

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 19052
[Redacted])	
Petitioners.)	DECISION
)	
)	

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 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] (petitioners) filed an application with [Redacted] County for the property tax reduction benefit on April 5, 2005. Pursuant to Idaho Code § 63-707(5), the staff reviewed the application and the petitioners' income records. The petitioners were asked to furnish receipts for the \$10,274.62 of claimed medical expenses. The petitioners filed an appeal, and their 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 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 appeals process, the Tax Appeals Specialist talked on the telephone with Mr. [Redacted] several times about obtaining the needed documentation. Several printouts from providers of medical services were received on December 19, 2005. Two of the documents showed all payments were made by Medicare and/or [Redacted] insurance. When contacted by telephone, one of the providers said the billing did not reflect payments made by the petitioners because there were none. All expenses were covered by Mr. [Redacted]'s Medicare and/or his supplemental

insurance.

Two other documents the petitioners sent established the petitioners' out-of-pocket expenses for prescriptions and the annual premium for [Redacted]. A letter signed by Mr. [Redacted] that was enclosed with the medical expense documentation said he had included all the receipts he had. He said his wife had a medical insurance policy in 2004 but he has been unable to get the company to send him anything that would establish the cost of the coverage. In a follow-up telephone conversation, he said he had no idea what the monthly premium was or when the policy was cancelled.

The Tax Commission has reviewed the application, the petitioners' income records and the claimed medical expenses. The income reported in the application is supported by the records. However, not all medical expenses listed in the Medical Expense Statement have been substantiated by the records submitted by the petitioners. The petitioners will be allowed to deduct from their income only those expenses that have been validated by documentation.

The receipts furnished by the petitioners verified payments to [Redacted] in the total amount of \$4,361.48, Medicare in the amount of \$799.20, and costs for prescriptions of \$1,190.82. The total qualified medical expense deduction for the purpose of the property tax reduction benefit is \$6,351.50. When that amount is subtracted from the petitioners' 2004 income of \$22,077.20, the petitioners qualify to receive a 2005 property tax reduction benefit of an amount not to exceed \$630.

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 Property Tax Reduction Benefit letter dated September 21, 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.

DATED this ____ day of _____, 2006.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of _____, 2006, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]

Receipt No.