OFFICE OF FISCAL ANALYSIS

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sSB-10

AN ACT MAKING ADJUSTMENTS TO STATE REVENUE AND CONCERNING THE AMBULATORY SURGICAL CENTERS TAX.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Social Services, Dept.	GF - Potential Cost	See Below	See Below	See Below
Revenue Serv., Dept.	GF - Cost	None	5,000	None
Department of Revenue Services	GF - Revenue Loss	(200,000)	(63,700,000)	(3,700,000)

Note: GF=General Fund

Municipal Impact: None

Explanation

Section 1 delays by 1 year (from FY 19 to FY 20) the $30 million advanced payment required from MMCT Venture LLC (a company jointly owned and operated by the Mashantucket Pequot and Mohegan tribes) for the right to conduct authorized games at a new off-reservation commercial casino. The 2018-2019 Budget assumes a one-time $30 million revenue gain in FY 19 due to advanced payment.

Section 2 prohibits the Secretary of the Office of Policy and Management from transferring funds from the (non-appropriated) Community Investment Account (CIA) as part of the budget initiative to identify $20 million total in transfers from various non-appropriated accounts in FY 19. It is anticipated that the Secretary of the Office of Policy and Management will meet the $20 million target even though the CIA is unavailable.

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Sections 3 – 4 establish a tax deduction of up to $40,000 for certain food donations, which results in a General Fund revenue loss estimated to be less than $10,000 annually beginning in FY 19.

Section 4 also extends the 100% income tax deduction for pension and annuity income for qualifying taxpayers which results in an annualized revenue loss of $57.5 million in FY 26 and $115 million in FY 27 and annually thereafter.

Section 5 does not result in any net fiscal impact as it clarifies the exemption process for certain tobacco taxes.

Sections 6 - 8 result in a General Fund revenue loss of $3.7 million in FY 19 and annually thereafter by modifying the ambulatory surgical center (ASC) tax.

Specifically the bill results in (1) a $3.2 million revenue loss annually by applying the ASC tax to certain items and services included in a facility fee payment (rather than gross receipts as under current law) and (2) a $500,000 revenue loss annually by exempting revenue from Medicaid and Medicare payments from the ASC tax. The bill continues an exemption for the first $1 million in gross receipts similar to current law so there is no fiscal impact to this provision.

Section 9 may result in a fiscal impact to the Department of Social Services to establish a pilot program to study Medicaid services at Ambulatory Surgical Centers. The fiscal impact will depend on implementation of the pilot program which is uncertain based on the parameters specified in the bill.

Section 10 results in a General Fund revenue loss of $125,000 in FY 18 only by exempting gross receipts from Medicaid and Medicare payments from the ASC tax effective from passage. This provision is anticipated to impact the second quarterly payment due July 30th only. The first quarterly payment for this calendar year is due April 30th.

Section 11 has no fiscal impact by restricting the use of tax credits against the ASC tax. Per the Department of Revenue Services Annual

Reports, no credits were claimed against ASC tax since its enactment in FY 16.

Section 12 repeals the $20 million fee revenues target in Section 659 of the Budget Act; and the $10 million tax expenditure target in Section 658 of PA 17-2 JSS.

The bill also results one-time cost of less than $5,000 to the Department of Revenue Services (DRS) in FY 19 only for updates to the DRS' online Taxpayer Service Center and the agency's internal Integrated Tax Administration System.

The Out Years

General Fund revenue losses from various provisions of the bill are projected to be $43.7 million in FY 21 and thereafter. In addition, Section 4 of the bill results in an annualized revenue loss of $57.5 million in FY 26 and $115 million in FY 27 and annually thereafter.