



Fiscal Note 2025 Biennium

Bill information:

SB0502 - Provide for state income tax credit for privately paid nursing home costs (Lenz, Dennis R)

Status: As Introduced

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$94,651	\$93,013	\$94,253
Revenue:				
General Fund	\$0	(\$3,680,000)	(\$3,780,000)	(\$3,882,000)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>(\$3,774,651)</u>	<u>(\$3,873,013)</u>	<u>(\$3,976,253)</u>

Description of fiscal impact: SB 502 creates an income tax credit equal to 40% of a taxpayer's nursing home care expenses incurred for costs that exceed the Medicaid reimbursement rate. The proposed credit would reduce general fund revenue by \$3.68 million in FY 2025, \$3.78 million in FY 2026, and \$3.882 million in FY 2027. The proposed bill would lead to increased individual income tax administration expense for this credit. General fund expense would rise by \$94,651 in FY 2025, \$93,013 in FY 2026, and \$94,253 in FY 2027.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. SB 502 creates an income tax credit for taxpayers who incur nursing home expenses in excess of the Medicaid reimbursement rate for care in a nursing home. The credit is equal to 40% of a qualifying taxpayer's nursing home expenses that exceed the Medicaid reimbursement rate. The credit is non-refundable and cannot be carried forward or back. The taxpayer can claim the credit for a maximum of three years and cannot claim the credit if the taxpayer's nursing home expenses were paid through the Medicaid program.
2. The credit created by SB 502 is first available starting TY 2024.
3. According to the Department of Health and Human Services (DPHHS), statewide the average daily nursing home reimbursement rate in Montana for FY 2023 is \$212.36 per day, or \$77,511 per year.

4. DPHHS reports the average private pay nursing home rate is of \$271.47 per day and \$99,087 per year.
5. With an average Medicaid reimbursement amount of \$77,511, and an average private amount of \$99,087, the maximum credit amount each taxpayer could claim is \$8,630 ($(\$99,087 - \$77,511) \times 0.40$).
6. In January 2023, DPHHS estimates a total nursing home population of 3,261. Of these residents, 60% were having their expenses covered under Medicaid and 40% were privately paying their expenses.
7. With 3,261 residents and 40% paying their expenses privately, it is assumed that 1,300 residents of a nursing home would claim the tax credit in TY 2024, TY 2025, and TY 2026.
8. The maximum credit each of the 1,300 taxpayers could claim is \$8,630, assuming each taxpayer had a tax liability in excess of the credit amount and stayed in the nursing home for the entire year.
9. Based on full-year resident taxpayer returns in TY 2021, the average tax liability after non-refundable credits of taxpayers at least 65 years old and with no wage income was \$2,831.
10. It is assumed that the actual number of credits claimed by qualified taxpayers on average will be \$2,831.
11. With 1,300 taxpayers claiming the credit, and an average credit amount of \$2,831, the total number of credits that will be claimed are assumed to be \$3,680,000 ($1,300 \times \$2,831$) in TY 2024.
12. Revenue forecast assumptions assume that all non-Earned Income Tax Credit and Elderly Homeowner / Renter credits will grow by an average of 2.7% each year in TY 2024 and TY 2025.
13. It is assumed that the credit created by SB 502 will grow by 2.7% each year.
14. With a growth rate of 2.7% and \$3,680,000 in credits in TY 2024, it is assumed that \$3,780,000 in credits will be claimed in TY 2025 and \$3,882,000 will be claimed in TY 2026.
15. As taxpayers are unlikely to know how long they will be in the nursing home care, nor will they know their total expenses, it is assumed that taxpayers will not change their withholding or estimated payments.
16. With no changes to withholding, or estimated payments, the proposed credit would reduce general fund revenue by \$3,680,000 in FY 2025, \$3,780,000 in FY 2026, and \$3,882,000 in FY 2027.

DOR Administrative Costs

17. The department will require an additional 1.00 FTE to administer and manage the proposed credit. The FTE cost is an additional \$94,651 in FY 2025, \$96,013 in FY 2026, and \$94,253 in FY 2027.

<u>Fiscal Impact:</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Department of Revenue				
FTE	0.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$0	\$83,096	\$84,153	\$85,225
Operating Expenses	\$0	\$8,397	\$8,860	\$9,028
Equipment	\$0	\$3,158	\$0	\$0
TOTAL Expenditures	\$0	\$94,651	\$93,013	\$94,253
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$94,651	\$93,013	\$94,253
TOTAL Funding of Exp.	\$0	\$94,651	\$93,013	\$94,253
<u>Revenues:</u>				
General Fund (01)	\$0	(\$3,680,000)	(\$3,780,000)	(\$3,882,000)
TOTAL Revenues	\$0	(\$3,680,000)	(\$3,780,000)	(\$3,882,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$3,774,651)	(\$3,873,013)	(\$3,976,253)

Long-Term Impacts:

1. SB 502 creates a three-year limit on credit claims by each taxpayer. This limit does not impact credit usage during the period of this fiscal note. However, depending on the share of nursing home stays that exceed three years, the limit could reduce credit claims in the future.

NO SPONSOR SIGNATURE

Sponsor's Initials

3/14/23

Date



Budget Director's Initials

3-13-23

Date