

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 18976
[REDACTED],)	
)	DECISION
Petitioner.)	
_____)	

This case arises from a timely protest of a State Tax Commission staff's (staff) decision adjusting the property tax reduction benefit for 2005. 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 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] (petitioner) filed an application with [Redacted] County for the property tax reduction benefit on April 15, 2005. Pursuant to Idaho Code § 63-707(5), the staff reviewed the application and the petitioner's income records. Additional income of \$1,066 in the form of a pension, IRA, or annuity was identified. In conjunction with the audit, the petitioner was asked to furnish receipts for the \$13,012 of claimed medical expenses. The petitioner filed an appeal and his file was transferred to the Legal/Tax Policy Division for administrative review.

Income for the purpose of the property tax reduction benefit 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.)

The petitioner's federal income records were compared with the application. The nontaxable portion of a pension, IRA, or annuity as identified by the petitioner's federal income tax return had not been listed in the application. Although the income was not taxable, it is considered income pursuant to the definition of income in Idaho Code § 63-701. The taxpayer did not object to the inclusion of the funds in his 2004 total household income for the purpose of the property tax

reduction benefit.

Further review of the petitioner's application noted the Social Security amounts listed for both the petitioner and his wife were net amounts after their Medicare premiums had been subtracted. To determine income for the property tax reduction benefit, medical expenses defined in the Internal Revenue Code are deducted. Although Medicare premiums are deductible medical expenses, those premiums had never been included in the petitioner's household income listed in the application. Therefore, deducting the premiums from the income listed in the application would allow double credit.

The petitioner submitted a Medical Expense Statement to include receipts supporting each expense claimed. Those receipts are accepted as valid support of the expenses plus the additional \$20 that was identified. The Statement submitted by the petitioner shows total medical expenses of \$14,124.20. When the Medicare premiums are subtracted and the \$20 additional expense is added, a medical expense deduction of \$12,546 is allowed against the \$25,546 household income.

The petitioner's total net income for property tax reduction benefit purposes is \$13,248. They qualify to receive a benefit of an amount not to exceed \$840 for 2005.

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 Deny Benefit letter dated August 10, 2005, 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 _____, 2005.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that I have on this ____ day of _____, 2005, 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]
[Redacted]

[Redacted]
