

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Vivian E. Watts

3. **Committee** House Finance

4. **Title** Income Tax Deduction for Licensed Medical
Caregivers

2. **Bill Number** HB 2608

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create a deduction for the first \$10,000 of income earned by licensed medical caregivers who provide medical care to individuals in the homes of such individuals. The deduction would be reduced by \$1 for every \$2 that the taxpayer's federal adjusted gross income exceeds \$40,000.

This bill would be effective for taxable years beginning on or after January 1, 2008.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative Impact

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

The negative revenue impact associated with this bill is unknown, but likely significant. According to statistics published by the Department of Health Professions, there are approximately 168,662 individuals potentially eligible for this deduction in Virginia. It is not known how many of these medical caregivers provide care to individuals in their homes.

If one third of these licensed medical caregivers claimed the \$10,000 deduction and were subject to the 5.75% tax rate, the negative revenue impact would be approximately \$32 million per year. The actual impact could be less due to the reduction in the amount of the deduction for those with income exceeding \$40,000 per year and to the extent that the caregivers are taxed at less than 5.75%.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

This bill would create a deduction for the first \$10,000 of income earned by licensed medical caregivers who provide medical care to individuals in the homes of such individuals. The deduction would be reduced by \$1 for every \$2 that the taxpayer's federal adjusted gross income exceeds \$40,000. This bill does not limit the deduction to income earned for services provided in the home. Thus, any income would qualify for the deduction as long as at least one medical service was rendered at one patient's home.

A "licensed medical caregiver" would be defined as an individual, including a nurse, a doctor, a physical therapist, and a nurse practitioner, who is licensed to provide medical-related services or assist in activities of daily living. This term, however, would not include paid companions or individuals who provide housekeeping services.

This bill would be effective for taxable years beginning on or after January 1, 2008.

Other Legislation

House Bill 2609 would create a tax credit for certain individuals who pay for a family member's in-home health care.

House Bill 2220 would create a deduction for individuals who are living donors of an organ or other living tissue.

House Bill 2810 would create a tax credit for prescription drugs under Medicare Part D.

cc : Secretary of Finance

Date: 1/21/2007 JOC
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