



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0675

Title: Revise taxpayer integrity fee under the HELP Act

Primary Sponsor: Buttrely, Edward

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Expenditures:					
General Fund	\$171,684	\$515,052	\$515,052	\$515,052	\$515,052
State Special Revenue	\$0	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0	\$0
Revenue:					
General Fund	\$0	\$0	\$0	\$0	\$0
State Special Revenue	(\$171,684)	(\$515,052)	(\$515,052)	(\$515,052)	(\$515,052)
Federal Special Revenue	\$0	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$171,684)</u>	<u>(\$515,052)</u>	<u>(\$515,052)</u>	<u>(\$515,052)</u>	<u>(\$515,052)</u>

Description of fiscal impact: HB 675 alters the Taxpayer Integrity Fee so that individuals with incomes at or below the federal poverty level will have their fee amount reduced. The proposed bill will reduce Montana HELP Act special revenue account revenue and increase general fund costs associated with the program.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR)

- Under current law, individuals who are a participant in the Montana Health and Economic Livelihood Partnership (HELP) Act are subject to an integrity fee if they meet the necessary qualifications.
- HB 675 changes the fee due by the individuals who qualify for the fee based on their income relative to the federal poverty level. If a taxpayer has an income that is below 75% of the federal poverty level, the fee is eliminated. For taxpayers with incomes between 75% and 100% of the federal poverty level, the fee is reduced by 75%. For taxpayers with incomes between 100% and 125% of the federal poverty level, the fee is reduced 25%. The fee is unchanged for taxpayers with incomes greater than 125% of the federal poverty level.
- The changes apply starting tax year (TY) 2021.

4. As the integrity fee is assessed on an individual level, it is assumed that the federal poverty income level is based on a household size of one. For TY 2020, the federal poverty threshold for a single individual was \$12,760.
5. For the second half of TY 2020, approximately 389 taxpayers were assessed \$880,373 in taxpayer integrity fees. It is assumed that a similar number of fees will be assessed during the first and second half of future tax years. In total, \$1,760,746 ($\$880,373 \times 2$) in fees are assumed to be assessed in future tax years, starting in TY 2022, under current law.
6. The 389 taxpayers already assessed in TY 2020 were matched to 2019 income tax records to determine their federal poverty status.
7. It is assumed that individuals assessed a fee but had no 2019 income tax records, had incomes low enough that they were not required to file a return and would be exempt from paying the fee under HB 675.
8. In total, 313 individuals paying the fee were matched to 2019 income tax records.
9. Based on the Federal Adjusted Gross Income (FAGI) reported on the tax returns, 195 of the taxpayers would be exempt from paying the fee.
10. Based on their FAGI, the remaining 194 taxpayers would have had their integrity fee balance decrease from \$420,283 under current law to \$365,321 after the reductions created in HB 675.
11. With a reduction in fees from \$880,373 under current law to \$365,321 under the proposed bill, it is assumed that the number of fees assessed in future tax years will change from \$1,760,746 to \$730,642, a decrease of \$1,030,104.
12. Based on current collection rates, the Department of Revenue estimates that only half the assessed fees will actually be collected.
13. With only half the assessed fees estimated to be collected, the impact of the changes to revenue from the fee decreases from \$1,030,104 each tax year to \$515,052.
14. It is assumed that one-third of the fees collected in a tax year will be collected during the same fiscal year, while the remaining two-thirds will be collected the following fiscal year.
15. With a reduction of \$515,502 in fee revenue each tax year, starting in TY 2021, and one-third of the revenue collected in TY 2021 occurring during FY 2021, revenue deposited into the Montana HELP Act special revenue account will decrease by \$171,684 in FY 2021.
16. In each following fiscal year, the special revenue account will have its revenues decrease by \$515,052.
17. The changes made by the proposed bill can be made as part of DOR's annual change process. The DOR does not expect to incur any additional costs because of this bill.


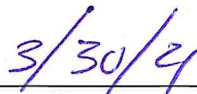

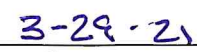
Department of Public Health and Human Services (DPHHS)

18. Reductions to revenue from the Taxpayer Integrity Fee will result in less revenue to the HELP Act special revenue account. As money in this account is used to pay for the state share of costs, including benefits and administrative costs, general fund costs are expected to increase.

Fiscal Note Request – As Introduced

(continued)

	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>					
<u>Expenditures:</u>					
Benefits	\$171,684	\$515,052	\$515,052	\$515,052	\$515,052
TOTAL Expenditures	<u>\$171,684</u>	<u>\$515,052</u>	<u>\$515,052</u>	<u>\$515,052</u>	<u>\$515,052</u>
<u>Funding of Expenditures:</u>					
General Fund (01)	\$171,684	\$515,052	\$515,052	\$515,052	\$515,052
TOTAL Funding of Exp.	<u>\$171,684</u>	<u>\$515,052</u>	<u>\$515,052</u>	<u>\$515,052</u>	<u>\$515,052</u>
<u>Revenues:</u>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$171,684)	(\$515,052)	(\$515,052)	(\$515,052)	(\$515,052)
TOTAL Revenues	<u>(\$171,684)</u>	<u>(\$515,052)</u>	<u>(\$515,052)</u>	<u>(\$515,052)</u>	<u>(\$515,052)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
General Fund (01)	(\$171,684)	(\$515,052)	(\$515,052)	(\$515,052)	(\$515,052)
State Special Revenue (02)	(\$171,684)	(\$515,052)	(\$515,052)	(\$515,052)	(\$515,052)

Sponsor's Initials Date Budget Director's Initials Date