

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2168-01
Bill No.: SB 597
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	(\$95,824) to Unknown	(\$117,863) to Unknown
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	(\$95,824) to UNKNOWN	(\$117,863) to UNKNOWN

*The overall savings is expected to exceed \$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</u> 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 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation clarifies that a taxpayer must apply for the pharmaceutical tax credit and submit proof of pharmaceutical expenses before the tax credit can be received. The proof of expenses must be provided by the taxpayer's pharmacist, and must include the claimant's name, a list of each legend drug filled by the pharmacist for the year, and the cost of the drugs, less any insurance coverage or reimbursement.

The Department anticipates there will be a small decrease in participation once receipts are required. However, there is no basis for an assumption, so for the purpose of this fiscal note the Department will use the same participation of the tax credit as last year.

The Department will need **11 Tax Season Temporary Employees** (\$7.50 per hour for six months) for processing and verification, in order to maintain current processing time for the tax credit. The Department will need one Tax Processing Technician for every 20,000 errors and one Tax Processing Technician for every 3,000 pieces of correspondence. Although the Department anticipates an increase in the number of taxpayer errors and additional correspondence, the amount of the increase is unknown at this time. Therefore, the Department will not request additional FTE for this purpose. Any additional FTE needed will be requested through the normal budget process.

If the legislation is changed to require the pharmacist to provide one detailed annual list for each claimant, the Department will only need **two Tax Season Temporary Employees** for processing and verification.

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 \$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 (6 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Savings - General Revenue Fund*</u>			
Revised Pharmaceutical Tax Credit	\$0	Unknown	Unknown
<u>Cost - Department of Revenue</u>			
Tax Season Temporary Employees (11)	<u>\$0</u>	<u>(\$95,824)</u>	<u>(\$117,863)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>\$0</u>	<u>(\$95,824) to UNKNOWN</u>	<u>(\$117,863) to UNKNOWN</u>
*Expected to exceed \$100,000 annually.			

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (6 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small pharmacies may see an increase in bookkeeping and paperwork resulting from this legislation.

DESCRIPTION

This act revises the current prescription drug tax credit for the elderly. Section 135.095 RSMo, currently allows a \$200 tax credit for prescriptions to any individual age sixty- five or over with an income of \$15,000 per year or less who does not receive reimbursement for drugs from Medicaid or Medicare.

New language requires the claiming individual to apply for his or her own credit. In addition, a provision is added for each claim to be accompanied by proof of pharmaceutical expenses as provided by the claimant's pharmacist. The proof must include the claimant's name, a list of each prescription filled for the calendar year and the cost of each prescription less any insurance reimbursement.

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

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director

March 27, 2001