



March 8, 2021

The Honorable Paul Marquart
Chair, Tax Committee
Minnesota House of Representatives
597 State Office Building
St. Paul, MN 55155

The Honorable Greg Davids
GOP Lead, Tax Committee
Minnesota House of Representatives
283 State Office Building
St. Paul, MN 55155

The Honorable Dave Lislegard
Vice Chair, Tax Committee
Minnesota House of Representatives
413 State Office Building
St. Paul, MN 55155

Re: HF 363 - Revenue Recapture Act Modification

Dear Chair Marquard, Vice Chair Lislegard, Lead Davids, and Members of the Committee:

We write in strong support for HF 363, which would prevent non-government entities from using the state's Revenue Recapture Act to collect medical debt. For the past 44 years, the Legal Services Advocacy Project has provided legislative and administrative policy advocacy as a statewide division of Legal Aid. Legal Aid provides free civil legal services across the state for low-income clients, elder Minnesotans, and Minnesotans with disabilities. Lutheran Social Service of Minnesota provides an array of services to and advocates on behalf of children, people with disabilities, and older adults to ensure they have the opportunity to live and work in community with full and abundant lives.

We urge passage of this legislation. According to one survey, more than 745,000 (17%) of Minnesotans struggle with unpaid medical bills.¹ At the same time, the Star Tribune article that we assume prompted the introduction of this bill, reports that about 265,000 Minnesotans are still without medical insurance.² Low-income Minnesotans with medical debt face an even greater burden. They need affordable payment plans to pay those bills.

¹ Samuel Stebbins, *How Many People in Your State Are Burdened With Medical Debt?* 24/7 WALL STREET, Mar. 27, 2020; at <https://247wallst.com/special-report/2020/03/27/how-many-people-in-your-state-are-burdened-with-medical-debt/6/>

² Marissa Evans, *State takes Minnesotans' tax refunds for debts owed to hospitals*, STAR TRIBUNE, Dec. 11, 2020.

But the nongovernment entities the bill identifies (i.e. nonpublic hospitals who lease their buildings from counties or cities and private ambulance services) have no incentive to negotiate reasonable, affordable repayment plans because they can use Minnesota’s Revenue Recapture Act (Chapter 270) to seize 100% of a low-income taxpayer’s tax return, including those containing the federal Earned Income Tax Credit and Minnesota’s Working Family Tax Credit.

The Revenue Recapture Act has been expanded dramatically since its enactment in 1980, when only state agencies and “any public agency responsible for child support enforcement” could utilize its powers of collection.

In 1999, the Legislature crossed a dangerous and, in our view, inappropriate threshold, adding a non-public entity to the Revenue Recapture Act, and allowing such non-public entity to access the state’s tax capture collection authority and mechanism. And in 2003, private ambulance service was added.

While no one would argue that the services provided by those nongovernmental entities are very important to society, the problematic bootstrapping of any private service, however worthy, to a public debt recovery process outweighs any argument to allow nonpublic sector entities to utilize government apparatus to collect private debt.

The problem HF 363 seeks to address is starkly illustrated by a client story from Heartland Community Action in Willmar. The client, who owed medical debt to a local provider and responsibly wanted to repay, sought to establish a payment plan they could afford. The provider rejected the offer and instead used the Revenue Recapture Act to seize 100% of the client’s tax refund, leaving them in an even more precarious financial circumstance than they were before.

Medical debt generally is a serious problem for Minnesotans, as the extraordinary number of consumers struggling with it attests. While HF 363 would improve the situation as it pertains to private entities, more work needs to be done to assist Minnesotans to be able repay their medical debt without it placing them at risk of losing their homes, adding physical and mental stress to their lives, impeding their ability to meet other basic needs, and financially care for their children and families.

We believe all entities to whom medical debt is owed – whether public or private – should be required to, in good faith, negotiate repayment agreements with consumers that are affordable and take into consideration the consumer’s financial condition and any other extenuating circumstances.

Thank you for considering our views and, again, we urge passage of HF 363.

Sincerely,

Ron Elwood
Supervising Attorney
Legal Services Advocacy Project

Paul Slack
Racial Justice Advocate
Lutheran Social Service of Minnesota

c.c.: The Honorable Liz Reyer, Author, HF 363