

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6231

BILL NUMBER: HB 1579

DATE PREPARED: Feb 21, 2001

BILL AMENDED:

SUBJECT: Tax Deduction for Long Term Care Expenses.

FISCAL ANALYST: Brian Tabor

PHONE NUMBER: 233-9456

FUNDS AFFECTED: X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that a taxpayer is entitled to an Adjusted Gross Income (AGI) Tax deduction in an amount equal to the taxpayer's unreimbursed medical expenses for long term care services, to the extent the expenses exceed 7.5% of the taxpayer's federal AGI.

Effective Date: January 1, 2001 (retroactive).

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur some administrative expenses related to the revision of tax forms and instructions to incorporate this deduction. These expenses could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: This bill would allow taxpayers to deduct some of their unreimbursed medical expenses for qualified long term care services. Only the amount which exceeds 7.5% of the taxpayer's federal AGI may be deducted. Long term care services could include nursing home rehabilitation for the elderly, therapy for the disabled, and many others.

The number of Indiana residents that would claim this deduction is not known at this time. For each taxpayer that is able to deduct \$1,000, the state revenue loss would be \$34 (\$1,000 multiplied by the 3.4% Individual AGI Tax rate). The information in this note will be updated as new data is collected. This deduction is effective retroactive to January 1, 2001, and will affect revenue collections beginning in FY 2002. Individual Income Tax revenue is deposited in the General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Counties imposing local option income taxes will experience an indeterminable reduction in revenue from these taxes as a result of this deduction.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties imposing local option income taxes.

Information Sources: