

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	
[Redacted])	DOCKET NO. 0-551-430-144
)	
Claimant.)	DECISION
_____)	

This case arises from a timely protest of an Idaho State Tax Commission (Commission) staff decision to change the property tax reduction benefit for 2018. This matter was submitted for a decision based on the documents in the file. The Commission has reviewed the file and makes its decision.

[Redacted] (Claimant) filed a property tax reduction benefit application on March 28, 2018. During review of the application and comparison of the information provided by Claimant, the staff identified a discrepancy related to claimed medical expenses.

The staff sent Claimant a letter advising her that the income total for the purpose of the property tax reduction benefit was going to be increased because some of her claimed medical expenses were denied. Claimant protested the intended action that would reduce the amount of benefit she was to receive from an amount not to exceed \$420 to an amount not to exceed \$290. Claimant's file was transferred to the Appeals Unit for administrative review.

All owner-occupied residential real 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.

The amount of property tax reduction depends on income—the greater the income, the smaller the benefit. However, income is defined differently for the property tax reduction benefit program than it is described in the income tax code. Income for property tax reduction benefit purposes is defined in Idaho Code § 63-701(5):

(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.

Id

In this case Claimant's medical expense statement submitted with her application showed a medical expense total of \$6,076.76. However, included in this total are naturopathic treatments all of which are not allowable under Internal Revenue Code 213(d). When these expenses are deducted from the total amount, Claimant's allowable medical expenses are \$4,056.

The calculation of income for the purpose of the property tax reduction benefit starts with federal adjusted gross income, or the equivalent thereof, and thereafter, makes certain additions and deductions. Social Security income is required to be reported on the federal income tax return but for the majority of taxpayers it is not included in federal adjusted gross income. For the purpose of the property tax reduction benefit, social security income, taxable and non-taxable, is included in the calculation of income along with the nontaxable amount of any individual retirement account, pension or annuity, to

determine the benefit amount a qualified applicant is to receive.

In the present matter, Claimant's 2017 income consisted of social security income of \$21,900, capital gains loss of \$21, pensions and or annuities income of \$8,746, and interest income of \$1,105. When qualified, out of pocket medical expenses of \$4,056 are subtracted from income, Claimant's total 2018 net household income for the purpose of the property tax reduction benefit is \$27,674. Claimant is qualified for a 2018 benefit of an amount not to exceed \$290.

THEREFORE, the decision of the Commission's staff to change the property tax reduction benefit is APPROVED and MADE FINAL.

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

DATED this _____ day of _____ 2019.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2019,
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.
