the petitioners live. During this process, the staff examined the petitioners' application and the attached documents. The petitioners showed themselves and one other person as residents in the home. In that application, written on line 1 next to "Federal Adjusted Gross income as shown on Form 1040" was "est." and the amount of \$10,000. On line 13, the petitioners again indicated they had used an estimated figure for the medical expense deduction.

Idaho Code § 63-701 uses a series of definitions to state the requirements for qualifying for property tax reduction benefits. The benefit amount is determined by the total income received by the applicant and the members of the applicant's household during the prior year.

Idaho Code § 63-701 states in pertinent parts:

(3) **"Household" means the claimant and any person or persons who live in the same dwelling, and share its furnishings, facilities, accommodations or expenses.** The term does not include bona fide lessees, tenants, or roomers and boarders on contract. "Household" includes persons described in subsection (9)(b) of this section.

(4) **"Household income" means all income received by all persons of a household in a calendar year while members of the household.**

(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, alimony, support money, income from inheritances, nontaxable strike benefits, the nontaxable amount of any individual retirement account, pension or annuity, (including railroad retirement benefits, all payments received under the federal social security act, state unemployment insurance laws, and veterans disability pensions and compensation, excluding rollovers as provided in section 402 or 403 of the internal revenue code), nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities, worker's compensation and the gross amount of loss of earnings insurance. It does not include capital gains, gifts from nongovernmental sources or inheritances. **To the extent not reimbursed, cost of medical care as defined in section 213(d) of the internal revenue code, incurred by the household may be deducted from income.** "Income" does not include veterans disability pensions received by a person described in subsection (1)(e) who is a claimant or a claimant's spouse, provided however, that the disability pension is received pursuant to a service-connected disability of a degree of forty percent (40%) or more. "Income" does not include lump sum death benefits made by the social security administration pursuant to 42 U.S.C. section 402(i). Documentation of medical expenses may be required by the county assessor, board of equalization and state tax commission. "Income" shall be that received in the calendar year immediately preceding the year in which a claim is filed. **Where a claimant does not file a federal tax return the claimant's federal adjusted gross income, for purposes**

**of this section, shall be an income equivalent to federal adjusted gross income had the claimant filed a federal tax return.**

(6) **"Nonhousehold member" means** any nonspouse who lives in the claimant's dwelling for the purpose of providing protective oversight, caregiving, or personal assistance services to the claimant, or who is receiving disability benefits pursuant to subsection (1)(d) or (e) of this section, or **who is over age sixty-five (65) and lives in the claimant's dwelling and receives protective oversight, caregiving or personal assistance services provided by the claimant.** (Emphasis added.)

Gross income as defined in section of 61 of Internal Revenue Code means all income from whatever source. Tax Commission records as well as the petitioners' own statements indicate the petitioners' income was sufficient for them to be required to file a federal and state income tax return for the 2000 tax year. However, neither return has been filed – only extensions of time to file those returns. The petitioners' application was completed using an estimate of the income and medical expenses. No substantiation of that estimate was provided.

An executed 2001 Nonhousehold Member Verification Form was attached to the application. This form indicated the other resident of the home was the petitioners' mother who was living with the petitioners for personal care. As a nonhousehold member, her income is not included in the household income for property tax reduction purposes. The application did not suggest her income had been included in the estimate of income. However, the application and accompanying medical expense statement included the nonhousehold member's estimated medical expenses.

The petitioners correctly did not include the nonhousehold member's income in household income. They incorrectly deducted the nonhousehold member's medical expenses. A nonhousehold member's income is not a part of household income, so the nonhousehold medical expenses cannot be deducted from the income.

On October 17, 2001, the Tax Appeals Specialist talked with [Redacted] on the telephone.

At that time Mrs. [Redacted] indicated that it would not be possible to complete the 2000 income tax return until the 1999 return had been completed. She said that would take some time to complete. She said it would take time to separate her mother's medical expenses out from the petitioners' medical expenses and to verify those amounts. The Tax Commission is unable to approve the petitioners' application for property tax reduction benefits until more complete information is submitted. Pursuant to the definition of income as stated in Idaho Code § 63-701(5), the petitioners' property tax reduction benefits for 2001 must be denied.

The State Tax Commission is aware there is some potential this decision could cause a hardship to the property tax reduction applicant in certain circumstances. The proper jurisdiction to handle such hardship situations falls with the county commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the decision of the State Tax Commission staff is hereby APPROVED, AFFIRMED, and MADE FINAL.

An explanation of the petitioners' right to appeal this decision is enclosed with this decision.

DATED this \_\_\_\_\_ day of October, 2001.

IDAHO STATE TAX COMMISSION

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COMMISSIONER

**CERTIFICATE OF SERVICE**

I hereby certify that I have on this \_\_\_\_\_ day of October, 2001, served a copy of the within and foregoing DECISION by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]      Receipt No. [Redacted]  
[Redacted]      [Redacted]

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ADMINISTRATIVE ASSISTANT 1