COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0863-01
Bill No.: HB 228
Subject: Insurance – Medical; Revenue Dept.; Taxation and Revenue – General; Taxation and Revenue – Income
Type: Original
Date: February 16, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	($2,370,000)	($2,370,000)	($2,370,000)
Total Estimated Net Effect on General Revenue Fund	**($2,370,000)**	**($2,370,000)**	**($2,370,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Health and Senior Services and Department of Insurance** assume this proposal would have no fiscal impact on their agencies.

Officials with the **Department of Revenue** assume their agency can implement this legislation by changing instructions on all tax forms with a minimal fiscal impact.

Officials with the **Department of Social Services (DOS)** assume this proposal could create a Medicaid cost savings in the future with increased long-term care insurance purchases. However, DOS cannot estimate the extent to which policy sales and retention of coverage would increase.

University of Missouri Economic and Policy Analysis Research Center data indicates that in tax year 2003, a total of $52.7 million in long-term care insurance premiums were deducted on Missouri tax returns. **Oversight** assumes increasing the deductibility of such premiums to 100% from 50% would create an additional $52.7 million in income exempted for state income purposes. Assuming a marginal tax rate of 4.5%, the loss to state revenue would be approximately $2.37 million per year.

ASSUMPTION (continued)

Oversight acknowledges that an increase in long-term care insurance policy expenditures on the part of Missouri taxpayers could create significant Medicaid long-term care savings. However, any substantial Medicaid savings are likely to be beyond the date scope of this fiscal note.

This legislation would reduce Total State Revenue.

FISCAL IMPACT - State Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
Loss – Decreased Income Tax Receipts	($2,370,000)	($2,370,000)	($2,370,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**($2,370,000)**	**($2,370,000)**	**($2,370,000)**

FISCAL IMPACT - Local Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This legislation increases the current tax deduction for long-term care insurance premiums from 50% to 100% of the premium.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Social Services
Department of Health and Senior Services
Department of Insurance
University of Missouri Economic & Policy Analysis Research Center

Mickey Wilson

Mickey Wilson, CPA
Director
February 16, 2005