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TESTIMONY

BILL: AB 515 – SENIOR TAX

DIVISION FOR AGING SERVICES

CONTACT: CAROL SALA, ADMINISTRATOR

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Chairman Arberry and members of the Assembly Ways and Means Committee, I am Carol Sala, Administrator of the Division for Aging Services. With me are Carla Watson, Administrative Services Officer and Earleen Heinz, Program Officer. We are here to support AB 515. This bill will simplify the existing income range schedule used for the Senior Citizens' Property Tax Assistance Program; and provide a 100 percent rebate for taxes paid up to the $500 cap to those eligible claimants whose income is at or below the federal poverty level for family units of one or two. Other provisions of this bill would expand existing or impose new eligibility limitations.

As you may recall, the Senior Citizens' Property Tax Assistance Program was transferred from the Department of Taxation to the Division for Aging Services effective October 1, 2001. After the initial transitioning phase, we were able to identify some components of the program that could be simplified and others that could be enhanced.

There are 10 primary provisions recommended in this bill. A summary of these provisions is provided on page 1 of your handout. We will be providing testimony on each provision in the order listed on your summary.

1. The first provision is simplifying the existing income range schedule to provide for a more equitable distribution to eligible claimants. Simplification of the schedule would prevent minor income differences from causing significant differences in rebates. The structure of the schedule would change from the existing five set points to a graduated or sliding scale. The graduated ranges would fall between 100 percent and 10 percent as opposed to the existing five set points of 90, 80, 50, 25 and 10 percent. This would result in some eligible claimants receiving a larger rebate while others would receive a smaller rebate.

   The graduated ranges are structured so as to provide 100 percent rebates of taxes paid (up to the $500 cap) to those eligible claimants whose income is at or below the federal poverty levels for family units of one, for single claimants, or two if spouses file jointly. Your handout contains multiple schedules pertaining to the proposed changes:

ASSEMBLY WAYS AND MEANS 3:45 PM
DATE: 4/24/03 ROOM: 3137 EXHIBIT D
SUBMITTED BY: CARLA WATSON

- The first schedule can be found on page two of your handout. This handout identifies the existing schedule, which operates within five set points, and the proposed graduated ranges which fall between 100 percent and 10 percent.

- The second schedule can be found on page three of your handout. This schedule identifies the fiscal impact of the proposed changes which, if accepted, would not be implemented until FY 2005 for income year 2003. The estimated fiscal note for FY 2005 is $189,900; however, due to three new eligibility limitations included in the bill, the net fiscal impact is estimated at zero. The three new eligibility limitations are listed as items 3, 4 and 5 on page 1 of your handout and will be discussed in our presentation.

- The schedule on page four of your handout provides a comparison of case scenarios of clients who received rebates in FY 2002 and FY 2003 and the impact on rebate amounts.

- The schedule on page five of your handout provides the global impact of the new schedule when compared to the existing schedule for clients who received rebates in FY 2002 and FY 2003.

2. The second provision would hold harmless those eligible claimants whose income is at or below the federal poverty level for family units of one (if filing single) or two (if filing jointly) if there are insufficient funds available to provide 100 percent of calculated rebates to all eligible claimants. Remaining rebates would be reduced by the percentage necessary to remain within the legislatively approved budget.

   Currently, if a supplemental appropriation is needed to provide rebates to all eligible claimants, and the Interim Finance Committee (IFC) does not approve a supplemental, all rebates are reduced by the percentage necessary to remain within the legislatively approved budget. Holding harmless those eligible claimants whose income is at or below the federal poverty level for family units of one or two would allow those most in need of the refund to receive the entire allowable rebate. Those eligible claimants whose income is greater than these poverty levels would absorb reductions to their rebates by the percentage necessary to remain within the legislatively approved budget (if a supplemental appropriation is requested but not approved by IFC).

   If this provision is accepted, we would also recommend that language be included to allow for refunds to be processed for those claimants whose income falls at or below the federal poverty level for family units of one or two prior to the IFC meeting date. Remaining rebates would be held until thirty business days following the IFC meeting date.

3. The third provision would limit the assessed value of the applicant's principal residence to $70,000. Currently, there is no limitation on the assessed value of the applicant's principal residence. If the assessed value is 35% of the cash value, a home assessed at $70,000 would have a cash value of approximately $200,000. By limiting the assessed value of the applicant's principle residence to $70,000, certain claimants, who would otherwise be eligible, will no longer be eligible to receive a rebate. The estimated fiscal impact is a reduction of $33,321 in rebates in FY 2005 as shown on <u>page six</u> of your handout.

4. Provision number 4 of this bill would limit the value of the applicant's liquid assets to $100,000. Currently, there is no limitation on the value of the applicant's liquid assets. Liquid assets are assets that can be readily disposed of, usually within 3-6 months without large penalties for disposal. Some examples are savings accounts, mutual funds, stocks and bonds. There could be instances where claimants have thousands invested in the stock market, and due to losses, could be eligible for a rebate if their income did not exceed the maximum amount. Should these, or other individuals, who have hundreds of thousands in liquid assets be eligible for this program?

   By limiting the value of the applicant's liquid assets to $100,000, certain claimants, who would otherwise be eligible, will no longer be eligible to receive a rebate. Although we currently do not require or retain an applicant's total liquid assets in the database, we were able to estimate the fiscal impact by dividing interest and dividend income by 1.75%. The estimated fiscal impact is a reduction of $469,159 in rebates in FY 2005 as shown on <u>page seven</u> of your handout.

5. Provision number 5 would disallow claims for applicants who own real property in other states which exceed the assessed limitations in Nevada. Currently, property, other than the home, may not have an assessed value of more than $30,000 in this state; however, applicants may own real property in other states which exceeds the assessed limitation in Nevada. As the case with liquid assets, we were unable to estimate the fiscal impact for this provision, as this data is not required to be provided by applicants.

6. The Consumer Price Index (CPI) is applied to the maximum income each year to establish the new maximum income level. Provision number 6 would change the CPI adjustment month from December to November. CPI figures for December are not available before January 16th. Currently,

there is insufficient time to print new applications and instructions reflecting the new income maximums.

7. Provision number 7 would extend the filing period from April 15th until April 30th. Many claimants wait until the April 15th deadline to file their federal income tax returns, and the Division has received complaints indicating there is not ample time to get copies of tax returns to submit with the application to meet the April 15th deadline.

8. Provision number 8 adds clean up language to reference an exception which allows the Administrator to extend the time to file a claim in the event of a hardship.

9. Provision number 9 adds language to allow the Administrator to appoint a designee to administer the claimant grievance process.

10. Provision number 10 adds language to allow the Administrator to appoint a designee to certify claims against the Senior Citizens' Property Tax Assistance Account.

I would be pleased to answer any questions the committee may have.