

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 251 (Delegate Costa, *et al.*)
 Ways and Means

Income Tax - Income Tax Credit for Low Income Senior Citizens

This bill provides an income tax credit for an individual at least 65 years old and eligible for the Senior Prescription Drug Program in an amount equal to \$250 for tax year 2003, \$500 for tax year 2004, \$750 for tax year 2005, and \$1,000 for tax years 2006 and later. The credit is not refundable and any excess credit may not be carried forward to another taxable year. Eligible individual is defined as an individual who is at least 65 years old and eligible for the Senior Prescription Drug Program.

The bill takes effect July 1, 2003 and applies to all tax years beginning after December 31, 2002.

Fiscal Summary

State Effect: General fund revenue decrease of approximately \$5.3 million in FY 2004, future year revenue decreases reflect the increased amount of the credit allowed each year and a relatively constant number of eligible individuals. No effect on expenditures.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
GF Revenue	(\$5.3)	(\$9.4)	(\$12.1)	(\$14.7)	(\$14.7)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$5.3)	(\$9.4)	(\$12.1)	(\$14.7)	(\$14.7)

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

Local Effect: None. The tax credit proposed by the bill is taken against the State income tax only.

Small Business Effect: None.

Analysis

Current Law: No tax credit of this type exists.

Background: As of July 1, 2003, the Senior Prescription Drug Program will provide Medicare beneficiaries who lack prescription drug coverage with access to affordable, medically necessary prescription drugs until such time as an outpatient prescription drug benefit is provided through the federal Medicare program or June 30, 2005, whichever comes first. CareFirst BlueCross and BlueShield administers the program.

The plan covers all prescription drugs. The income eligibility limit for a household of one is \$25,770 (300% of poverty). Under the plans enrollment is limited to Medicare beneficiaries and total participation is capped at 30,000. Enrollees pay a monthly premium of \$10 plus co-pays of \$10, \$20, or \$35.

State Fiscal Effect: General fund revenues would decrease by approximately \$5.3 million in tax year 2003. Because it is assumed that general fund revenues would decrease in the fiscal year following the tax year in which the tax return was filed, general fund revenues would decrease by \$5.3 million in fiscal 2004. This estimate is based on the following facts and assumptions:

- as of December 31, 2002 there were 29,019 individuals enrolled in the program, of whom 27,082 were 65 and over and therefore potentially eligible for the credit;
- between 75% and 80% of those seniors enrolled in the program file taxable returns;
- only those seniors enrolled in the program and who had taxable income would be eligible for the credit; of the total enrolled, an estimated 21,072 would be eligible for the credit; and
- the number of individuals is assumed to remain relatively constant.

The Comptroller's Office advises that it would incur a one-time expenditure of \$47,600 in fiscal 2004 to make changes to the SMART processing systems and to add the credit to the income tax return. The Department of Legislative Services advises that since forms and instructions are updated annually, the cost of these changes could be absorbed within existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Health and Mental Hygiene, Department of Legislative Services

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mdf/jr

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