

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 1-385-997-312
,)	
)	
Petitioners.)	DECISION
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(Petitioner) protested the Intent to Change Property Tax Reduction Benefit letter dated September 28, 2023. Petitioner disagreed with the disallowance of certain medical expenses claimed in her application. The Idaho State Tax Commission (Tax Commission) reviewed the matter and issued its decision upholding the Intent to Change Property Tax Reduction Benefit from \$1,140 to \$1,020.

BACKGROUND

Petitioner submitted an application for a property tax reduction benefit to the Ada County Assessor’s office for tax year 2023. The Assessor’s office sent the application to the Tax Commission’s Property Tax Division (Property Tax) for review and processing. Property Tax reviewed Petitioner’s application and sent her a letter informing her of the intent to reduce her property tax reduction benefit for 2023 because not all medical expenses claimed on the application were allowable medical expenses. Petitioner protested the intent letter and Property Tax referred the matter to the Tax Commission’s Appeals Unit (Appeals) for resolution. Appeals sent Petitioner a letter giving her the options for redetermining the Intent to Change letter. Petitioner did not respond.

LAW AND ANALYSIS

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 an applicant's property tax on the dwelling he/she owns and occupies. The state's 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)

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.

In the present matter, Petitioner's application for property tax reduction benefit showed a deduction for medical expenses of \$6,336. Included in this amount was \$1,368.50 paid to Ally HCS Lending and \$1,065.00 paid to doTerra. Petitioner addressed these two expenses in her protest letter, supplying an explanation and additional documentation for consideration.

Petitioner explained the payments made to Ally Lending were for her hearing aids that she purchased in 2021. She provided information showing the hearing aids were bought with a financing arrangement established through Ally Lending, a medical loan provider, and Miracle Ear. The payments made to Ally Bank are not an allowable medical expense according to IRC section 213(d), only the payment made directly to the provider, Miracle Ear, is an allowable medical expense.

As for the payments made to doTerra, Petitioner stated these were special oils to support her health issues. Petitioner's physician and nurse practitioner encouraged the following oils (in

softgels or capsule form): On Guard for healthy immune system, Serenity for relaxation and sleep, Turmeric for inflammation, and Peppermint for digestive help. Petitioner's health care providers recommended doTerra oils as a natural method to support overall health. However, the oils are classified as nutritional supplements, over the counter medication, and naturopathic treatments, all of which are not allowable under IRC 213(d). 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).

CONCLUSION

The Tax Commission reviewed Petitioner's application and found that some of the medical expenses claimed are not allowable per IRC section 213(d). Petitioner's 2022 income for the purpose of the property tax reduction benefits is \$27,167. When qualified out-of-pocket medical expenses of \$3,902 are subtracted the net household income is \$23,265. Petitioner qualifies to receive a 2023 benefit of \$1,020.

THEREFORE, the Intent to Change Property Tax Reduction Benefit letter dated September 28, 2023, directed to _____ is hereby APPROVED and MADE FINAL.

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

DATED this _____ day of _____ 2024.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____ 2024,
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.
