

MEMORANDUM

TO: Revenue Interim Committee

FROM: Sheila Stevens, Taxpayer Advocate

DATE: September 23, 2021

SUBJECT: HELP Integrity Fee Information

House Bill 658 was passed by the 2019 Montana Legislature which gave responsibility to the Department of Revenue for assessing and collecting the Montana Health and Economic Livelihood Partnership (HELP) Integrity Fee. The Integrity Fee is a monthly fee that certain participants of the program must pay in addition to their premiums based on an asset test of real property and/or improvements owned, equity in vehicles, or the taxable value of agricultural land owned by the participant. The Department of Revenue (DOR) receives an annual list from the Department of Health and Human Services (DPHHS) identifying participants, an annual list of vehicle ownership from the Department of Justice, plus we use our own property assessment records to evaluate which participants are subject to the asset test. The identified participants receive a letter requesting they use our online system to self-report their assets. For those participants who do not self-report, DOR follows an estimation process to assess the Integrity Fee. Approximately 20% of the 90,000 Participants are assessed the HELP Integrity Fee. Once assessed, the participant will receive a Notice of Assessment advising them of the amount due.

We have received over 60 Appeals from Participants. Examples of issues raised include concern over their automatic enrollment in the Medicaid Program with no notice of a future asset test, lack of information being provided on the Marketplace website, that property owners are being unfairly targeted when they may be "land rich but cash poor", or the additional fee is a hardship. If a hardship is claimed, the department will evaluate their ability to pay since the DOR is able to consider whether the debt is collectible or not. If a Participant is appealing based on issues with the enrollment process, we must refer them to the Department of Public Health and Human Services since this is not within our purview to address. Our scope of review on the appeal is to determine if the asset test calculations are correct and accurate.

We work collaboratively with the Department of Health and Human Services to add or remove Participants as needed. When a Participant gets other health care insurance, is eligible for Medicare, or chooses to cancel the HELP insurance, DOR will adjust the

annual assessment to accommodate the Participant's time on the program. DPHHS also notifies DOR monthly to add new Participants or to remove Participants who are no longer in the program.

Administering the HELP Integrity Fee requires a hundreds of hours of staff time to filter the original DPHHS Participant list, to cross-match property and vehicle records, to estimate the Integrity Fee for the Participants who do not self-report, and to go through the Appeal process with Participants when no recourse with the Department of Revenue is available to the majority of Participant appeals.

Participants are frustrated and angry. Some are aware that the debt will be collected through income tax refunds which may mean the fee will never be paid. Many have not self-reported but just paid the fee based on the Notice of Assessment they received. Some have never responded or contact the Department of Revenue at all.

The program could be improved by capping the HELP Integrity Fee assessment to the average annual cost of the services the Participant receives like the fee assessment for the HELP Entity Fee. A Participant who does not self-report their assets is being non-compliant to a Department of Revenue requirement. Rather than estimating on behalf of the Participant, the Department of Revenue should have the ability to notify the Participant that non-compliance could cause the cancellation of their insurance. This ability would have eliminated hundreds of hours of staff time for estimating the fee on 53% of Participants in 2021.

HELP INTEGRITY FEE										
12/31/2020	# of Particip	Prop Fee	Prop Amt	Veh Fee	Veh Amt	Ag Fee	Ag Amt	Baseline Fee	Total Due	Avg Assess
Amended	5	9,616.06	1,186,432.00	-	-	17.36	1,717.00	1,400.00	11,033.42	2,206.68
Estimated	88	165,283.31	23,817,602.67	1,160.21	173,342.00	33,005.04	188,790.00	52,700.00	252,148.54	2,865.32
No Return	5	-	137,709.70	-	-	-	-	-	-	-
Original	82	173,758.39	23,879,647.97	2,178.50	304,862.11	8,895.04	57,503.00	39,900.00	224,731.90	2,740.63
TOTAL	180	348,657.76	49,021,392.34	3,338.71	478,204.11	41,917.44	248,010.00	94,000.00	487,913.86	
12/31/2021	# of Particip	Prop Fee	Prop Amt	Veh Fee	Veh Amt	Ag Fee	Ag Amt	Baseline Fee	Total Due	
Amended	101	54,744.24	14,074,894.61	4,971.76	759,047.61	19,247.88	76,796.16	25,200.00	104,163.90	1,031.33
Estimated	1,389	197,301.00	157,379,555.13	222,267.02	15,259,713.32	214,015.60	665,327.22	405,000.00	1,038,583.63	747.72
No Return	988	710.20	83,275,619.06	-	1,453,593.48	346.14	39,605.63	200.00	1,256.34	1.27
Original	151	232,423.54	30,109,136.98	15,284.17	1,701,159.25	36,673.26	138,369.48	106,200.00	390,580.96	2,586.63
TOTAL	2,629	485,178.98	284,839,205.78	242,522.95	19,173,513.66	270,282.88	920,098.49	536,600.00	1,534,584.83	
FEES ASSESSED			PAYMENTS RECEIVED		BALANCE DUE (as of 9/3/2021)					
12/30/2020	487,913.86									
12/31/2021	1,534,584.83									
TOTAL FEES	2,022,498.69		336,482.12		1,686,016.57					
			17%		83%					
458 Participants have a balance due as of 9/3/2021. The assessments range from \$187.80 to \$80,781.89										
HELP ENTITY FEE										
FEES ASSESSED			PAYMENTS RECEIVED		BALANCE DUE (as of 9/3/2021)					
12/30/2020	622,405.76		615,027.29							
12/30/2021	1,095,336.14		1,095,336.14							
TOTAL FEES	1,717,741.90		1,710,363.43		7,378.47					
1 Participant has a balance due as of 9/3/2021 for \$7,378.47. Assessments are based on the number of participants associated with the 99 Entities.										

