

Testimony
House Bill 1320 – Department of Human Services
House Human Services Committee
Representative Weisz, Chairman
January 24, 2011

Chairman Weisz, members of the Human Services Committee, I am Curtis Volesky, Director of Medicaid Eligibility for the Department of Human Services. I am here to provide information on House Bill 1320.

In determining eligibility for Medicaid, current policy counts the gross amount of income received from rental property and does not provide a deduction for property taxes. Some Medicaid recipients have modified their rental agreements so the renter pays the property taxes, but others, primarily those unfamiliar with how income is treated by Medicaid, either pay the taxes out of their remaining assets or find a family member willing to cover the annual tax expense.

House Bill 1320 proposes to allow a property tax deduction for rental property owned by applicants and recipients who are receiving nursing care services. The bill would:

- Allow the tax deduction for individuals screened as needing nursing care, whether or not they are receiving those services.
- Allow the tax deduction regardless of whether the property is generating income.
- Require that income be treated differently as an individual transitions into or out of nursing care, or for a spouse who is receiving nursing care as opposed to the spouse who is not.
- Allow the Medicaid recipient to receive a deduction for the full amount of the taxes paid versus the portion of the taxes the individual is responsible for paying.

- Allow the deduction on property located in North Dakota, but would prohibit the deduction for property located out-of-state that is owned by a North Dakota resident applying for Medicaid, including property located along a border and located in two states.

To clarify the intent regarding the above items, I am also presenting two alternatives for amending the bill.

Version 1: This amendment (attached as "Version 1"):

- a. Preserves the deduction only for individuals in receipt of nursing care services;
- b. Allows the deduction only if the property is generating income; and
- c. Ensures the deduction is granted to the extent of the taxes paid by the individual.

It continues to limit the deduction to property located in the state.

The bill as amended by Version 1 would read:

"Real estate taxes on rental property as deduction from rental income.

For purposes of determining the treatment of income and the application of income to the cost of care for medical assistance eligibility for an individual screened as requiring nursing care services, and who is receiving nursing care services, the department of human services shall allow as a deduction from countable gross rental income the real estate taxes for rental property that is located in the state if the individual is responsible for paying the real estate taxes for that property."

Version 2: This amendment (attached as "Version 2"):

- a. Makes the same changes as Version 1; but also
- b. Treats the income the same for a couple or when someone transitions in or out of nursing care (it allows the deduction regardless of the receipt of nursing care services); and
- c. Allows the deduction regardless of where the property is located.

The "Pros" of this amendment are that the provision would be easier for individuals to understand, and administration of the provision would be simplified and less error prone. A "Con" is that it will increase the fiscal impact by \$39,752 total funds, with \$17,567 of that amount as the state share for the biennium.

The bill as amended by Version 2 would read:

"Real estate taxes on rental property as deduction from rental income.

For purposes of determining the treatment of income and the application of income to the cost of care for medical assistance eligibility ~~for an individual screened as requiring nursing care services~~, the department of human services shall allow as a deduction from countable gross rental income the real estate taxes for rental property ~~that is located in the state~~ if the individual or the individual's spouse is responsible for paying the real estate taxes for that property."

This concludes my testimony. I'll be happy to respond to any questions you may have.