

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 15901
[Redacted],)	
)	DECISION
Petitioner.)	
_____)	

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 a decision based on the documents in the file. The State Tax Commission has reviewed the file and makes its decision based on the file.

The amount of property tax reduction depends on the household income--the greater the income, the smaller the benefit. The staff adjusted the petitioner's eligibility for property tax reduction benefits by denying the petitioner benefits for 2001. The petitioner submitted a timely appeal.

[Redacted] (petitioner) filed a property tax reduction application on or about April 11, 2001. In that application, the petitioner listed herself and one other person as household members. However, she showed only herself as having income. The petitioner indicated she did not provide personal care for another adult and no adult lived with her to provide care for her.

The property tax reduction program is a benefit program for certain qualifying applicants based on certain criteria, one of which is income. The household, household income, and income for property tax reduction purposes are defined in Idaho Code § 63-701 as follows:

(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 includes any person owing a duty of support to the applicant pursuant to section 32-1002, Idaho Code, unless the person qualifies as a "nonhousehold member" pursuant to subsection (6) of this section. 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. 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. (Emphasis added.)

When the staff identified income received by the other household member during 2000, the staff sent the petitioner a letter. The letter advised the petitioner of the intent to include that income in the total 2000 household income. The resulting household income exceeded \$20,050, the maximum income allowed for an applicant to qualify to receive benefits. The petitioner no longer qualified to receive the benefits. The petitioner appealed that determination.

The petitioner's file was transferred to the Legal/Tax Policy Division for administrative review, and a letter was sent to the petitioner wherein her appeal rights were explained. On October 10, 2001, a friend of the petitioner telephoned the Tax Appeals Specialist (Specialist) to discuss the issues involved. Because the information contained in the application is confidential, the Specialist could only listen. At the conclusion of the call, the Specialist mailed the petitioner a copy of Idaho Code § 63-701 and the household member's income information.

On October 19, 2001, a telephone conference with the petitioner, a friend, and the Specialist was held. The petitioner said her daughter lived in the house during that year because of an auto accident. She said her daughter was badly hurt and sustained heavy medical bills that were not covered by insurance. The Specialist explained the law requiring the inclusion of all income in household income but allowing the deduction of medical expenses.

Idaho Code § 63-701 requires all income received by all members of a household during the prior year to be included in the calculation of total household income. However, the same section of Idaho law allows for the deduction from that income of medical expenses that were actually paid by household members during that same year.

The Specialist examined the petitioner's daughter's 2000 federal income tax return and the accompanying schedules. Schedule A of that return showed medical expenses of \$19,504 for the year. These medical expenses had not been recognized in the petitioner's application and the staff had not accounted for the deduction when the determination to deny benefits was made.

The staff's intent to deny the petitioner's property tax reduction application is amended. After deducting the additional household medical expenses from household income, the petitioner qualifies to receive a property tax reduction benefit in an amount not to exceed \$270 for the year 2001.

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 to deny property tax reduction benefits is hereby MODIFIED and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

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

DATED this _____ day of _____, 2001.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that I have on this _____ day of _____, 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]

ADMINISTRATIVE ASSISTANT 1