

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2143-02
Bill No.: SB 600
Subject: Elderly; Pharmacists; Taxation and Revenue - Income
Type: Original
Date: March 27, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	Unknown	Unknown
Total Estimated Net Effect on <u>All State Funds</u>*	\$0	UNKNOWN	UNKNOWN

***The overall fiscal impact of this proposal is expected to be \$100,000 annually.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All Federal Funds</u>	\$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 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation requires the DOR to develop a standardized form for claiming the pharmaceutical tax credit. It also indicates that if DOR fails to enforce the qualifications of the credit, the DOR will not receive funds appropriated for the management and administration of the credit.

DOR anticipates adhering to all of the qualifications of the pharmaceutical tax section, and therefore will not lose any funding appropriated for administering the credit.

Currently, there is a line on the income tax form for qualified seniors who are required to file a tax return and a line on the property tax form for qualified seniors who are not required to file a tax return. Based on a conversation with the sponsor of this bill, if this legislation is passed the DOR will create a schedule for the taxpayer to fill out and attach to either the income tax form or the property tax credit form. The DOR will develop this form using existing resources. Therefore, there is no fiscal impact to DOR.

According to the assumptions in SB 14 (1999) the average prescription drug expense is \$750. Therefore **Oversight** assumes, for purposes of this fiscal note, that seniors would claim the maximum pharmaceutical tax credit of \$200. In addition, Oversight assumes every senior citizen that properly claimed the credit for the prior tax year, would claim the credit again this year, if eligible. According to DOR, 449,416 individuals were paid \$200 each for the pharmaceutical tax credit for tax year 1999 as of October 2000. This created a decrease in General Revenue Funds of \$82,508,894. The DOR did not verify that expenses for drugs were paid out-of-pocket. Individuals receiving medicaid benefits or other insurance and individuals who had no expenses for drugs could be included in the 449,416 who were paid or credited up to \$200. Given the generous implementation strategy employed by DOR for the current pharmaceutical tax credit, Oversight has projected savings as unknown, expected to exceed \$100,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
	(6 Mo.)		
GENERAL REVENUE FUND			
<u>Increase - General Revenue Fund*</u>			
Revised Pharmaceutical Tax Credit	\$0	Unknown	Unknown
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>\$0</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>
*Expected to exceed \$100,000 annually.			

FISCAL IMPACT - Local Government

FY 2002 (6 Mo.)	FY 2003	FY 2004
\$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 revises the current prescription drug tax credit offered by the Department of Revenue. Section 135.095, RSMo, currently offers a prescription drug tax credit of up to \$200 to individuals sixty-five and older who have an adjusted gross income of \$25,000 or less and do not receive Medicare or Medicaid reimbursement.

This act requires the DOR to develop a standardized form for claiming the credit. It also provides that if the DOR fails to enforce the above qualifications, then the DOR will not receive appropriations for the management and administration of the tax credit.

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

SOURCE OF INFORMATION

Department of Revenue



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Director

March 27, 2001