HB 306

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 306 (Delegate Benson)
Ways and Means

Income Tax - Subtraction Modification for Alcohol and Drug Treatment and Rehabilitation Expenses

This bill creates a subtraction modification for the individual income tax for amounts paid for alcohol or drug abuse treatment or rehabilitation of another individual. The subtraction cannot include amounts paid or reimbursed by insurance or otherwise. If the taxpayer itemizes deductions, expenses for medical care may only be subtracted to the extent that those expenses do not exceed 7.5% of the individual's federal adjusted gross income.

This bill is effective July 1, 1996, and applies to all taxable years beginning after December 31, 1995.

Fiscal Summary

State Effect: General fund revenues could decline an estimated $1,017,300 in FY 1997. Out-year estimates are based on increasing costs and the number of individuals seeking treatment. Expenditures would not be affected.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	$1,017,300	$1,058,000	$1,100,300	$1,144,300	$1,190,100
GF Expenditures	--	--	--	--	--
Net Effect	$1,017,300	$1,058,000	$1,100,300	$1,144,300	$1,190,100

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: Local revenues could decline by an estimated $554,400 in FY 1997.

Fiscal Analysis

State Revenues: General fund revenues could decline an estimated $1,017,300 in fiscal 1997, based on the following facts and assumptions:

- 83,680 individuals sought treatment for drug or alcohol abuse in fiscal 1995;
- the number of individuals seeking treatment will increase at 1% per year;
- all care for adolescents and half of the care for adults will be paid for by other individuals;
- 83.4% of Marylanders have health insurance, which covers 80% of treatment costs;
- average treatment costs for treatment ranged from $1,442 to $9,000 in fiscal 1995, depending on the length and type of treatment;
- treatment costs increase 3% per year; and
- treatment costs do not exceed 7.5% of any individual's income.

The table below shows the cost for various types of treatment, the number of patients for whom payment could result in a subtraction, total subtractions (calculations based on insurance statistics above), and the attendant revenue loss, all for fiscal 1995:

Type of Treatment	Avg Cost	Eligible Patients	Subtractions	Revenue Loss
Adult				
Outpatient, 6 month	$1,442	13,277	$6,371,600	$318,580
Outpatient, intensive	2,923	3,456	3,361,400	168,070
Outpatient, 12 month	3,286	1,275	1,393,800	69,690
Inpatient, 28 day	2,772	2,223	2,050,300	102,515
Adolescent				
Outpatient, 6 month	1,442	674	323,500	16,175
Outpatient, intensive	5,450	481	872,400	43,620
Inpatient, 3 month	9,000	1,605	4,807,300	240,365

The revenue loss for treatment given in fiscal 1995 would have been approximately $959,000. Based on the above growth rates, losses for fiscal 1997 (from tax year 1996 treatment and returns) will total an estimated $1,017,300. Growth in the out-years is approximately 4%, due to increasing treatment costs and increasing numbers of patients.

Local Revenues: Local governments will lose piggyback revenues of about 54.5% of the State loss in each fiscal year. In fiscal 1997, the loss could total $554,400.

Information Source(s): Office of the Comptroller (Revenue Administration Division), Department of Health and Mental Hygiene (Alcohol and Drug Abuse Administration), Department of Fiscal Services

Fiscal Note History: First Reader - February 7, 1996
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