F I S C A L   I M P A C T   R E P O R T

SPONSOR Snyder **DATE TYPED** 02/28/05 **HB**

SHORT TITLE Nursing Home Care Gross Receipts Tax Credit **SB** 719

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
($1,400.0)	($2,800.0)	Similar	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Health (DOH)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 719 establishes a new income tax credit for gross receipts taxes separately stated on payments made by a person for nursing home services that are un-reimbursed by an insurer. The excess credit above the taxpayer's liability would be refunded to the taxpayer.

The provisions of this act apply to taxable years beginning or after January 1, 2005.

Significant Issues

DOH notes that Senate Bill 719 would result in a decrease in income tax collections, but it does not remove the gross receipts tax on nursing homes. The federal government is the largest payer of these services through the Medicaid and Medicare programs, though this bill would not affect the ability of the state to continue collecting gross receipts taxes from nursing homes. Nor would Senate Bill 719 prohibit nursing homes from continuing to charge gross receipts taxes to all payers, including the Medicaid and Medicare programs.

DOH also notes that Senate Bill 719 would benefit the private payer of services provided by nursing homes, but it would not benefit governmental payers such as Medicaid or Medicare. The income tax credit proposed in the bill appears to be aimed at roughly compensating the taxpayer for payment of gross receipts tax on the inpatient services provided by nursing homes. Thus, it is a form of a tax cut on such medical services – but such tax reduction applies only when such medical services are paid by the individual taxpayer. Significantly, this tax cut will not affect the state's revenue collection of gross receipts taxes from these facilities where the payer for the service is not the individual taxpayer.

FISCAL IMPLICATIONS

The total fiscal impact, as per TRD's analysis, is -$2.8 million to the General Fund in FY06. TRD's fiscal impact estimate assumes that approximately 1,200 nursing home residents in the state pay privately for nursing home services. Annual charges are assumed to average $50 thousand. Eighty percent of these residents are assumed to reside in for-profit facilities, which are subject to the gross receipts tax. Ninety percent of their expenses are assumed to be unreimbursed by insurance. These assumptions yield annual gross receipts tax liabilities of approximately $2.8 million.

ADMINISTRATIVE IMPLICATIONS

According to TRD, the provisions of this bill would require that new forms be developed, instructions and publications be revised, systems changes for 2005 PIT would be needed, and audit and compliance procedures developed. The new credits would require manual review by 1 FTE.

OPJ/lg