

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 4010-01  
BILL NO.: SB 884  
SUBJECT: Taxation and Revenue-Income; Revenue Dept.; Elderly  
TYPE: Original  
DATE: February 16, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0 to (\$3,176,000)	\$0 to (\$3,176,000)	\$0 to (\$3,176,000)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0 to (\$3,176,000)</b>	<b>\$0 to (\$3,176,000)</b>	<b>\$0 to (\$3,176,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 3 pages.

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**FISCAL ANALYSIS**

**ASSUMPTION**

Officials of the **Department of Revenue (DOR)** state this legislation requires the Department of Revenue to notify potentially eligible taxpayers of the pharmaceutical tax credit if they have not already filed for the credit.

**ADMINISTRATIVE IMPACT:**

The Department is currently doing this now for the property tax credit and has already placed edits in the system for notification. Therefore, there is little or no administrative impact to the Department of Revenue.

In a similar proposal officials of the **Office of Administration (COA)** stated that the revenue impact of SB 14 from last year assumed a 50% participation rate. Implicit in that assumption was that the Department of Revenue and other organizations would work to inform seniors about the program. While this proposal may enhance participation, COA staff has no basis for an estimate.

SB 675 (1998) required the Department of Revenue to notify taxpayers who were potentially eligible for the Circuit Breaker Tax Credit. The assumption made by the DOR in that legislation stated that currently only 22% of the taxpayers eligible were claiming the credit.

According to DOR staff the current participation rate for the Circuit Breaker Tax Credit is 30%.

**Oversight's** assumption in calculating the fiscal impact of SB 14 assumed a 50% utilization rate for the pharmaceutical tax credit (\$20,000,000). Assuming that notifying taxpayers of their potential eligibility for the pharmaceutical tax credit would have the same effect as notifying the Circuit Breaker taxpayers, the result would be an additional 8% claiming the pharmaceutical tax credit. COA staff estimated the maximum revenue impact of the pharmaceutical tax credit at 100% to be a loss of approximately \$39,700,000 annually. 8% of \$39,700,000 equals \$3,176,000.

For purposes of this fiscal note, **Oversight** has ranged the revenue impact of this proposal from \$0 to (\$3,176,000) annually.

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

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**GENERAL REVENUE FUND**

Loss to General Revenue Fund

Increase in pharmaceutical Tax Credits  
 Claimed

\$0 to (\$3,176,000)	\$0 to (\$3,176,000)	\$0 to (\$3,176,000)
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**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE FUND**

<u>\$0 to</u> <u>(\$3,176,000)</u>	<u>\$0 to</u> <u>(\$3,176,000)</u>	<u>\$0 to</u> <u>(\$3,176,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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\$0	\$0	\$0
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FISCAL IMPACT - Small Business

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

DESCRIPTION

The act requires the Department of Revenue to review returns of those likely to be eligible for the pharmaceutical tax credit and notify those who have not taken the credit of their possible eligibility.

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

Office of Administration  
 Department of Revenue



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 Director  
 February 16, 2000