

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
[Redacted],) DOCKET NO. 19011
)
) DECISION
Petitioners.)
)
_____)

This case arises from a timely protest of a State Tax Commission 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 taxes. A property tax reduction benefit program is available to certain qualifying individuals throughout the state. The benefit is in the form of payment 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 23, 2005. Pursuant to Idaho Code § 63-707(5), the staff reviewed that application. The petitioners were sent a letter advising of the intent to change the amount of their benefit. They were asked to clarify \$16,006 of medical expenses claimed in that application.

The petitioners sent a letter objecting to any changes to their benefit amount. They said they realized their receipts did not cover all the expenses claimed because they could not find receipts for all their actual expenses. The petitioner's file was transferred to the Legal/Tax Policy Division for administrative review.

Income for property tax reduction benefits purposes is defined in pertinent part 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 married, 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.)

During the appeal process, several telephone conversations, emails, and letters were exchanged between Mr. [Redacted] and the Tax Appeals Specialist. [Redacted] sent copies of bank statements, spread sheets he had created, and receipts for individual expenses. Many of the

documents were duplicated and expenses were listed in more than one place.

Idaho Code § 63-701(5)(g) allows the Tax Commission to determine the form in which the medical expense documentation is to be submitted for review. At the request of the Tax Appeals Specialist, Mr. [Redacted] secured printouts from the petitioners' providers for verification of their out-of-pocket expenses for 2004. Those printouts have been compared with the lists of expenses and receipts. All expenses with appropriate documentation to include doctors' visits, prescriptions, health insurance, eye glasses, and dentistry were allowed to be deducted from household income.

The Medicare premiums were denied as a deduction because the income from Social Security reported in the application was the net amount after Medicare had been subtracted. Expenses not allowed to be deducted according to Internal Revenue Code § 213(d) such as vitamins, herbs, health club dues, out of country imports, healthful drinks, aging moisturizer, and skin creams were denied.

Property Tax Administrative Rule 600 states:

600.PROPERTY EXEMPT FROM TAXATION (RULE 600).

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

The petitioners established their income before the deduction of medical expenses to be \$21,181. When the \$8,427 of verified medical expenses is deducted from that income, the petitioners' total net income for the purpose of the property tax reduction benefit is \$12,754. The petitioners qualify to receive a benefit in an amount not to exceed \$870 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 Change Benefits letter dated September 9, 2005, 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 _____, 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]

RECEIPT NO.