

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

In the Matter of the Protest of	)	
	)	DOCKET NO. 17634
[Redacted],	)	
	)	DECISION
Petitioners.	)	
_____	)	

This case arises from a timely protest of a State Tax Commission staff's (staff) decision adjusting property tax reduction benefits for 2003. 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.

All property within the jurisdiction of this state is subject to property taxes. A property tax reduction benefits program is available to certain qualifying individuals throughout the state. The benefit is in the form of a payment (either total or partial) of the applicant's property taxes on the dwelling he/she owns and occupies. The payment is funded by state sales tax funds.

[Redacted] (petitioners) filed an application with [Redacted] for property tax reduction benefits on or about March 24, 2003. Pursuant to Idaho Code § 63-707(5), the staff audited that application. In conjunction with the audit, the petitioners were asked to furnish receipts for the \$11,658.21 of medical expenses they had claimed. The petitioners answered the request by sending a copy of a hand-written work sheet that included check numbers, dates, and amounts but no receipts.

When the petitioners did not comply with the staff's request for receipts, the staff sent the petitioners a notice advising them of the intent to deny them a deduction for the unsubstantiated portion of the medical expenses. The adjustment resulted in an increase to the petitioners' income and a reduction of benefits. The petitioners appealed the determination.

Income for property tax reduction benefits purposes is defined in Idaho Code § 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 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.

**It does not include** capital gains, 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/or, if applicable, 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) 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 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 in such form as the county assessor, board of equalization 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. (Emphasis added.)

For property tax reduction benefits purposes, medical expenses defined in the Internal Revenue Code can be deducted from income. In order to identify the allowable medical expenses, the staff reviewed the medical expense statement the petitioners had attached to their application. Several of the claimed expenses were identified as questionable, and the petitioners' file was transferred to the Legal/Tax Policy Division for administrative review.

In response to a letter advising the petitioners of their appeal rights, [Redacted] hand-delivered a letter from [Redacted] former employer confirming the petitioners' payment of \$5,110.89 for health insurance premiums during 2002. The \$5,110.89 was a line item on the expense statement.

During various telephone conversations [Redacted] provided additional explanations that clarified other medical expenses; however, no additional substantiation was provided.

Rules of the Idaho State Tax Commission - Property Tax Administrative Rules, IDAPA 35, Title 01, Chapter 03 Rule # 600 states:

**600. PROPERTY EXEMPT FROM TAXATION (Rule 600).**

The burden of claiming exemption and the burden of proof of entitlement to the exemption is on the person claiming exemption for the property.

Medical expenses were reviewed for compliance with the Internal Revenue Code. The Tax Commission denies the medical expenses that do not appear to be valid and for which the petitioners have not provided proper documentation.

The petitioners' property tax reduction benefits are adjusted from an amount not to exceed \$450 to an amount not to exceed \$420.

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 Intent to Change Benefits letter dated September 30, 2003, is hereby MODIFIED and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

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

IDAHO STATE TAX COMMISSION

\_\_\_\_\_  
COMMISSIONER

CERTIFICATE OF SERVICE BY MAIL

I hereby certify that I have on this \_\_\_\_\_ day of \_\_\_\_\_, 2003, 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] \_\_\_\_\_