

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: House Bill 46 (First Edition)
SHORT TITLE: Senior Tax Deduction for Medical Expenses.
SPONSOR(S): Representative Catlin

FISCAL IMPACT					
(\$ in millions)					
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> No Estimate Available		
State Impact	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
General Fund Revenues:	(\$37.9)	(\$39.2)	(\$40.7)	(\$42.4)	(\$44.1)
General Fund Expenditures:					
Special Fund Revenues:					
Special Fund Expenditures:					
State Positions:					
NET STATE IMPACT	(\$37.9)	(\$39.2)	(\$40.7)	(\$42.4)	(\$44.1)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Department of Revenue					
EFFECTIVE DATE: This act is effective for taxable years beginning on or after January 1, 2015					
TECHNICAL CONSIDERATIONS: None					

BILL SUMMARY:

House Bill 46 amends GS 105-153.5, making clarifying changes to itemized deduction amounts, and enacting the new GS 105-153.5(a)(2)c, providing for a medical expenses itemized individual income tax deduction. It provides that the deduction is for the amount allowed pursuant to Section 213 of the U.S. Internal Revenue Code for medical expenses incurred for a person who is 65 years old or older before the close of the taxpayer's taxable year. The bill is effective beginning on or after January 1, 2015.

ASSUMPTIONS AND METHODOLOGY:

Fiscal Research employs the use of the BearingPoint North Carolina Individual Income Tax Model to estimate the impact of individual income tax law changes. By including unlimited medical expenses, as allowed under the Federal Form 1040 (Schedule A), to the list of allowable North Carolina itemized deductions, the impact would be a \$78.6 Million loss in individual income tax revenue in FY15-16. That amount reflects the impact on all taxpayers.

According to Federal data from the IRS Statistics of Income Report for Tax Year 2012, the most recent report available, 45.5% of allowable medical expenses from itemizers are attributable to those taxpayers 65 and over. For FY15-16, this amounts to a \$35.8 Million loss.

In addition, the bill language includes any allowable medical expenses for those 65 and over, which can include dependents living in the household of a taxpayer below 65 years of age. Federal IRS Statistics of Income data shows 5.0% of all exemptions, for taxpayers less than 65 years of age, are for a dependent parent or other dependent that's not a child. That would yield approximately \$2.1 Million in lost tax revenue for FY15-16.

This results in a total estimated loss from individual income tax revenue at \$37.9 Million for FY15-16.

SOURCES OF DATA: BearingPoint North Carolina Individual Income Tax Model, IRS Statistics of Information Report, Moody's Analytics

TECHNICAL CONSIDERATIONS: NONE

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DATE: February 9, 2015



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