NEWSLETTER

VOLUME I, ISSUE I

NOVEMBER 2008

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EARNED CREDIT FOR PROPERTY TAXES AGE 65 OR OLDER & TAX EXEMPTIONS FOR WIDOWS, WIDOWERS, AND THE DISABLED

ANYONE NEED $502*? Individuals age 65+, who are full-time residents of Arizona, who pay property tax, and have limited income, may qualify for **up to** $502 refund of their property tax. You must file an AZ 140PTC and meet income qualifications to receive this refund. Forms may be found at: www.revenue.state.az.us/Forms/individualforms.asp

43-1072. Earned credit for property taxes; residents sixty-five years of age or older; definitions

A. There shall be allowed to each resident a credit against the taxes imposed by this title for a taxable year for property taxes accrued or rent, or both, paid in that taxable year, in accordance with subsection B of this section, if all of the following apply:

1. Such resident attained the age of sixty-five years prior to or during the taxable year or such resident is a recipient of public monies under title 16 of the social security act, as amended.

2. Such person paid either property taxes or rent during the taxable year.

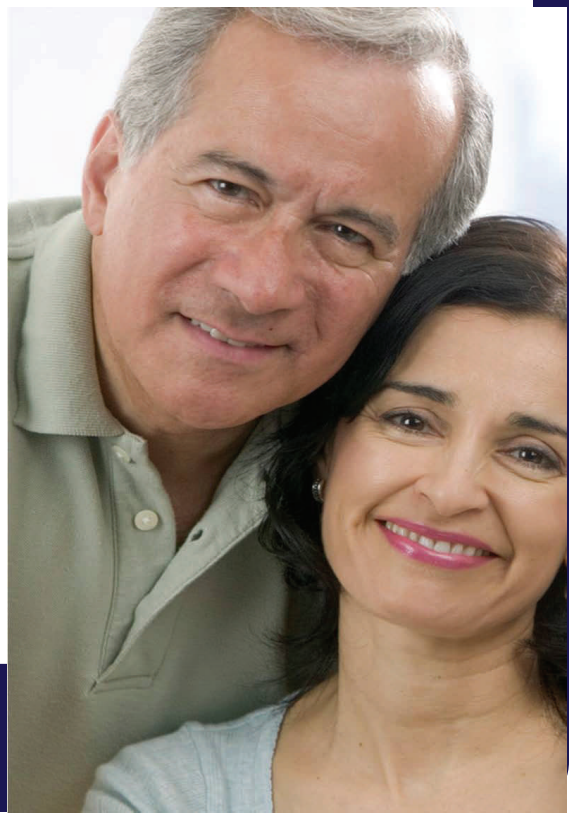
3. Such person either:

(a) Did not live with a spouse or any other persons and had an income from all sources in the taxable year of less than three thousand seven hundred fifty-one dollars.

(b) Lived with a spouse or one or more persons and the combined income from all sources in the taxable year of all persons residing in the residence was less than five thousand five hundred one dollars.

B. The credit allowed under this section is the amount of property taxes actually paid during the taxable year or the amount computed, whichever is less.

Continued on page 2



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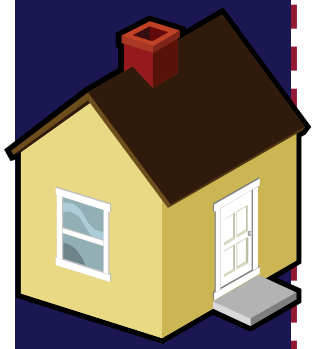

EARNED CREDIT FOR PROPERTY TAXES AGE 65 OR OLDER & TAX EXEMPTIONS FOR WIDOWS, WIDOWERS, AND THE DISABLED (CONTINUED)

NEED A PROPERTY TAX EXEMPTION?

The following Arizona Revised Statute explains who may qualify for this exemption. Forms for the exemption may be found at http://www.revenue.state.az.us/Forms/Credits.asp

42-11111. Exemption for property of widows, widowers and disabled persons

A. The property of widows, widowers and disabled persons who are residents of this state is exempt from taxation to the extent allowed by article IX, sections 2, 2.1, 2.2 and 2.3, Constitution of Arizona, and subject to the conditions and limitations prescribed by this section.

B. Pursuant to article IX, section 2.3, Constitution of Arizona, the exemptions from taxation under this section are allowed in the amount of:

1. Three thousand dollars if the person's total assessment does not exceed twenty thousand dollars. 2. No exemption if the person's total assessment exceeds twenty thousand dollars.

C. On or before December 31 of each year, the department shall increase the following amounts based on the average annual percentage increase, if any, in the GDP price deflator in the two most recent complete state fiscal years. For the purposes of this subsection, "GDP price deflator" means the average of the four implicit price deflators for the gross domestic product reported by the United States department of commerce or its successor for the four quarters of the state fiscal year.

