COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 01234-01
Bill No.: HB 367
Subject: Nursing and Boarding Homes; Revenue Dept.; Taxation and Revenue - Income
Type: Original
Date: February 6, 2007

Bill Summary: Would Missouri residents to deduct from their taxable income 100% of all non-reimbursed amounts paid for long-term care insurance premiums.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(Approximately $2,880,000)	(Approximately $2,880,000)	(Approximately $2,880,000)
Total Estimated Net Effect on General Revenue Fund	**(Approximately $2,880,000)**	**(Approximately $2,880,000)**	**(Approximately $2,880,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **University of Missouri**, **Economic Policy and Research Center** stated that they were unable to estimate the fiscal impact of this proposal.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed the proposal would have no fiscal impact to their organization. Further, BAP stated that the proposal would double the deduction for long-term care insurance premiums from 50% to 100% of premium amounts. BAP estimates this proposal will reduce general and total state revenues by $2.7 million.

Officials from the **Office of Administration, Administrative Hearing Commission** assumed the proposal would have no fiscal impact to their organization.

Officials from the **Department of Health and Senior Services** assumed the proposal would have no fiscal impact to their organization.

In response to a similar proposal (HB 40 LR 0478-01) officials from the **Office of the Secretary of State** (SOS) stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than $2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Revenue** assumed this proposal would have no fiscal impact on their organization.

According to the Department of Revenue's Tax Credit Analysis for the Long Term Care Tax Credit (Deduction), $64 million in deductions were claimed in Fiscal Year 2006. Couple this with a 4.5% marginal tax rate, and General Revenue was reduced by $2,880,000 from the 50% deduction.

ASSUMPTION (continued)

Oversight assumes that an additional $2,880,000 in General Revenue Fund tax revenues would be lost if the deduction was increased from 50% to 100%. Since the new deduction rate would be effective for tax years beginning on or after January 1, 2007, Oversight assumes a full year's worth of deductions in FY 2008.

Oversight is not able to estimate the potential for revenue reductions as a result of additional taxpayers filing returns who would not have filed a tax return under existing conditions, and Oversight is not able to determine the potential for revenue reductions due to the impact of this proposal on the existing Circuit Breaker and Homestead Exemption provisions.

Oversight also acknowledges that an increase in long-term care insurance policy expenditures on the part of Missouri taxpayers could create 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 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
Loss – Decreased Income Tax Receipts from increasing the long-term care insurance premium deduction from 50% to 100%	(Approximately $2,880,000)	(Approximately $2,880,000)	(Approximately $2,880,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**(Approximately $2,880,000)**	**(Approximately $2,880,000)**	**(Approximately $2,880,000)**

FISCAL IMPACT - Local Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal could have a positive fiscal impact to small businesses which sell long-term care insurance policies.

FISCAL DESCRIPTION

The proposal would allow Missouri residents to deduct from their taxable income 100% of all non-reimbursed amounts paid for long-term care insurance premiums.

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

Office of Administration
    Administrative Hearing Commission
    Division of Budget and Planning
Department of Health and Senior Services
Department of Revenue
University of Missouri
    Economic Policy and Research Center

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February 6, 2007