

**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 14 (Bradley)/S.F. 260 (Sams) **As Proposed to be Amended (H14A1)**

	<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	(372,127)	(267,389)	(193,766)	(197,870)
Health Care Access Fund				
MNCare Taxes*	(70,863)	(226,177)	(235,185)	(244,537)
1% Premiums Tax*	0	(17,594)	(33,727)	(35,144)
Tobacco Payments	<u>372,127</u>	<u>267,389</u>	<u>193,766</u>	<u>197,870</u>
Health Care Access Fund Net	301,264	23,618	(75,146)	(81,811)

*Estimates assume the taxes would not be imposed.

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: For calendar years beginning on or after January 1, 2002, the MNCare taxes would be contingent on the Health Care Access Fund (HCAF) balance, counting revenues from any increase in the 1% gross premiums tax. For calendar years beginning on or after January 1, 2003, the 1% gross premiums tax would be contingent on the HCAF balance, not counting revenues from any increase in the MNCare taxes.

Starting with the December 31, 2001, payment, revenues from the tobacco case settlement shall be allocated to the HCAF, including the December 31 annual payments plus the January 2 settlement payments in 2002 and 2003.

REVENUE ANALYSIS DETAIL

- This analysis uses the data on MNCare taxes from the November 2000 forecast.
- HCAF-related data are from the November 2000 balance sheet prepared by the MN Department of Finance.
- 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.

ADMINISTRATIVE/OPERATIONAL IMPACT

See fiscal note

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

hf0014-1 / NMM