D. For the purpose of determining the amount of the allowable exemption pursuant to subsection B of this section, the person's total assessment shall not include the value of any vehicle that is taxed under title 28, chapter 16, article 3.

E. Pursuant to article IX, section 2.3, Constitution of Arizona, to qualify for this exemption, the total income from all sources of the claimant and the claimant's spouse and the income from all sources of all of the claimant's children who resided with the claimant in the claimant's residence in the year immediately preceding the year for which the claimant applies for the exemption shall not exceed:

1. Twenty-five thousand dollars if none of the claimant's children under eighteen years of age resided with the claimant in the claimant's residence.

2. Thirty thousand dollars if one or more of the claimant's children residing with the claimant in the claimant's residence were either:

(a) Under eighteen years of age. (b) Totally and permanently, physically or mentally disabled, as certified by competent medical authority as provided by law.

F. For the purposes of subsection E of this section, "income from all sources" means the sum of the following, but excluding the items listed in subsection G of this section:

1. Adjusted gross income as defined by the department. 2. The amount of capital gains excluded from adjusted gross income. 3. Nontaxable strike benefits. 4. Nontaxable interest that is received from the federal government or any of its instrumentalities. 5. Payments that are received from a retirement program and paid by: (a) This state or any of its political subdivisions. (b) The United States through any of its agencies, instrumentalities or programs, except as provided in subsection G of this section. 6. The gross amount of any pension or annuity that is not otherwise exempted.

G. Notwithstanding subsection F of this section, "income from all sources" does not include monies received from:

1. Cash public assistance and relief. 2. Railroad retirement benefits. 3. Payments under the federal social security act (49 Stat. 620). 4. Payments under the unemployment insurance laws of this state. 5. Payments from veterans disability pensions. 6. Workers' compensation payments. 7. "Loss of time" insurance. 8. Gifts from nongovernmental sources, surplus foods or other relief in kind supplied by a governmental agency.

H. A widow, widower or disabled person shall initially establish eligibility for exemption under this section by filing an affidavit with the county assessor under section 42-11152. Thereafter, the person is not required to file an affidavit under section 42-11152, but the person or the person's representative shall annually calculate income from the preceding year to ensure that the person still qualifies for the exemption and shall notify the county assessor in writing of any event that disqualifies the widow, widower or disabled person from further exemption. Regardless of whether the person or representative notifies the assessor as required by this subsection, the property is subject to tax as provided by law from the date of disqualification, including interest, penalties and proceedings for tax delinquencies. Disqualifying events include:

1. The person's death. 2. The remarriage of a widow or widower. 3. The person's income from all sources exceeding the limits prescribed by subsection E of this section. 4. The conveyance of title to the property to another owner.

I. The exemption described by this section applies independently to:

1. The assessed valuation determined for secondary property tax purposes from the full cash value of the property and improvements owned by the individual. 2. The assessed valuation determined for primary property tax purposes from the limited property value of the property and improvements owned by the individual.

J. Any dollar amount of exemption that is unused in a tax year against the limited property value of property and improvements owned by the individual may be applied for the tax year against the value of personal property subject to special property taxes including the taxes collected pursuant to title 5, chapter 3, article 3 and title 28, chapter 16, article 3.

K. An individual is not entitled to property tax exemptions in the aggregate that exceed the maximum allowed to a widow, widower or disabled person even if the person is eligible for an exemption in more than one category.

Community Spouse Resource Assessment

ALTCS applicants who have a spouse that continues to reside in a community setting (in their own home, assisted living center, adult care home, adult foster care home, or in another setting—but not a nursing home or hospital) have a separate set of rules to determine resource eligibility. One part of those rules includes a CSRA or Community Spouse Resource Assessment. Since Arizona is a community property state, all assets are combined when determining if an applicant qualifies under the ALTCS resource guidelines. The CSRA is used to establish the community assets that the community spouse is allowed to keep and what must be spent before the ALTCS applicant will qualify for medical assistance.

The first thing that ALTCS does when establishing resource eligibility for community spouse cases is determine the First Continuous Period of Institutionalization (FCPI). ALTCS is looking for the first period (from 9/30/1989 –through the present) that the ALTCS applicant either needed ALTCS services or was in a hospital and/or nursing home for 30 consecutive days. The 30 consecutive days could be any combination of services (home– and community-based services, hospitalizations, nursing facility care, assisted living care, or adult care home) that occurred for 30 consecutive days without a break of 30 days in-between. Once ALTCS establishes this date, the eligibility specialist requests verification of the value of all assets owned during that period of time. The reason that ALTCS does this is because it is assumed that the applicant and his/her spouse, more likely than not, owned more assets then, than now. By using this policy, ALTCS is attempting to allow the community spouse to retain a greater share of the community assets.

ALTCS divides the assets in half. ALTCS then compares the community spouse's share to the minimum and maximum amounts that ALTCS will allow the community spouse to keep (not spend down to qualify for medical assistance).

