NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

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FISCAL IMPACT REPORT

SPONSOR:	Smith	DATE TYPED:	03/15/01	HB	
SHORT TITLE:	Gross Receipts Credit for Certain Hospitals			SB	191/aSFC
				ANALYST:	Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	**FY02**			
	$ (3,900.0)	$ (4,800.0)	Recurring	General Fund
	$ 0.0	$ 0.0	Recurring	Local Govt.

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)
LFC files.

SUMMARY

Synopsis of SFC Amendment

This amendment imposes conditions for claiming the gross receipts tax credit. First, the claim against gross receipts is limited to “a twelve month period” beginning July 1.

The eligibility criteria of the year in which to claim the credit is contingent upon a hospital reporting uncompensated care in an amount of not less than three percent of net patient revenues for the year ending June 30 of the year prior.

Uncompensated care is equal to the unpaid amount of health services multiplied by the cost-to-charge ratio as reported in the Medicare cost report filed by the hospital with the Health Care Financing Administration (HCFA) for the applicable period.

Care can only be considered uncompensated if reasonable collection efforts have been made according to hospital policy, is charged as a credit loss, and is not otherwise classified as charity care.

Unpaid amounts on bills, including emergency room, shall be determined based on a discounted or sliding fee scale established by the governing board of the hospital. Charges for charity care does not include the difference between total charges and the allowable amount paid by a third party, including Medicaid, Medicare and the county indigent fund, regardless of a patient’s income level.

Synopsis of Bill

This bill provides that a hospital licensed by the Department of Health may claim a credit against gross receipts tax in an amount equal to 3.275%.

FISCAL IMPLICATIONS

<u>After SFC Amendment</u>

The Taxation and Revenue Department (TRD) analysis (attached) reports that the estimated full year impact of this bill would reduce general fund revenue by $4.8 million.

ADMINISTRATIVE IMPLICATIONS

The Taxation and Revenue Department (TRD) report that the administrative impact would be significant. TRD reports that the TRIMS/CRS system is scheduled for production about June, 2001. The initial six months will be spent completing the programming, fixing bugs, and building data extracts. TRD indicates that there will not be sufficient spare resources to implement a change of this complexity prior to January 1, 2002.

OTHER SUBSTANTIVE ISSUES

Because the eligibility for receiving the credit is contingent upon hospitals reporting uncompensated care equal to at least three percent of net patient revenues, hospital will adjust their policies to accept more medically indigent patients since their care would be covered by the tax credit.

JBE/njw
Attachment