BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)
) DOCKET NO. 0-984-941-568
)
)
Petitioner.) DECISION
______________________________________)

On April 12, 2022, the Property Tax Division (Property Tax) of the Idaho State Tax Commission (Tax Commission) issued a Notice of Deficiency Determination to (Petitioner). Petitioner objected to the Notice which requested repayment of a 2020 and 2021 Idaho Property Tax Reduction Benefit. The Tax Commission reviewed the case, and this is our final decision. We uphold the Notice for the following reasons.

BACKGROUND

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.

Petitioner filed applications for property tax reduction benefits with Ada County for tax years 2020 and 2021. Ada County sent these applications to the Tax Commission's Property Tax unit for processing. Property Tax approved the applications and Petitioner received a benefit for payment of a portion of the property taxes on her homestead.

Idaho Code section 63-708 provides for an audit of all claims and recovery of benefits paid in error. During an audit of Petitioner's applications, Property Tax determined an adjustment to the amount of medical expenses claimed in the applications was necessary. Property Tax removed payments Petitioner made to HealthiPlan, which increased Petitioner's net household income and decreased the amount of allowable benefit. Therefore, a Notice was issued requesting Petitioner re-pay a portion of the benefits received.

Law and Analysis

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's 2020 and 2021 applications for property tax reduction benefit showed deductions for medical expenses, all of which were itemized on a medical expense statement. One of the medical expenses listed on both year's statements was the purchase of hearing aids with payments made to HealthiPlan.

When asked to substantiate this expense, Petitioner provided a copy of her purchase agreement from Miracle Ear along with a copy of the HealthiPlan credit account sales receipt, and a letter explaining the benefits of being a HealthiPlan credit account holder.

Based on the information provided by Petitioner, she purchased the hearing aids in 2018 and she established a financing arrangement with HealthiPlan, a retail credit card company and Miracle Ear. Petitioner made payments to HealthiPlan in 2019 and 2020, $2,400 and $2,600 respectively, and included these payments in her medical expenses. The payments made to HealthiPlan are credit card payments, not an allowable medical expense per Internal Revenue Code section 213(d). The purchase of hearing aids is an allowable medical expense, but Petitioner must claim the deduction in the year of the purchase.

Conclusion

Petitioner's 2020 and 2021 applications for property tax reduction benefit included as a medical expense, payments made to HealthiPlan, a credit card company. While Petitioner used the credit card to purchase hearing aids, an allowable medical expense, the medical expense deduction is only allowable at the time of purchase, in this case, 2018. The payments made to the credit card company in subsequent years is not an allowable medical expense.

THEREFORE, the Notice dated April 12, 2022, and directed to is hereby APPROVED and MADE FINAL.

IT IS ORDERED that Petitioner repay the following 2020 and 2021 property tax reduction benefits plus interest.

YEAR	BENEFIT	INTEREST	TOTAL
2020	$170	$0.76	$170.76
2021	140	4.05	144.05
		TOTAL DUE	$314.81

DEMAND for immediate payment of the above amount is hereby made and given.

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

DATED this ________ day of __________________________ 2022.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this ________ day of ______________________________ 2022, 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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