

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-753-600-512
[REDACTED] ,)	
)	
Petitioner.)	DECISION
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On September 9, 2019, the Property Tax Division (Division) at the Idaho State Tax Commission (Tax Commission) received an appeal from [REDACTED] (Petitioner) who disagreed with an intent to change property tax reduction benefits letter dated August 13, 2019. Petitioner disagreed with the Division’s determination that: (1) cancelation of debt is income, and (2) meals and lodging don’t qualify as medical expenses. The Division transferred the case to the Tax Appeals Unit for review.

In a letter dated November 7, 2019 Tax Appeals informed Petitioner he could submit additional documentation or request an informal hearing or both. On January 6, 2020, Tax Appeals received receipts for meals and lodging. On January 9, 2020, an informal hearing took place. The Commission, having reviewed the file, hereby issues its Decision modifying the deficiency in part and upholding the deficiency in part.

Based on the information available, Capital One Bank discharged \$3,898 in credit card debt owed by Petitioner because the statute of limitations for collecting had expired. Petitioner had been making monthly payment on the debt until the bank canceled the debt. Petitioner didn’t file for bankruptcy or prove that he was insolvent.

Idaho Code section 63-701 defines income for purposes of property tax relief and refers to the Internal Revenue Code for adjusted gross income. Internal Revenue Code section 61 defines

gross income as all income from whatever sources derived, including (but not limited to) income from the discharge of indebtedness.

Internal Revenue Code section 108 allows income from the discharge of indebtedness to be excluded in specific situations. For nonbusiness credit card debt, cancelation of debt can be excluded from income in cases of bankruptcy or insolvency.

Accordingly, based on the facts presented, Petitioner's discharged indebtedness from Capital One Bank is income under Internal Revenue Code section 61. Petitioner can't exclude the cancelation of debt as income under Internal Revenue Code section 108 because he didn't file for bankruptcy or prove that he was insolvent.

Based on the information available, Petitioner deducted \$937 in medical expenses for meals and lodging. Petitioner and his wife are residents of [REDACTED], Idaho. They often travel to Coeur d'Alene, Idaho and Spokane, Washington for wife's medical care. Petitioner had to do all the driving because wife's medical condition prevented her from driving. In driving to and from [REDACTED], Petitioner and his wife incurred expenses for meals, lodging, and mileage.

Idaho Code section 63-701(5) allows a deduction from income for medical expenses as defined in Internal Revenue Code section 213(a). Section 213(a) of the Code provides that there shall be allowed as a deduction the amount, not compensated for by insurance or otherwise, by which the amount of expenses paid during the taxable year for medical care of the taxpayer, his spouse, and dependents exceeds a specified percentage of the taxpayer's adjusted gross income. Section 213(d) of the Code defines the term "medical care" to mean amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body, or for transportation primarily for and essential to medical care.

Section 1.213-1(e)(1)(iv) of the Income Tax Regulations provides, in part, that expenses paid for and essential to the medical care are expenses paid for medical care. However, an amount allowable as a deduction for “transportation primarily for and essential to medical care” shall not include the cost of any meals and lodging while away from home receiving medical treatment.

Section 1.213-1(e)(1)(v) of the Income Tax Regulations provides, in part, that the cost of in-patient hospital care (including the cost of meals and lodging therein) is an expenditure for medical care. The extent to which expenses for care in an institution other than a hospital shall constitute medical care is primarily a question of fact that depends upon the condition of the individual and the nature of the services he receives (rather than the nature of the institution).

Section 262 of the Internal Revenue Code prohibits the deduction of personal, living, or family expenses unless expressly allowed under some other section of the Code.

Accordingly, based on the facts presented, the transportation costs (parking fees and number of miles traveled by car multiplied by the standard mileage rate) incurred and paid for by Petitioner and his wife in connection with trips to Coeur d’Alene and Spokane for medical care are deductible as a medical expense under section 213 of the Code and the regulations thereunder. However, expenses incurred and paid for meals and lodging are not transportation expenses within the meaning of section 213 of the Internal Revenue Code and are therefore not deductible. Such expenses are personal or family expenses the deduction of which is prohibited by section 262 of the Code.

On April 14, 2019, Petitioner filed his application for property tax relief. Petitioner reported total income of \$11,709. At the time of filing Petitioner hadn’t completed his individual income tax returns. On May 21, 2019, the Tax Commission received Petitioner’s 2018 individual

income tax return. On August 13, 2019, the Division sent the intent to change property tax reduction benefits.

Petitioner didn't report the cancelation of debt income on his tax return. However, Petitioner did report business income and expenses resulting in a business loss. Petitioner didn't get credit for his business loss in calculating income.

Internal Revenue Code section 162 allows as a deduction for all ordinary and necessary expenses paid or incurred during the taxable years in the carrying on of any trade or business.

The Division amended Petitioner's application to include the unreported cancelation of debt income but didn't amend the application to include the business loss. When a return is filed changing the amount of federal adjusted gross income, the income for the purposes of the property tax reduction benefit must change as well.

The Division's intent to change Petitioner's property tax reduction is amended. After adding the \$3,898 cancelation of debt income, denying the \$937 in medical expenses for meals and lodging, and subtracting the \$2,733 in business losses; Petitioner's net income for property tax reduction benefits is \$13,811

Petitioner qualifies to receive a property tax reduction benefit in an amount not to exceed \$1,220 for 2019.

THEREFORE, the decision of the State Tax Commission to change property tax reduction benefits is hereby MODIFIED and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

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

DATED this _____ day of _____ 2020.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2020,
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:



Receipt No.

