

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2423-02
Bill No.: SB 5
Subject: Elderly; Health Care; Pharmacy; Taxation and Revenue-Income
Type: Original
Date: September 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$1,100,944)	\$79,613,641	\$86,252,296
Total Estimated Net Effect on <u>All</u> State Funds*	(\$1,100,944)	\$79,613,641	\$86,252,296

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
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 . The credit would be based on the claimants household income and would be 65% of the total amount spent on purchasing prescription drugs less any reimbursements and less an amount equal to 10% of the claimants household income for that taxable year.

The Department will need 17 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 DOR will only need two Tax Season Temporary Employees for processing and verification.

The Department will have to add additional lines on the all of the tax returns for this piece of legislation. It is estimated that 1,730 hours of programming at a cost of \$52,021.

Officials of the **Office of Administration - Budget and Planning (BAP)** are unable to make cost estimates on this proposal as there are too many unknown variables they would need to quantify.

According to the 2000 U. S. Census Bureau, Statistical Abstract of the United States, 11,929,000 households, 65 years and over, have household income under \$75,000. Using the percentage of total U.S. population to Missouri population of 2.16%, Oversight assumes the number of Missouri households with income less than \$75,000 is 478,101 (approximately 640,655 individuals). **Oversight** assumes costs to be \$1.1 million for FY02, \$1.9 million for FY03 and \$2.7 million for FY04. (See attached spreadsheets.)

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

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
	(6 Mo.)		
GENERAL REVENUE FUND			
<u>Savings to General Revenue Fund</u>			
Repeal of Pharmaceutical Tax Credit	\$0	\$81,900,000	\$89,300,000
<u>Loss to General Revenue Fund</u>			
Pharmaceutical Tax Credit	(\$1,100,944)	(\$1,851,752)	(\$2,675,400)
<u>Cost - Department of Revenue</u>			
Personal Services (17 Temp. FTE)	\$0	(\$132,345)	(\$132,345)
Personal Services (8 FTE)	\$0	\$144,811)	(\$178,120)
Fringe Benefits	\$0	(\$48,266)	(\$59,367)
Expenses & Equip.	\$0	(\$57,164)	(\$2,472)
Programming	<u>\$0</u>	<u>(\$52,021)</u>	<u>\$0</u>
Total DOR Costs	\$0	(\$434,607)	(\$372,304)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$1,100,944)</u>	<u>\$79,613,641</u>	<u>\$86,252,296</u>

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

FISCAL IMPACT - Small Business

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

DESCRIPTION

This legislation modifies the pharmaceutical tax credit for the elderly by changing the current language requiring a taxpayer, age 65 or older, to have less than \$15,000 of Missouri adjusted gross income to income defined in Section 135.101 of \$50,000 or less for single, head of household or qualifying widower; under \$75,000 for married filing combined; and less than \$37,500 for married filing separately.

DESCRIPTION (continued)

The legislation also changes the credit amount to 65% of total prescription drug costs for the year less any reimbursements and less 10 % of taxpayer's household income.

This act is for all taxable years beginning after December 31, 2001.

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 Administration- Budget and Planning



Jeanne Jarrett, CPA
Director
September 6, 2001