

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5213-02
Bill No.: SB 870
Subject: Dentists; Medicaid; Taxation and Revenue - Income
Type: Original
Date: February 2, 2016

Bill Summary: This proposal creates a tax deduction for dentists providing services to MO Health Net Participants.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$37,575 up to \$2,007,575)	(Up to \$1,970,000)	(Up to \$1,970,000)
Total Estimated Net Effect on General Revenue	(\$37,575 up to \$2,007,575)	(Up to \$1,970,000)	(Up to \$1,970,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume that effective January 1, 2016, this proposal allows taxpayers a subtraction from their Missouri Adjusted Gross Income equal to the amount earned for providing dental care to Mo HealthNet participants if placed in an annuity, pension, benefit, or retirement allowance.

DOR notes that in fiscal year 2015, Mo HealthNet dental payments totaling \$15.5 million were reported as paid by the State of Missouri. Assuming all Mo Health dental payments were put into a retirement account, DOR estimates a negative impact of up to \$930,000 ($\$15,500,000 \times$ current maximum tax rate of 6%).

Administrative impact

DOR officials assume their organization would require two (2) Revenue Processing Technicians I (\$26,652) and two (2) Tax Collection Technicians I (\$26,652) to implement the proposal.

Oversight notes this proposal would change a limited number of computations on income tax returns and would not be expected to have a significant impact on the number of returns filed. Oversight notes a significantly high percentage of income tax returns are prepared online, electronically, or by paid preparers, and assumes there would not be a significant number of additional errors resulting from the changes in this proposal. Oversight assumes existing DOR staffing would be adequate to implement this proposal. If unanticipated additional cost are incurred or if multiple proposals are implemented that increase DOR costs or the workload for DOR employees, resources could be requested through the budget process.

IT cost

DOR officials provided an estimate of the IT cost to implement the proposal of \$37,575 based on 501 hours of programming at the current state contract rate of \$75 per hour.

Officials from the **Office of Administration-Budget and Planning (B&P)** assume this proposal allows an individual taxpayer to deduct the income earned from providing dental care to a Mo HealthNet patient that is placed in an annuity, pension, benefit, or retirement allowance beginning tax year 2016 and will impact the calculation under Article X, Section 18(e).

ASSUMPTION (continued)

B&P notes that in fiscal year 2015, MoHealthNet dental payments totaling \$15.5 million were reported as paid by the State of Missouri. Assuming all Mo Health dental payments were put into a retirement account, DOR estimates a negative impact of up to \$930,000 ($\$15,500,000 \times 6\%$).

B&P further notes that in FY 2016, the General Assembly appropriated funding to reinstate coverage of certain adult dental benefits through the Mo HealthNet program, and if appropriated in FY 2017, the full year dental expenditure would total \$32.8 million and thereby resulting in a potential negative impact of up to \$1,970,000 ($\$32,800,000 \times 6\%$).

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The 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 the Secretary of State's Office for Administrative Rules is less than \$2,500. The 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 greater than 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Joint Committee on Administrative Rules** and the **Department of Health and Senior Services** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
IT cost	(\$37,575)	\$0	\$0
<u>Revenue Reduction</u>			
Income tax deduction for amounts paid into retirement accounts	(Up to <u>\$1,970,000</u>)	(Up to <u>\$1,970,000</u>)	(Up to <u>\$1,970,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$37,575 up to <u>\$2,007,575</u>)	(Up to <u>\$1,970,000</u>)	(Up to <u>\$1,970,000</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposed legislation could impact small dental offices and clinics that provide Mo HealthNet dental services.

FISCAL DESCRIPTION

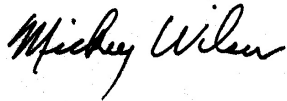
Under this proposal, dentists are entitled to deduct any income earned by providing services to Mo HealthNet participants that is placed in a valid retirement account from their Missouri income. This deduction will be available for all tax years after January 1, 2016.

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

L.R. No. 5213-02
Bill No. SB 870
Page 6 of 6
February 2, 2016

SOURCES OF INFORMATION

Department of Revenue
Office of Administration-
 Budget and Planning
Office of Secretary of State
Joint Committee on Administrative Rules
Department of Health and Senior Services



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