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FISCAL IMPACT REPORT

SPONSOR: Hobbs DATE TYPED: 02/06/01 HB 253
 SHORT TITLE: Health Practitioners 50% Tax Deduction SB _____
 ANALYST: Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (15,100.0)	\$ (17,500.0)	Recurring	General Fund
	\$ (12,200.0)	\$ (14,100.0)	Recurring	Local Govt.

(Parenthesis () Indicate Revenue Decreases)

Relates to Senate Bill 5, Senate Bill 191, Senate Bill 195, House Bill 94, House Bill 227, House Bill 253, House Bill 326

SB-5 is a three-year phased-in deduction for licensed health practitioners; SB-191 is a GRT Credit for Hospitals; SB-195 proposes a deduction for Medicare receipts of podiatrists; HB-94 is the "TRICARE" deduction for active duty military and military retirees and their families; HB-202 is a 100% immediate deduction for licensed health practitioners; HB-227 is a proposal for a three-year phased-in deduction for doctors and osteopaths only, where the deduction is applied after the Medicare B deduction (as in HB-253); HB-326 is a proposal for a deduction for receipts of nursing homes.

SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

The bill provides an immediate, 50% deduction for receipts of almost all health practitioners. The bill lists virtually all the licensed health practitioners: 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.

FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) estimates the cost of the deduction as described in the following table.

Detail of Fiscal Impacts: FY2002 - FY2006
(dollars in thousands)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
General Fund	(15,100.0)	(17,500.0)	(18,700.0)	(20,000.0)	(21,300.0)
Local Governments	(12,200.0)	(14,100.0)	(15,100.0)	(16,100.0)	(17,100.0)
Total	(27,300.0)	(31,600.0)	(33,800.0)	(36,100.0)	(38,400.0)

Source: Taxation and Revenue Department

ADMINISTRATIVE IMPLICATIONS

Minimal.

TECHNICAL ISSUES

The Taxation and Revenue Department (TRD) counsel is concerned that the restrictive language of this bill may exclude from the deduction receipts of clinics, LLCs and for-profit hospitals that employ licensed professionals. The clinic's receipts are not deductible, since they are not licensed in the specialty. The use of the word "his" (page 12, line 13) in the final sentence reinforces the idea that the deduction is personal to the doctor, not company-wide. TRD counsel suggests the services provided by licensed health care professionals should be the subject of the deduction. Since this issue is common to a number of bills, a formula for dealing with it should be developed.

OTHER SUBSTANTIVE ISSUES

This bill includes receipts of chiropractors, dentist or dental hygienist, physician or physician assistant, osteopathic physician, doctor of oriental medicine, podiatrist, psychologist, RN or LPN, midwife practitioner, physical therapist, occupational therapist and respiratory care technician. Omitted are optometrists, licensed massage therapists, non PA emergency technicians and ambulance services, speech and auditory therapists and most home health care.

JBE/njw:ar