

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 1-266-690-048
██████████,	)	
	)	
Petitioner.	)	DECISION
_____	)	

On July 15, 2019, the staff of the Property Tax Division (staff) of the Idaho State Tax Commission (Commission) sent an Intent to Change Property Tax Reduction Benefit letter (Intent to Change Benefits) to ██████████ (Petitioner) informing him of a change to the amount of his benefit for 2019. Petitioner protested the intended action and the matter was referred to the Commission's Appeals unit for administrative review.

The Commission sent Petitioner a letter on November 14, 2019, outlining his options for redetermination of the Intent to Change Benefits letter. Petitioner responded but did not request an informal hearing. Petitioner did however, provide additional documentation for consideration. The Commission has reviewed the additional documentation along with the contents of the file and upholds the Intent to Change Benefits letter for the reasons that follow.

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 of a portion or all of an applicant's property tax on the dwelling he/she owns and occupies. The state sales tax funds these payments. The amount of property tax reduction depends on income--the greater the income, the smaller the benefit.

Income for the property tax reduction benefit is defined in Idaho Code section 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 any return of principal paid by the recipient of an annuity and excluding rollovers as provided in 26 U.S.C. 402 or 403, and excluding the nontaxable portion of a Roth individual retirement account distribution, as provided in 26 U.S.C. 408A;
- (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) of this section 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. 402(i). Documentation of medical expenses may be required by the county assessor and state tax commission in such form as the county assessor 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 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 W-2 and 1099. (Emphasis added)

In the present matter, Petitioner applied for a property tax reduction benefit on February 25, 2019. Petitioner's application showed a deduction for medical expenses, all of which were itemized on a medical expense statement. One of the medical expenses listed was the purchase of hearing aids with payments made to Miracle Ear/Comenity Pay II.

When asked to substantiate this expense, Petitioner provided a copy of his purchase agreement from Miracle Ear along with copies of credit card statements, bank statements and an explanation of the financing involved with the purchase.

Based on the information provided by Petitioner, the hearing aids were purchased in 2016 and a financing arrangement established with Comenity Pay, a retail credit card company and Miracle Ear. Petitioner made payments to Comenity Pay for several years, then in 2018 made a final payment to Miracle Ear. Petitioner included in his medical expenses the payments made to Comenity Pay, including finance charges, along with the final payment to Miracle Ear. The payments made to Comenity Pay are not an allowable medical expense according to Internal Revenue Code section 213(d), only the payment made directly to the provider, Miracle Ear, is an allowable medical expense.

THEREFORE, the Intent to Change Property Tax Reduction Benefit letter dated September 12, 2019, is hereby APPROVED and MADE FINAL. Petitioner is entitled to receive a 2019 benefit of an amount not to exceed \$350.

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.

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