

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
[Redacted],) DOCKET NO. 25841
)
)
Petitioner.) DECISION
)
_____)

This case arises from a timely protest of a State Tax Commission (Commission) staff decision adjusting the property tax reduction benefit for 2013. [Redacted]

[Redacted] (claimant) filed an application with [Redacted] County for the property tax reduction benefit on March 28, 2013. Idaho Code § 63-707 provides the Commission review applications submitted to county assessors. When the Commission staff reviewed the application, it appeared that not all medical expenses shown were allowable.

An Intent to Deny Property Tax Reduction Benefit letter for the claimant’s 2013 property tax reduction benefit was sent July 15, 2013. A timely protest was received by the Commission on July 17, 2013. The claimant’s file was transferred to the Legal/Tax Policy Division for administrative review.

All property within the jurisdiction of this state is subject to property tax. A property tax reduction benefit is available to certain qualifying individuals who own and occupy their dwelling in the state. The benefit is funded by the state sales tax and is in the form of a reduction of all or a portion of the property tax. The amount of property tax reduction depends on income-the greater the income, the smaller the benefit. Claimants with net household income over \$28,000 do not receive a benefit.

Idaho Code § 63-701 uses definitions to describe the conditions that must exist for a claimant to qualify to receive the property tax reduction benefit. The Code states in pertinent part:

(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 any return of principal paid by the recipient of an annuity and 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 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, 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 dependency and indemnity compensation or death benefits paid to a person described in subsection (1) of this section by the United States department of veterans affairs and arising from a service-connected death or disability. “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. Where a claimant and/or the claimant’s spouse does not file a federal tax return, the claimant’s and/or the claimant’s spouse’s federal adjusted gross income, for purposes of this section, shall be an income equivalent to federal

adjusted gross income had the claimant and/or the claimant's spouse filed a federal tax return, as determined by the county assessor. The county assessor, board of equalization or state tax commission may require documentation of income in such form as each shall determine, including, but not limited to: copies of federal or state tax returns and any attachments thereto; and income reporting forms such as the W2 and 1099. (Emphasis added.)

The claimant included payments for a dental procedure, totaling \$2,887, as a medical expense. The payments were to [Redacted], a division of [Redacted]. Since the payments were to a financial institution and not the doctor performing the dental work, it is not allowed as a medical expense by the Internal Revenue Code 213(d).

According to the records provided, the procedure was completed on or near November 7, 2011. The doctor was paid the total amount due after the claimant received the loan from [Redacted]. According to IRC 213(a), the year the claimant paid the doctor the total amount due for the medical bill would be the year the medical expense could be claimed, not the year [Redacted] was repaid. The payments to Care Credit were payments on a loan—not a medical expense.

The claimant's 2012 income consisted of [Redacted] adjusted gross income of \$5,740, and combined social security income of \$28,618, for the claimant and his wife, totaling \$34,358. When qualified medical expenses of \$4,929 are subtracted, the claimant's total 2013 net household income for the purpose of the property tax reduction benefit was \$29,429. The claimant exceeded the maximum income allowed to receive a 2013 property tax reduction benefit and the claim must be denied.

THEREFORE, the decision of the Commission to deny the property tax reduction benefit for taxable year 2013, is hereby APPROVED and MADE FINAL.

An explanation of the claimant's right to appeal this decision is enclosed.

DATED this _____ day of _____ 2014.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2014, 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.
