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

SPONSOR Altamirano **DATE TYPED** 02/16/05 **HB**

SHORT TITLE Clinical Laboratory Gross Receipts **SB** 570

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY06	FY07			
($2,112.0)	($2,260.0)	Increasing	Recurring	General Fund
($1,320.0)	($1,413.0)	Increasing	Recurring	General Fund (Local Gov. hold harmless distribution)
($3,432.0)	**($3,673.0)**	**Increasing**	**Recurring**	**Net Change to General Fund**
($1,320.0)	($1,413.0)	Increasing	Recurring	Local Governments
$1,320.0	$1,413.0	Increasing	Recurring	Local Governments Hold Harmless distribution
0	0	0	Recurring	Net Change to Local Governments

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 570 provides a gross receipts tax deduction for an accredited clinical laboratory for medical services reimbursed by managed care. The current law, which was passed in the 2004 legislative session, provides a tax deduction from gross receipts for receipts from payments by a managed health care provider or health care insurer for commercial contract services or Medicare Part C services provided by a health care practitioner. Senate Bill 570 modifies the definition of health care practitioner to include certain clinical laboratories.

Significant Issues

TRD notes that the proposed deductions would be eligible for the local government "hold harmless" provisions that were adopted as part of the 2004 legislation.

FISCAL IMPLICATIONS

The total fiscal impact, as estimated by TRD, is -$3,432.0 to the general fund in FY06. The new tax deduction would have an impact of -$2,112.0 and the hold harmless provision would have a negative impact to the general fund of -$1,320.0. As noted by the table above, the net change to the general fund includes the estimated payment to local governments in lieu of revenues that would have been received by before the new tax deduction.

Based on aggregate industry trends, TRD's analysis assumes that approximately half of these providers' receipts are assumed to come from managed care insurers, and are thus eligible for the new deduction. Assuming an average gross receipts tax rate, the fiscal estimate would imply total eligible receipts of approximately $52.6 million for FY06 and a seven percent growth rate in FY07. TRD noted that gross receipts data from the department's "Analysis of Gross Receipts by North American Industry Classification System (NAICS)" was gathered for the industry Medical and Diagnostic Laboratories and the remaining industries in Health Care, based on industry composition from the 1997 Economic Census

ADMINISTRATIVE IMPLICATIONS

If the bill is passed, TRD anticipates that system coding and troubleshooting must be performed; forms and instructions must be revised; taxpayer education materials and instruction publications must be prepared; and Department personnel must be trained on the new provisions. These changes can be implemented with existing resources.

OPJ/yr