

**EXPANDING THE CIRCUIT BREAKER
BENEFIT BY COLLECTING PAYMENTS UPON HOMES
VALUED AT MORE THAN \$300,000
(KMFO74) (From Representative Gannon)**

This proposal modifies the Circuit Breaker program so that any home valued at more than \$300,000 is automatically eligible for the tax deferral program and the payment is to be recovered when the home is sold or the beneficiary dies. In exchange for the reduction in program cost, the benefit is doubled from its present \$1320 maximum to \$2640. The benefit has not increased since 2006.

What is the Cost?: See the analysis from the Idaho Tax Commission. Note placing liens on homes valued at more than \$200,000 and doubling the benefit actually reduces the present program cost. However, this would include many small liens which might be more of a burden to collect than worthwhile. Homes valued at more than \$300,000 would likely have received a bigger benefit justifying recovery. The time spent preparing and filing the liens may be as little as 3 minutes.

But Can We Collect the Liens? The liens are filed on properties that might not have much equity but they will not be collected immediately. To get a feel for the per cent collected, the emails from the administrator of the Medicaid Estate Recovery program are attached. She says 36% to 42% of the liens are recovered from estates. But that program is often implemented in end of life situations, unlike the circuit breaker. The administrator therefore considered recovery under the TEFRA program which is longer term and includes only real estate. That program has a 76% average recovery.

Options: So the committee could approach this by say taking a \$250,000 home threshold which might make the whole proposal revenue neutral. A figure of 75% recovery would seem to be reasonable.

Initial Cost Issue: Initially the cost would not be offset as it would take time before the liens were due and paid. The liens would earn an interest rate as determined by the Tax Deferral Program.

Circuit Breaker

(Property Tax Reduction Program)

- Up to \$1,320 credit for eligible homeowners:
 - Over age 65, disabled, widows and widowers
 - Income up to \$31,280 for 2020 program
- Must annually apply with county assessor by April 15
- 2018 claims
 - 27,078 approved
 - \$665 tax relief per claim average
 - \$18 Million paid by state to tax districts
- State funded, so **no** loss of revenue to any taxing district
- Occupancy tax eligible - 2019
- Not an exemption, so no property tax shifted to other property taxpayers

Not subject to repayment



September 29, 2020

The Honorable John Gannon
Representative, Idaho House of Representatives

Re: Analysis of potential changes to property tax reduction (circuit breaker) benefits

Dear Representative Gannon:

This is in regard to your questions about the effect of the following changes to the property tax reduction (circuit breaker) program:

1. Double the benefit (ie: from a maximum of \$1,320 currently to \$2,640), but retain the bracket structure that phases the benefit out as household income grows.
2. Exclude homesteads with current market value (before subtracting the homeowner's exemption) of greater than \$300,000, but allow the remaining eligible homesteads the double benefit.
3. Exclude homesteads with current market value (before subtracting the homeowner's exemption) of greater than \$200,000, but allow the remaining eligible homesteads the double benefit.
4. Permit claimants excluded because of the value limits to apply for tax deferral either:
 - a. Up to the benefit amount for which the claimant would have been eligible, or,
 - b. All of their taxes on their homestead.

For the purpose of this analysis, there was no change to the additional disabled veterans' program under which 100% service-connected disabled veterans can get an additional benefit up to \$1,320. However, any such veterans included in the original program would be removed from that program (or partially moved to the new deferral program) if their homesteads exceeded the value criteria.

The following table summarizes the results of my analysis of issues 1-3 (above). All figures shown are based on 2019 program benefits, claimants, taxes, and values.

| Program specifications | Total Benefits (\$ millions) | Change in Benefits (\$ millions) | Number of Beneficiaries | Change in Number of Beneficiaries |
|--|------------------------------|----------------------------------|-------------------------|-----------------------------------|
| Current program (no homestead value limit) | 18.3 | NA | 26,774 | NA |
| Double benefit amount (no homestead value limit) | 25.1 | + 6.8 | 26,774 | No change |
| Double benefit amount but exclude homesteads with more than \$300,000 in market value before subtracting the homeowner's exemption | 21.6 | +3.3 | 24,840 | - 1,934 |
| Double benefit amount but exclude homesteads with more than \$200,000 in market value before subtracting the homeowner's exemption | 14.1 | - 4.3 | 19,107 | - 7,667 |

As I indicated to you Friday, the current tax deferral program has almost no participants. We therefore have no precedent on which to base an analysis of how much more the deferral program would cost given the exclusion of some current circuit breaker beneficiaries. In addition, the state's ability to collect on the liens would be impaired if the requirements, such as sufficient equity in the property, were to be lessened.

I hope this answers your questions. Please feel free to contact me if you need further clarification.

