

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 18337
[Redacted],)	
)	DECISION
Petitioners.)	
_____)	

This case arises from a timely protest of a State Tax Commission staff (staff) decision adjusting the property tax reduction benefit for 2004. 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 tax. A property tax reduction benefit program is available to certain qualifying individuals throughout the state. The benefit is in the form of payment (either total or partial) of the applicant's property tax on the dwelling he/she owns and occupies. The payment is funded by state sales tax.

[Redacted] (petitioners) filed an application with [Redacted] County for the property tax reduction benefit on or about March 12, 2004. 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 \$9,597 of medical expenses they had claimed. The petitioners protested the intended action, and their file was transferred to the Legal/Tax Policy Division for administrative review.

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 benefit purposes, medical expenses defined in the Internal Revenue Code can be deducted from income. During the appeal process, the petitioners provided the Tax Commission with numerous original prescriptions written to either of them. The petitioners indicated the prescriptions validate the purchase of medications in [Redacted] because, if they had

filled the prescriptions in the United States, they would not have the original prescriptions. They explained they needed the medicine so obviously they purchased it. They said they have no receipts for the purchases but have used the drugs they purchased the entire year.

Unfortunately, not only are the prescriptions invalid as receipts, the Internal Revenue Service allows only drugs that are imported legally to be deducted as medical expenses. Only the cost of prescribed drugs that the Food and Drug Administration announces can be legally imported by individuals can be claimed as deductible medical expenses. There is no evidence to indicate the drugs the petitioners' physicians prescribed for them were legally imported from [Redacted]. The cost of those purchases cannot be deducted from the petitioners' income for the property tax reduction benefit.

The petitioners sent an invoice stamped "PAID" to establish the cost of having a wheel chair lift installed on their new Ford Explorer. The invoice was dated September 20, 2002. Although, the Internal Revenue Code allows the cost of adapting a motor vehicle to accommodate a wheelchair to be deducted from income, that expense must have occurred during the year in question.

The 2004 property tax reduction benefit amount depends on a petitioner's income for 2003. A 2002 medical payment cannot be excluded from 2003 income for income tax or property tax reduction benefit purposes.

The result of excluding the above two expenses as qualified medical expenses is a medical expense deduction of \$3,303. The petitioners' 2003 total net income for property tax reduction benefit purposes is \$20,943. They qualify to receive a 2004 benefit of an amount not to exceed \$180 rather than the \$690 benefit shown in the application.

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 [Redacted] County Commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the Intent to Deny Property Tax Reduction Benefit letter dated September 20, 2004, 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.

DATED this ____ day of _____, 2004.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE BY MAIL

I hereby certify that I have on this ____ day of _____, 2004, 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]
[Redacted]
[Redacted]

Receipt No.
