

OFFICE OF FISCAL ANALYSIS

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HB-6926

AN ACT ESTABLISHING A PERSONAL INCOME TAX
DEDUCTION FOR CERTAIN HOME HEALTH CARE EXPENSES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 24 \$	FY 25 \$
Department of Revenue Services	GF - Revenue Loss	19.8 million	20.8 million
Department of Revenue Services	GF - Cost	Less than 147,704	74,522
State Comptroller - Fringe Benefits ¹	GF - Cost	23,349	31,910

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes personal income tax deductions of up to \$60,000 for expenses incurred providing home care for certain qualifying relatives, results in: 1) a General Fund revenue loss of \$19.8 million in FY 24 and \$20.8 million in FY 25, and 2) a cost to the Department of Revenue Services (DRS) of less than \$152,877 in FY 24 (partial year) and \$106,432 in FY 25 and annually thereafter.

In order to administer the deduction, DRS would require one Revenue Examiner (\$74,522 for salary and \$31,910 for fringe benefit costs) for ongoing audit and compliance, resulting in a total annualized cost of \$106,432. The agency would also incur a one-time cost of up to

¹The 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 42.82% of payroll in FY 24.

\$75,000 in FY 24 associated with programming updates to the CTax tax administration system and myconneCT online portal, and form modification.

The revenue estimate is based on data from the Centers for Medicare & Medicaid Services indicating that approximately \$125.2 billion was spent nationally on home health care in 2021, with approximately 75% covered by Medicare and Medicaid. Expenses estimated to be incurred providing full-time home care in Connecticut are based on population ratios. It is assumed for the purposes of this analysis that (1) costs reimbursed by private insurance, Medicaid, or Medicare would not be eligible for deduction, and (2) in the case of a taxpayer qualifying under both deductions that the \$60,000 limit would apply in the aggregate.

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 2021 National Health Expenditures
Department of Revenue Services 2020 Personal Income Tax Statistics
United States Census Bureau QuickFacts: Connecticut*