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## FISCAL IMPACT REPORT

SPONSOR: Carraro DATE TYPED: 03/13/01 HB \_\_\_\_\_  
 SHORT TITLE: Medical Care & Facilities Tax Deduction SB 341/aSFL # 1  
 ANALYST: Eaton

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (33,800.0)	\$ (39,100.0)	Recurring	General Fund
	\$ (27,200.0)	\$ (31,400.0)	Recurring	Local Govt.
	\$ 21,800.0	\$ 55,300.0		Local Option Tax*

\* Local Option Tax may be imposed by municipalities and/or counties. Estimated fiscal impact assumes full implementation of tax effective January 1, 2002 with five months of revenue collections in FY02. The locally imposed option taxes would generate roughly twice the local revenue loss.

Note: The Taxation and Revenue Department (TRD) have not submitted a bill analysis on the amendment at the time of writing this report. An update of the fiscal impacts will follow upon receipt of the TRD analysis.

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Senate Floor Amendment # 1

Senate Floor Amendment # 1 provides for phase-in schedules for the deductions as well as a new limitations and schedules for the imposition of the local option taxes.

For profit entities licensed as nursing homes, adult residential care facilities or intermediate care facilities for the mentally [handicapped] may deduct 50% of receipts in FY02 and 100% thereafter. Effective date of this provision is July 1, 2002 (FY03).

Hospitals licensed by the Department of Health may deduct 50% of receipts in FY02, 75% of receipts in FY03 and 100% thereafter. Effective date of this provision is July 1, 2001 (FY02).

Medical doctors and osteopaths may deduct 50% of non-Medicare receipts beginning in FY03 and 100% thereafter (Medicare receipts for doctors and osteopaths are currently deductible). Effective date of this provision is July 1, 2001 (FY02).

The maximum municipal infrastructure gross receipts tax allowed (and imposed by ordinance) from the current 1/4% would increase to 9/16% for FY03 only, then fall back to 3/8% for FY04 and subsequent years. Effective date of this provision is July 1, 2001 (FY02).

The new supplemental county gross receipts taxing authority for purposes stated in Section 5(C) at a maximum rate of 1/16% is unchanged. Effective date of this provision is July 1, 2003 (FY04).

#### Significant Issues

These additional local option taxes may be imposed without election by the voters of the county or municipality except in municipalities with a charter that requires tax measures be subject to voter approval.

#### **FISCAL IMPLICATIONS**

The Taxation and Revenue Department (TRD) have not submitted a bill analysis at the time of writing this report. An update to this report will follow upon receipt of the TRD analysis. The following describes the impacts prior to the amendment.

The Taxation and Revenue Department (TRD) estimate that this bill would reduce general fund revenue in FY02 by \$33.8 million. Local government revenues would decrease by \$27.2 million. However, the local government impact after full imposition of the local option tax reduces the revenue loss to the local governments in FY02 to a net loss of \$5.4 million. Estimated fiscal impact assumes full implementation of tax effective January 1, 2002 with five months of revenue collections in FY02. The following table illustrates the five year impact and the net gains to local governments after FY02 if all counties and municipalities impose the local option tax.

#### **ADMINISTRATIVE IMPLICATIONS**

Minimal.

#### **TECHNICAL ISSUES**

The Taxation and Revenue Department (TRD) indicate that language in this bill calling for a deduction for the *receipts from service provided by medical doctors and osteopaths* ensures that the receipts of employers of doctors, such as for-profit hospitals, HMOs or the practitioner's own pass-through entity can deduct the receipts.

JBE/njw