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## FISCAL IMPACT REPORT

SPONSOR: HBIC DATE TYPED: 02/27/01 HB 202/HBICS  
 SHORT TITLE: Health Provider Gross Receipts Tax Deduction SB \_\_\_\_\_  
 ANALYST: Eaton

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (6,000.0)	\$ (13,700.0)	Recurring	General Fund
	\$ (4,900.0)	\$ (11,000.0)	Recurring	Local Govt.

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

The bill provides a five-year phased-in gross receipts tax deduction for receipts from services provided by almost all licensed health care practitioners. Licensed health practitioners include: physicians, osteopaths, chiropractic physicians, physician assistants, dentists, dental hygienists, doctors of oriental medicine, podiatrists, psychologists, RNs and LPNs, registered lay midwives, physical therapists, occupational therapists and respiratory care practitioners.

The deduction is scheduled as 20% from July 1, 2001 through June 30, 2002 and 20 percent each year thereafter until the receipts are fully deductible (100 percent). The deduction excludes certain Medicare receipts (already deductible).

### FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) estimate that the bill will reduce the general fund by \$6 million in FY02. Local government revenues are estimated to be reduced by \$4.9 million. A five year estimate of the impacts are described in the table on the following page.

**ESTIMATED FISCAL IMPACT**

(millions of dollars)

	<u>20%</u>	<u>40%</u>	<u>60%</u>	<u>80%</u>	<u>100%</u>
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
General Fund	(6.0)	(13.7)	(22.6)	(32.6)	(43.9)
Local Governments	<u>(4.9)</u>	<u>(11.0)</u>	<u>(18.2)</u>	<u>(26.3)</u>	<u>(35.3)</u>
<b>Total</b>	<b>(10.9)</b>	<b>(24.7)</b>	<b>(40.8)</b>	<b>(58.9)</b>	<b>(79.2)</b>

Source: Taxation and Revenue Department (TRD)

**ADMINISTRATIVE IMPLICATIONS**

Minimal.

**TECHNICAL ISSUES**

The Taxation and Revenue Department (TRD) indicate that many practitioners have created pass-through entities (partnerships, professional corporations, etc.) to bill patients (or insurers or governments), receive payments and report and pay gross receipts tax. The formula in this bill allows a gross receipts deduction whether the practitioner or the pass-through entity is the taxpayer.

JBE/njw