

**MinnesotaCare Taxes
Repeal of Taxes**

January 18, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of HF 4 (Abrams)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
		(000's)		
General Fund	(151,066)	(154,263)	(193,766)	(197,870)
Health Care Access Fund				
MNCare Taxes Repealed	(70,863)	(226,177)	(235,185)	(244,537)
1% Premiums Tax Repealed	0	(17,594)	(33,727)	(35,144)
Tobacco Payments	<u>151,066</u>	<u>154,263</u>	<u>193,766</u>	<u>197,870</u>
Health Care Access Fund Net	80,203	(89,508)	(75,146)	(81,811)

Tax changes effective January 1, 2002.
Tobacco payment changes effective December 31, 2001.

EXPLANATION OF THE BILL

Current Law: MNCare taxes are imposed at the rate of 1.5%; the rate will increase to 2% starting January 1, 2002. The 1% gross premiums tax on health maintenance organizations and nonprofit health service plan corporations shall be reinstated effective January 1, 2003. The tobacco case settlement payments go to the state general fund.

Proposed Law: The MNCare taxes and the 1% gross premiums tax would be repealed effective January 1, 2002.

Starting with December 31, 2001, payment from the tobacco case settlement paid to the State of Minnesota on December 31 each year shall be allocated to the HCAF, instead of the general fund.

REVENUE ANALYSIS DETAIL

- This analysis uses the data on MNCare taxes from the November 2000 forecast.
- The revenue impact of the proposed change in the MNCare taxes and the 1% gross premiums tax is assumed to take place after a one-month lag.

- Data on the tobacco case settlement payments are from the MN Department of Finance.

Number of Taxpayers Affected:

Latest available data indicate that the following organizations pay the MNCare taxes: 151 hospitals, 15 surgical centers, 124 wholesale drug distributors, and 7,591 health care providers. Ten health maintenance organizations and 3 nonprofit health service plan corporations are subject to the 1% gross premiums tax.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>