

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3670-05
BILL NO.: SB 846
SUBJECT: Health Care; Health Dept.; Health, Public, Nursing and Boarding Homes;
 Revenue Dept.
TYPE: Original
DATE: February 7, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$51,075)	(\$71,246,000)	(\$71,246,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$51,075)	(\$71,246,000)	(\$71,246,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Health (DOH)** state this proposal creates the Missouri Long-Term Health Care Tax Credit which provides an income tax credit up to \$1,000 for residents of long-term care facilities and home health care expenses. Department of Revenue, in consultation with Department of Social Services, shall prescribe rules and regulations necessary to carry out the provisions of this proposal. This proposal would not fiscally impact the DOH.

Officials of the **Secretary of State (SOS)** state this bill creates the Missouri Long Term Care Tax Credit. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Revenue could require as many as approximately 6 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$22.50. The estimated cost of a page in the Code of State Regulations is \$26.50. Costs for this proposal would be \$361.50 for FY 2001. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of the **Department of Social Services (DSS)** state the proposed legislation establishes the "Missouri Long Term Health Care Tax Credit". For qualifying expenses, the tax credit would be up to 10% of expenses incurred not to exceed \$1,000 per person and would be available to anyone residing in a facility, as defined in section 198.006 RSMo; or who paid expenses for home health care services, as defined in section 197.400 RSMo; or any natural person who paid for facility expenses or home health care services for himself, herself or another. Additionally, if multiple people are assisting in paying for health care services, as defined above, a portion of the tax credit can be distributed to each person, as long as the sum total of the tax credit taken by all the individuals does not exceed \$1,000. Expenses totally covered by private or public insurance or government assistance do not qualify for the tax credit. However, if the individual shared in paying the expenses, the portion paid by the individual would qualify, but not the portion paid by public or private insurance or government assistance. If expenses of an individual exceed \$1,000 those costs cannot be carried forward to another year.

ASSUMPTION (continued)

The Division of Aging assumed that costs associated with printing of the Missouri Income Tax Form and instructions, as well as administrative expenses from processing tax credits would be estimated by the Department of Revenue (DOR). The division has sufficient staff to assist DOR in prescribing rules and regulations to carry out the provisions of the "Missouri Long Term Health Care Tax Credit". The division believes the fiscal impact to the division as a direct result of this proposal is not significant and can be met by their current appropriation authority.

The current number of licensed facility beds in Missouri as of October 31, 1999 was 78,616 of which 57,512 were occupied. Of this number of beds 47,098 were certified for Medicare/Medicaid participation. On average 10% of the Medicare/Medicaid beds may be occupied by private pay individuals or approximately 4,710 beds. On average 5% of the 4,710 beds may be occupied by individuals having private insurance reducing the number of eligibles by 236 to 4,474. As of October 31, 1999 on average 73% of the beds in the state were occupied. Therefore, DSS estimate that $(73\% \times 4,474)$ 3,266 individuals could be eligible based on a certified beds occupied by private pay individuals without private insurance or other government assistance. Of the total number of beds in the state, 31,518 were state licensed only beds. Therefore, 1,576 beds (5%) are estimated to be occupied by individuals having private insurance reducing the number of potential eligibles to 29,942. As noted above on October 31, 1999, on average 73% of the beds in the state were occupied. Therefore, DSS estimates that $(73\% \times 29,942)$ 21,858 individuals would be eligible based on the number of beds occupied in state licensed only facilities by private pay individuals without private insurance or other government assistance. The total number of individuals estimated to be eligible for the "Missouri Long Term Health Care Tax Credit" is 25,124 in facilities licensed under section 198 RSMo.

Based on information received from DSS personnel, **Oversight** assumes the 25,124 individuals that are eligible for the long term credit would receive the maximum tax credit of \$1,000.

According to the Statistical Abstract of the United States for 1999, Table 217, for 1996 there were approximately 2.4 million Home Health Care Patients. Assuming Missouri would represent approximately 2% of those patients totals 46,122. **Oversight** assumes the 46,122 patients would be eligible for the credit and would receive the maximum tax credit of \$1,000 per patient.

Officials of the **Department of Revenue (DOR)** state this legislation establishes the Missouri Long Term Health Care Credit, which authorizes a tax credit equal to 10% of the expenses incurred by the taxpayer for room, board and long term care received in a long term care facility or by a home health care service, not to exceed \$1,000. The tax credit is available to any person who pays for the expenses, whether the expenses are incurred for his or her own care or for the care of another. The tax credit can be divided up by more than one person paying the expenses,

ASSUMPTION (continued)

as long as the credit per resident or home health care beneficiary does not exceed \$1,000. Any expenses which are paid by public or private insurance or by government assistance will not qualify for the credit. This credit is non-refundable and cannot be carried over.

The number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation will need one temporary tax season employee (a cost of \$6,067) for every 130,000 credits filed with this credit (key entry) and one Tax Processing Tech I for every 2,000 credits claimed (processing). The Division will also need one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 pieces of correspondence received regarding the credit.

This legislation will require modifications to the individual income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of \$41,617. Modifications to the income tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$451 for on-going costs.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Tax credit for Long Term and Home Health Care expenses	\$0	(\$71,246,000)	(\$71,246,000)
 <u>Costs - Department of Revenue</u>			
Reprogramming costs	(\$51,075)	\$0	\$0
 ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
	<u>(\$51,075)</u>	<u>(\$71,246,000)</u>	<u>(\$71,246,000)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2001 (6 Mo.)	FY 2002	FY 2003

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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act will create an income tax credit for expenses arising from home health care or care received in a residential long term care facility. The credit is for ten percent of such expenses, up to one thousand dollars per year, and may be taken either by the beneficiary of the care or by another person who actually pays for the care. Care paid for by insurance or public assistance does not qualify.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health
Office of the Secretary of State
Department of Revenue
Department of Social Services



Jeanne Jarrett, CPA
Director
February 7, 2000