Sincerely,



Alan S. Dornfest
Property Tax Policy Bureau Chief

cc. George Brown, Property Tax Division Administrator
Tom Katsilometes, Tax Commissioner
Kathlynn Ireland, Tax Policy Specialist
Pam Waters, Property Tax Reduction Program Manager
Tom Shaner, Tax Policy Manager

| CY | # TEFRA Liens Filed | Liens Recovered | Liens Not Able To Be Recovered | Liens/Cases Still Open | % of Liens Recovered (not including liens still open) |
|---------------|---------------------|-----------------|--------------------------------|------------------------|---|
| 2012 | 8 | 6 | 2 | | 75% |
| 2013 | 6 | 3 | 3 | | 50% |
| 2014 | 7 | 4 | 2 | 1 | 67% |
| 2015 | 8 | 6 | 1 | 1 | 86% |
| 2016 | 9 | 4 | 5 | | 44% |
| 2017 | 6 | 5 | 1 | | 83% |
| 2018 | 2 | 2 | | | 100% |
| 2019 | 5 | 3 | | 2 | 100% |
| Totals | 51 | 33 | 14 | 4 | |

76% Average recovered
70% % of liens recovered from CY 2012-2019 (not including liens still open)



John Gannon <johngannon200@gmail.com>

FW: Medicaid Estate Recovery Questions [External Email]

1 message

Representative John L. Gannon <JGannon@house.idaho.gov>
To: "johngannon200@gmail.com" <johngannon200@gmail.com>

Tue, Oct 13, 2020 at 5:32 PM

From: Leavitt, Kaylee <Kaylee.Leavitt@dhw.idaho.gov>
Sent: Tuesday, October 13, 2020 1:58 PM
To: Representative John L. Gannon <JGannon@house.idaho.gov>
Cc: Kriete, Elizabeth <Elizabeth.Kriete@dhw.idaho.gov>
Subject: RE: Medicaid Estate Recovery Questions [External Email]

Rep. Gannon,

The attached table reflects data for our TEFRA liens filed on living Medicaid recipients with Real Property, specifically for those who were determined to be permanently institutionalized. Though the numbers are small, I hope it provides some support in what you're trying to accomplish. Please let me know if you have any questions.

Thanks

KayLee Leavitt

Program Supervisor | Financial Recovery Unit | Idaho Division of Medicaid

 (208) 287-1175 |  KayLee.Leavitt@dhw.idaho.gov |  <http://www.healthandwelfare.idaho.gov>

From: Representative John L. Gannon <JGannon@house.idaho.gov>
Sent: Friday, October 9, 2020 12:24 PM
To: Leavitt, Kaylee <Kaylee.Leavitt@dhw.idaho.gov>
Subject: RE: Medicaid Estate Recovery Questions [External Email]

Hi Kaylee. Could you give me a call. I need to clarify something. Thanks John Gannon

From: Leavitt, Kaylee <Kaylee.Leavitt@dhw.idaho.gov>
Sent: Friday, October 9, 2020 12:20 PM
To: Representative John L. Gannon <JGannon@house.idaho.gov>
Cc: Kriete, Elizabeth <Elizabeth.Kriete@dhw.idaho.gov>
Subject: RE: Medicaid Estate Recovery Questions [External Email]

Representative Gannon,

Liens may be filed to protect the Department of Health and Welfare's ability to recover Medicaid costs and prevent properties from being improperly sold or transferred. Liens are filed for all new cases and are filed in the Secretary of State's (SoS) office.

In calendar year 2019, Idaho Estate Recovery created 4,305 new cases of newly deceased Medicaid participants. Of those cases, only 1,834 had assets that were able to be recovered, which equates to 42% of new cases/liens and .4% of the current 449,000 Medicaid enrollees. This includes the Medicaid Expansion Population.

In calendar year 2020 (through September 30), Idaho Estate Recovery has created 2,670 new cases of newly deceased Medicaid participants. Of those cases, only 949 had assets that were able to be recovered, which equates to 36% of new cases/liens and .2% of the current 449,000 Medicaid enrollees.

The SoS office does not charge Medicaid Estate Recovery for recording liens. Additionally, our case management system interfaces with the SoS site to automatically send lien information. Therefore, the staffing time spent on filing liens averages three (3) minutes per lien, which is an average of \$.96 per lien in staffing rates.

Please let me know if you have any more questions. Thank you

KayLee Leavitt

Program Supervisor | Financial Recovery Unit | Idaho Division of Medicaid

 (208) 287-1175 |  KayLee.Leavitt@dhw.idaho.gov |  <http://www.healthandwelfare.idaho.gov>

From: Representative John L. Gannon <JGannon@house.idaho.gov>
Sent: Friday, October 9, 2020 12:13 PM
To: Leavitt, Kaylee <Kaylee.Leavitt@dhw.idaho.gov>
Subject: RE: Medicaid Estate Recovery Questions [External Email]

Thanks so much!

From: Leavitt, Kaylee <Kaylee.Leavitt@dhw.idaho.gov>
Sent: Wednesday, October 7, 2020 4:37 PM
To: Representative John L. Gannon <JGannon@house.idaho.gov>
Subject: Medicaid Estate Recovery Questions

Representative Gannon,

I apologize for missing your call. Beth forwarded me your voicemail and I will work to gather the information you requested and get it to you by this Friday, October 9th. Please call me with any additional questions.