

# OFFICE OF FISCAL ANALYSIS

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sSB-261

AN ACT CONCERNING A STATE INCOME TAX DEDUCTION FOR HOME CARE COSTS.

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 23 \$	FY 24 \$
Department of Revenue Services	GF - Revenue Loss	20 million	21 million
Department of Revenue Services	GF - Cost	Less than 206,395	145,407
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Cost	43,122	58,933

Note: GF=General Fund

**Municipal Impact:** None

### **Explanation**

The bill, which establishes a personal income tax deduction of up to \$60,000 for home care costs for qualifying relatives, results in: 1) a General Fund revenue loss of \$20 million in FY 23 and \$21 million in FY 24, and 2) and a cost to the Department of Revenue Services (DRS) of less than \$249,517 in FY 23 (partial year) and \$204,340 in FY 24 and annually thereafter.

In order to administer the deduction, DRS would require two Revenue Examiners (\$70,930 for salary and \$28,748 for fringe benefit costs each) for ongoing audit and compliance, resulting in a total annualized cost of \$204,340. The agency would also incur a one-time

<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.53% of payroll in FY 23.

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3/23/22

cost of less than \$100,000 in FY 23 associated with updates to the online Taxpayer Service Center and programming costs related to the CTax integrated tax administration system.

The revenue estimate is based on data from the Centers for Medicare & Medicaid Services indicating that approximately \$123.7 billion was spent nationally on home health care in 2020, with approximately 75% covered by Medicare and Medicaid. It is assumed for the purposes of this analysis that costs reimbursed by private insurance, Medicaid, or Medicare would not be eligible for deduction.

### ***The Out Years***

The annualized ongoing revenue impact identified above would continue into the future subject to medical inflation; the annualized ongoing cost impact identified above would continue into the future subject to wage inflation.

*Sources: Centers for Medicare & Medicaid Services 2020 National Health Expenditures  
Department of Revenue Services 2020 Personal Income Tax Statistics*