

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 0-784-958-464
)	
Petitioner.)	DECISION
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On July 25, 2022, the Property Tax Division (Property Tax) of the Idaho State Tax Commission (Tax Commission) sent an Intent to Deny Property Tax Reduction Benefit letter (Intent letter) to _____ (Petitioner). Petitioner objected to the Intent letter and Property Tax referred the matter to the Tax Commission’s Appeals unit for administrative review. Appeals sent Petitioner a letter informing her of the options available for redetermining a protested Intent letter. Petitioner did not respond.

The Tax Commission, having reviewed all information in this matter, issues this final decision. We uphold the Intent letter for the following reasons.

All property within the jurisdiction of this state is subject to property tax. A property tax reduction benefit is available to certain qualifying individuals. The benefit is in the form of a payment of all or a portion of the applicant’s property tax on the dwelling he/she owns and occupies. The state sales tax funds these payments. The amount of the property tax reduction depends on income--the greater the income, the smaller the benefit.

On April 11, 2022, Petitioner filed an application for a property tax reduction benefit with Ada County for tax year 2022. The Ada County Assessor’s office sent Petitioner’s application to Property Tax for review and processing. Property Tax reviewed Petitioner’s application and sent her a letter advising her of the intent to deny her a property tax reduction benefit for 2022 because not all medical expenses claimed on the application were allowable medical expenses. Petitioner

responded with a letter appealing the determination. After receiving Petitioner's protest, Property Tax forwarded the matter to the Tax Commission's Appeals unit for administrative review.

Appeals sent Petitioner a letter informing her of the options available for redetermining a protested Intent letter, but she did not respond. Therefore, the Tax Commission will decide this matter based on the information presently available.

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)

As stated in the statute above, a deduction for medical care, as defined in Internal Revenue Code (IRC) section 213(d), is allowed when determining a claimant's household income. IRC section 213(d) defines medical expenses as amounts paid for the diagnosis, mitigation, treatment, prevention of disease or for the purpose of affecting any structure or function of the body.

Taxpayers cannot deduct personal, family, or living expenses as medical care if the expenses do not fall within the section 213 definition. Section 262; section 1.213-1(e)(1)(vi) of the Income Tax Regulations. An expenditure that is merely beneficial to the general health of an individual is personal and is not for medical care. Section 1.213-1(e)(1)(ii).

In the present matter, Petitioner deducted as a medical expense \$9,655 for vitamins, \$18,076 for home changes and \$974 for organic clothing. Petitioner deducted similar expenses on her 2021 application and states in her protest letter that she is currently disputing the denial of these "specialty items" but has not received a final determination from the Tax Commission. Petitioner argues if the Tax Commission allows these items in 2021, they should allow them in 2022.

As of the date of Petitioner's protest for tax year 2022, the Tax Commission had not issued a final decision on her appeal for 2021. However, on August 25, 2022, a final decision, removing

“specialty items” from medical expenses was issued. See docket number 0-991-164-416.

Petitioner’s 2022 application showed adjusted gross income of \$13,464 and social security income of \$25,950 for a total of \$39,414. When allowable medical expenses of \$5,043 are deducted, Petitioner’s 2022 net household income for the purpose of the property tax reduction benefit is \$34,371, which exceeds the maximum income amount of \$32,230. Petitioner is not eligible to receive a benefit.

THEREFORE, the Intent to Deny Property Tax Reduction Benefit letter dated July 25, 2022, is hereby APPROVED and MADE FINAL.

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

DATED this _____ day of _____ 2023.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2023,
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.