Montana Code Annotated 2019

TITLE 15. TAXATION

CHAPTER 30. INDIVIDUAL INCOME TAX

Part 26. Collection and Administration

Taxpayer Integrity Fees

15-30-2660. (Temporary) Taxpayer integrity fees. (1) (a) The department shall assess a fee as provided in subsection (2) for a taxpayer who is a participant in the Montana Health and Economic Livelihood Partnership Act provided for in Title 53, chapter 6, part 13, and Title 39, chapter 12, and owns:

(i) equity in real property or improvements to real property, or both, that exceeds the limit established for homesteads under **70-32-104** by \$5,000 or more, if the real property is not agricultural land;

(ii) more than one light vehicle when the combined depreciated value of the manufacturer's suggested retail price totals \$20,000 or more and the participant's equity in the vehicles exceeds that combined depreciated value by \$5,000 or more; or

(iii) agricultural land with a taxable value in excess of \$1,500 a year.

(b) For the purposes of subsection (1)(a):

(i) "real property or improvements to real property" does not include property held in trust by the United States for the benefit of a Montana federally recognized Indian tribe; and

(ii) the depreciated value of the manufacturer's suggested retail price must be computed as provided in **61-3-503(2)**.

(2) The fee is \$100 a month plus an amount equal to an additional \$4 a month for:

(a) each \$1,000 in equity value above the limits established in subsections (1)(a)(i) and (1)(a)(ii); and

(b) each \$100 of taxable value in agricultural land above \$1,500.

(3) (a) The department shall assess a fee for an entity organized under 26 U.S.C. 501(d) and subject to taxes as provided in Title 15, chapter 31, if the entity has members who are receiving medicaid coverage under Title 53, chapter 6, part 13.

(b) The fee is equal to the state's share of the average annual cost per program participant, as defined in **53-6-1303**, multiplied by the number of individuals in the 26 U.S.C. 501(d) organization who are receiving medicaid coverage because they are eligible under **53-6-1304**, less the total annual amount the entity's members have paid in premiums.

(4) (a) For the purposes of calculating the fee required under subsection (3), the department of public health and human services shall provide the department of revenue by February 1 of each year with:

(i) the percentage of medicaid claims costs of program participants for which the state was responsible in the previous calendar year; and

(ii) the average annual cost of medical claims for program participants in the previous calendar year.

(b) The department of public health and human services shall post the average annual cost for a program participant on the department's website by February 15 of each year.

(5) An organization shall pay the fee provided for in subsection (3) as follows:

(a) on or before the last day of each month, the organization shall pay an estimated fee equal to one-twelfth of the most recently published annual cost per program participant; and

(b) on or before April 15 of each year, the organization shall report and pay any additional amount owed for the prior year or request a refund of any overpayment made in the prior year.

(6) (a) The department of public health and human services shall provide the department of revenue with the names of program participants and other necessary information to assist the department of revenue in administering and enforcing this section.

(b) The department of justice shall provide the department of revenue with vehicle registration information for the administration of this section.

(7) Fees collected pursuant to this section must be deposited in the Montana HELP Act special revenue account provided for in **53-6-1315**.

(8) A fee remains until paid and may be collected through assessments against future income tax returns or through a civil action initiated by the state.

(9) For the purposes of this section, the following definitions apply:

(a) (i) "Agricultural land" means agricultural land as described in **15-7-202** that is taxed as class three property at the rate provided in **15-6-133**.

(ii) The term does not include:

(A) parcels of land that are considered nonqualified agricultural land as provided in **15-6-133(1)(c)**;

(B) improvements to real property; or

(C) land held in trust by the United States for the benefit of a Montana federally recognized Indian tribe.

(b) "Light vehicle" has the meaning provided in **61-1-101**.

(c) "Manufacturer's suggested retail price" has the meaning provided in **61-3-503(3)**. (*Terminates June 30, 2025--secs. 38, 48, Ch. 415, L. 2019.*)

History: En. Sec. 18, Ch. 368, L. 2015; amd. Sec. 9, Ch. 415, L. 2019.