



Public Health Finance: Potential Revenue Options

Meeting of the Joint Select Committee on
Public Health Finance

May 25, 2006



Objectives of Presentation

- List the materials that have been provided.
- Explain how the options and estimates were obtained.
- Review the results in brief.
- Describe local participation considerations.



Materials Provided

- Summary tables of state and local revenue and participation options.
- State revenue options document with more detailed descriptions.
- Local revenue and participation options document with more detailed descriptions.



Revenue Options: Approach

- Explore potential revenue options with some nexus to public health.
- Revenue options considered:
 - New state taxes/revenues
 - Modifications to existing state taxes/revenues
 - Repeal of state tax preferences
 - Local tax/revenue options



Revenue Options: Approach

- Nexus: option is related directly or indirectly to:
 - Health care;
 - Environmental health;
 - Personal fitness and health; and/or
 - Food or beverages.
- Options are based on existing sources or on recent analyses of potential sources prepared by the Dept. of Revenue.



Revenue Options: Approach

- Dollar estimates for the options:
 - Were made for the state fiscal year 2007, and
 - Were based on the most recent available data sources.



SUMMARY LISTING OF REVENUE ENHANCEMENT IDEAS
New Tax/Revenue Options
Est. Impact for Fiscal Year 2007 (\$000)

<u>Tax</u>	<u>Brief Description</u>	<u>State Tax</u>
Retail Sales/Use Tax	Medical services	\$ 660,500
Retail Sales/Use Tax	Selected consumer services	\$ 40,900
Retail Sales/Use Tax	Sewerage/garbage services	\$ 25,600
Wholesale Soda Tax	Soda cans (5 cents per 12 oz.)	\$ 152,500
Public Utility Tax	Cable/satellite TV	\$ 13,700
Utility Connection Tax	Water systems (\$1/month)	\$ 28,800
Property Tax	State property tax (7 cents per \$1000 AV)	\$ 51,300

SUMMARY LISTING OF REVENUE ENHANCEMENT IDEAS
Changes to Existing Tax/Revenue Streams
Est. Impact for Fiscal Year 2007 (\$000)

<u>Tax</u>	<u>Brief Description</u>	<u>State Tax</u>
Insurance Prems. Tax	Health Insurance premiums surtax of 10%	\$ 13,600
Public Utility Tax	Water/sewer public utility surtax of 10%	\$ 9,600
Retail Sales/Use Tax	Incr. tax on restaurant/tavern sales by 0.5%	\$ 43,800
B&O Tax	Incr. rate by 0.25% on medical service providers	\$ 29,500
Cigarette Tax	Cigarette tax – increase by 40 cents per pack	\$ 60,000
Alcohol Taxes	Liquor/beer/wine tax - Surtax of 10% on existing taxes	\$ 19,100



Summary List of Revenue Enhancement Ideas: Repeal Tax Preferences with Nexus to Public Health

- Examples of selected preferences:
 - Public/Nonprofit hospital payments received under Medicare or under state health plan - B&O tax deduction.
 - Impact: \$ 74.9 million.
 - Soda pop syrup taxes paid by restaurants - B&O tax credit.
 - Impact: \$ 2.3 million.
 - Purchases of fertilizer/chemical sprays for agricultural use – retail sales/use tax exemption.
 - Impact: \$ 45.2 million.
 - Cost of processing sewage – public utility tax deduction.
 - Impact: \$ 4.6 million
 - Dentistry premiums – insurance premiums tax exemption.
 - Impact: \$ 12.5 million



SUMMARY LISTING OF REVENUE ENHANCEMENT IDEAS

Local Tax/Participation Options for Counties/LHJs

Est. Impact for Fiscal Year 2007 (\$000)*

<u>Tax</u>	<u>Brief Description</u>	<u>Local Tax</u>
Retail Sales/Use Tax	New local option 0.1% tax	\$ 113,800
Property Tax	New regular levy authority of 7¢/\$1000 AV	\$ 51,300
Real Estate Excise Tax	New local option REET of 0.25%	\$ 53,100
New Utility Tax Authority	County utility tax of 1 percent	\$ 53,000

* Assumes All Counties Impose



Local Participation Options

- Match requirement of 20% for new state revenues.
- Maintenance of effort (non-supplantation of existing funding).
- Performance standards - minimum service delivery criteria associated with state funding.
- Local public health effort requirement
 - Distribute funds based on amount budgeted for public health as % of sales/prop tax base

Remarks/Questions
