

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1768-01
Bill No.: SB 504
Subject: Tobacco and Tobacco Products; Health Care; Revenue Department; Insurance - Medical; Taxation and Revenue - Income
Type: Original
Date: April 3, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(Unknown)	(Unknown)	(Unknown)
Missouri Healthy Families Trust	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on All State Funds*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

***Revenue losses expected to exceed \$1,000,000 annually.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Secretary of State (SOS)** state this proposal would create a medical care expenses deduction not reimbursed by insurance or otherwise provided in section 143.842. The Department of Revenue would promulgate rules to implement this proposal. SOS states that based on experience with other divisions, the rules, regulations and forms issued by the Department of Revenue could require as many as 8 pages in the Code of State Regulations. For any given rule, roughly half again as many pages would be published in the Missouri Register in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. The actual cost (\$492) could be more or less than the numbers given. The impact of this proposal in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.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 proposals 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.

Office of Administration - Division of Budget and Planning (BAP) officials state the purpose of the purpose would be to allow a state income tax deduction for medical care expenses not reimbursed by insurance. BAP states that according to data from the Health Care Finance Administration, per capita "out of pocket expenditures" are or are estimated to be:

1999	\$672
2000	\$723
2001	\$781
2002	\$841
2003	\$898

These are national figures and are defined as:

Out-of-pocket Expenditures: Includes direct spending by consumers for all health care goods and services, such as coinsurance, deductibles, and any amounts not covered by insurance.

Out-of-pocket premiums paid by individuals are not counted here but are counted as part of Private Health Insurance.

BAP states they have no basis for estimating the participation rate for this deduction.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** state that according to Budget and Planning, the number of taxpayers eligible for this deduction is unknown at this time. Therefore, the administrative impact to the Department of Revenue is unknown. The Division of Taxation, Personal Tax Bureau, would need one temporary tax season employee (\$8.00 an hour) for every 37,500 returns filed (key entry and processing). One Tax Processing Tech I would also be needed for every 3,000 additional pieces of correspondence and every 30,000 additional errors generated by this legislation. Customer Assistance anticipates an increase in telephone calls and would need one Tax Collection Technician for every 24,000 additional calls received. This proposal would require modifications to the individual income tax systems. The Division of Taxation estimates these modifications, including programming changes, would require 1,384 hours of contract labor, a cost of \$47,582. Modifications to tax returns and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 would be requested for implementation costs.

Oversight assumes revenue losses would be expected to exceed \$1,000,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Transfer in - Missouri Healthy Families Trust Fund</u>			
Transfer from Missouri Healthy Families Fund	Unknown	Unknown	Unknown
<u>Loss - Office of Administration - Division of Budget and Planning</u>			
Deductions for medical care expenses	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Department of Revenue</u>			
Program implementation costs	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
MISSOURI HEALTHY FAMILIES TRUST FUND			
<u>Transfer out - General Revenue Fund</u>			
Transfer to General Revenue Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON MISSOURI HEALTHY FAMILIES TRUST FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would provide for full deductibility for out-of-pocket medical expenses and insurance premiums for self-insured people, and would authorize moneys from the Healthy Families Trust Fund to pay for such deductions and adjustments.

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 Revenue
Office of Secretary of State
Office of Administration
Division of Budget and Planning



Jeanne Jarrett, CPA
Director

April 3, 2001