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## FISCAL IMPACT REPORT

SPONSOR: Marquardt DATE TYPED: 2/18/03 HB 410

SHORT TITLE: Gross Receipts Tax Credit For Physicians SB \_\_\_\_\_

ANALYST: Smith

### REVENUE

Estimate d Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	(63,500.0)	(63,500.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates HB-163, HB-286, SB-305

### SOURCES OF INFORMATION

Responses Received From

### SUMMARY

#### Synopsis of Bill

House Bill 410 would provide credits for state and local gross receipts taxes paid by licensed physicians, dentists, optometrists and osteopaths. The credits would be allowed for gross receipts taxes paid by pass-through entities – in proportion to the degree of pass-through entity owned by each physician. The proposed credits would be refundable, i.e. if credits exceed taxpayers' income tax liability, the excess would be refunded. The credits could be claimed against personal or corporate income tax obligations

### FISCAL IMPLICATIONS

TRD notes that the fiscal impact reflects the current forecast of gross receipts obligations of physicians, dentists, optometrists and osteopaths. The forecast is based on reported liabilities of these taxpayers in recent years. Amounts would increase by approximately 6 percent per year – in proportion to forecast increases in gross receipts obligations.

**TECHNICAL ISSUES**

On page 2, line 3, the phrase “gross receipts” should be added immediately before the word “taxes” in order to identify the type of taxes

**OTHER SUBSTANTIVE ISSUES**

TRD notes that the proposal provides gross receipts tax relief for certain taxpayers through the income tax code. This is an indirect and potentially inefficient means of providing such relief. State income taxes are a deductible item for federal income tax purposes. Thus, a significant portion of the benefits of the tax reduction—as much as 38.6% depending on the applicable effective tax rates--would accrue to the federal government in the form of increased income tax collections.

SS/njw