Does this mean that if an ALTCS applicant with a community spouse has $500,000.00 in assets, that the applicant can only spend $250,000.00 and qualify for ALTCS? **NO!** As with all bureaucratic rules, there are always exceptions.

If the community spouse's 1/2 of the assets are above the maximum CSRD (Community Spouse Resource Deduction) $104,400.00*, then the community spouse is only allowed to keep $104,400.00* and the difference must be spent before the applicant will qualify for ALTCS.

If the community spouse's 1/2 of the assets is between $20,880.00* and $104,400.00*, then the community spouse is allowed to keep his/her half, but the remainder must be spent before the applicant will qualify for ALTCS.

If the community spouse's 1/2 of the assets are below $20,880.00*, then the community spouse is allowed to keep a minimum of $20,880.00* and the difference (if any) must be spent before the applicant will qualify for ALTCS.

*These figures are current for year 2008.

It is so important that the community spouse request a resource assessment from ALTCS at the first set of 30 consecutive days of services (or a combination of institutionalization and services).

If they wait, often it is difficult to go back several years to find financial data for ALTCS to establish the CSRD.

If you need assistance with the Resource Assessment process, or would like help determining your CSRD, Montgomery & Associates, Inc. can help!

www.altcsplanning.net

480/464.4968

YEAR 2008 - ALTCS/MCS GUIDELINES

^UPDATED 10/01/08

Individual Standards

$**1911.00**—ALTCS Monthly Income Limit

$**2000.00**—Resource Limit

$**867.00**—QMB Income Limit

$**867.01—$1040.00**—SLMB Income Limit

$**1040.01-$1170.00**—QI-1 Income Limit

Community Spouse Standards

$**3822.00**—ALTCS Monthly Income Limit*

$**22880.00**—Initial Resource Limit

$**20880.00**—Minimum Resource Allowance

$**104400.00**—Maximum Resource Allowance

$**1750.00—**Monthly Spousal Need

$**525.00**—30% deduction from excess shelter expenses

^$**326.00**—Standard Utility Allowance

$2610.00—Maximum Minimum Maintenance Needs Allowance

$**1167.00**—QMB Income Limit for couples

$**1167.01-$1400.00**—SLMB Income Limit for couples

$**1400.01-$1575.00**—QI-1 Income Limit for couples

Other Standards

$**95.55**—Personal Needs Allowance

$**1911.00**—HCBS Personal Needs Allowance

$**210.00**—Home Maintenance Allowance

$**96.40**—Standard monthly Medicare Premium

FREQUENTLY ASKED QUESTIONS

My parents have less than $100,000. Since the maximum that they can keep is $104,400, they're eligible, right?	Not necessarily. Arizona is a community property state and the way ALTCS has interpreted the Spousal Impoverishment Act may be different than how other states interpret the Act. See page 3 of this newsletter for more information about the Community Spouse Resource Assessment for the State of Arizona.
Does ALTCS take your house, car, and belongings once you qualify for help?	No. Although all states are mandated to perform estate recovery, this does not happen until after the death of the ALTCS member. There are also exemptions and waivers from estate recovery for certain individuals. A consultation with Montgomery & Associates provides information so that you can make an informed decision before you pursue Medicaid (ALTCS) benefits.
If I have given away money or assets, will I qualify for ALTCS?	That depends on your situation. There are two sets of rules that ALTCS uses to determine if the money you've given away will affect your potential eligibility for the program. There are too many variables to a given situation to provide an example here. If you have given away money or assets, we recommend that you seek information to determine if your gifts will cause you to not qualify for ALTCS for a period of time (this is called a period of ineligibility). Not all gifts given result in a period of ineligibility.
Is it true that ALTCS only pays for nursing home care?	NO, that is not true. ALTCS pays for and will provide services in skilled nursing facilities, assisted living homes, assisted living centers, adult foster care homes, and in your own home. There are several other settings that are appropriate for services, too, but these are the most common ones.
I'm over the income limit for ALTCS. Are there any options for me?	Yes! A person who is over the income limit for Medicaid (ALTCS) can use a Special Needs Trust (also known as an Income-Only Trust or a Miller Trust) to qualify for services. The income that is placed into the trust is excluded from the eligibility test. Call us or visit our website for more information about this trust.

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Let our umbrella of guidance shelter you from the long term care cost storm

We're on the web, too!
www.altcsplanning.net

Montgomery & Associates, Inc. has been providing quality long term care planning services in the State of Arizona since 2001. Our planning focuses on Arizona's Medicaid Program, AHCCCS, its acute care, Medicare Cost-Sharing & ALTCS programs, the Veterans Administration programs that help pay for long term care, preparation of certain types of legal documents, mortgage debt reduction planning, and financial planning. We want you to know that you can count on us to be a valuable resource for these services.

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