

MINNESOTA • REVENUE

MINNESOTACARE Contingent Rate Reduction

May 2, 2011

Department of Revenue
Analysis of H.F. 1584 (Dean)

	Yes	No
DOR Administrative Costs/Savings		X

	<u>Fund Impact</u>			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
		(000's)		
Health Care Access Fund	\$0	\$0	\$0	\$0

Effective beginning July 1, 2011

EXPLANATION OF THE BILL

Current Law: Health care providers, hospitals, surgical centers, and wholesale drug distributors are subject to a tax of 2% of gross revenues. Nonprofit health service plan corporations and HMOs are subject to a 1% premiums tax. Proceeds from these taxes are deposited in the Health Care Access Fund, which is used primarily to fund the MinnesotaCare program.

Proposed Law: The proposal provides for a contingent tax rate reduction. On July 1st of each year, the Commissioner of Minnesota Management and Budget would be required to determine the projected revenues and expenditures for the Health Care Access Fund for the tax year beginning the following January 1st. These projections would be based on the most recent February forecast and any legislative session changes. If projected revenues plus balance forward amounts exceed 125% of the projected expenditures, the tax rates are reduced so that revenues equal 125% of projected expenditures minus any projected balance forward amount.

REVENUE ANALYSIS DETAIL

- The estimates are based on estimates of Health Care Access Fund revenues and expenditures from the Consolidated Funds Statement prepared by Minnesota Management and Budget for the February 2011 forecast. These estimates will be revised for any 2011 legislative changes.
- Fiscal year estimates were converted to calendar year estimates. Calendar year revenues were compared with 125% of calendar year expenditures.
- It is estimated that projected revenues will not exceed 125% of the projected expenditures during the forecast period.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy