

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** Vivian E. Watts

2. **Bill Number** HB 2196

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Income Tax Deduction for Certified Nursing
Assistants and Home Health Aides

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create an income tax deduction for the first \$10,000 of income earned by a certified nursing assistant or home health aide who provides Medicare-authorized home health or long-term care services to individuals in their homes. The deduction would be reduced by \$1 for every \$2 that the taxpayer's federal adjusted gross income exceeds \$40,000. The deduction would not be allowed for a paid companion or individual providing housekeeping services.

This bill would be effective for taxable years beginning on or after January 1, 2010.

6. **Fiscal Impact Estimates are:** Tentative. (See Line 8.)

7. **Budget amendment necessary:** Yes. (See Line 8.)

Page 1, Revenue Estimates

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

This bill would result in an unknown, but potentially significant, loss of revenue in the General Fund. Reliable data exist on the number of home health aides and certified nursing assistants (CNAs) working in the state and their average wages; however, no data identify what portion of CNAs work in in-home health care. In addition, data regarding the percentage of in-home care that is Medicare-authorized is not available. Because of this, the estimate provided below is an illustration only and should be considered highly tentative.

If it is assumed that 10 percent of CNA earnings come from in-home services and that all home health aide earnings come from in-home services, the table below calculates a potential negative revenue impact of \$9.7 million. If it is assumed that all CNA earnings come from in-home services, the impact could be as high as \$22.1 million. Please note that these estimates could be lower depending on the amount of CNAs or home health aides who do not provide any Medicare-authorized home health or long-term care services to individuals in their homes.

The table below outlines the qualifying occupations and assumes that the annual salary is equal to federal adjusted gross income.

Occupational Title	Annual Salary, All Industries, VA 2007	Amount earned for in-home services	Eligible Deduction	Total Employment	Revenue Loss in Millions of \$
Home Health Aides	\$19,500	\$19,500	\$10,000	12,250	\$6.13
Nursing Aides, Orderlies, and Attendants (CNAs)	\$22,420	\$2,242*	\$2,242	31,950	\$3.58
Grand Total				44,200	\$9.71

*Assumes 10% earned for in-home services

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Other States

In a recent review of other states, TAX found approximately eight states that provide some form of tax preference regarding in-home healthcare. Of those eight states, six – Arkansas, Georgia, Missouri, Montana, North Dakota, and Oregon – offer tax credits, and two – Idaho and Iowa – offer deductions. The maximum amounts for the tax credits range from \$150 to \$10,000; and the maximum amounts for the deductions are \$1,000 for Idaho and \$5,000 for Iowa.

These tax preferences primarily benefit those paying for or providing the in-home health care for a qualifying person, typically a family member, who meets some form of age or disability restriction. TAX did not find any tax preferences available to those who are paid to provide care to individuals in the homes of such individuals.

Proposal

This bill would create an income tax deduction for the first \$10,000 of income earned by a certified nursing assistant or home health aide who provides Medicare-authorized home health or long-term care services to individuals in their homes. The deduction would be reduced by \$1 for every \$2 that the taxpayer's federal adjusted gross income exceeds \$40,000. The deduction would not be allowed for a paid companion or individual providing housekeeping services.

This bill would be effective for taxable years beginning on or after January 1, 2010.

Similar Bills

House Bill 2195 would establish an individual income tax credit for individuals who claim a mentally or physically impaired relative and care for that family member as well as pay for their in-home health care expenses. The credit would be equal to the amount paid by the individual for in-home health care for which there is no reimbursement and for which no other deduction has been taken. The annual credit amount could not exceed \$1000. This bill would be effective for taxable years beginning on or after January 1, 2010.

cc : Secretary of Finance

Date: 1/19/2009 JKL
HB2196F161