SUPPORT THE CONSISTENT TREATMENT OF LIFE ESTATES IN MASSHEALTH ELIGIBILITY

H1301/S811 Representatives Murray and Higgins /Senator Rausch

WHAT THE BILL DOES:

Requires MassHealth to use the same process as the IRS to determine the value of life estates for eligibility purposes.

BACKGROUND

Elders selling real property held in a life estate/ remainder arrangement are currently trapped in a conflict between federal tax regulations and MassHealth policy.

Federal tax regulations require that the sale proceeds and any capital gain tax owed be divided among the sellers based on the value of the life estate interest using IRS Tables. For the past 12 years, MassHealth has also determined the value of a life estate interest in property using the same IRS Tables.

In 2019, MassHealth adopted a new policy to require the use of an outdated Social Security Table that is based on mortality assumptions from 1984 and interest rates of 10% for this same valuation. This change causes a MassHealth applicant who sells a life estate interest to be denied eligibility for MassHealth for complying with federal tax law at the time of the sale.

WHAT PROBLEM DOES THE BILL FIX:

Example: A 79-year-old woman has a life estate interest in her primary residence and sells it. A few years later this same person unexpectedly has a stroke and needs a skilled nursing facility and applies for MassHealth.

Federal Tax Regulations: Using the IRS Table, she is entitled to 0.4% of the proceeds and pays the capital gains tax based on this calculation.

New MassHealth Policy: MassHealth now, using the Social Security Table, calculates her life estate to be worth 45% of the proceeds and treats the 44.6% difference as a gift, even though this applicant never had a right to the 44.6%. She is denied MassHealth for having made a gift because she divided the proceeds in accordance with federal tax law. Without MassHealth, she may be unfairly denied the long term care she needs.

HOW THE BILL ADDRESSES THE PROBLEM:

This legislation will ensure that MassHealth calculates the value of life estates the same way as the IRS for tax purposes to avoid undue harm to elders selling their homes.

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