

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 218 - Dental Care Deduction (LSB 1994 HH)
Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New
Requested by Representative Marcella Frevert

Description

House File 218 allows Iowa dentists to deduct from income subject to Iowa income tax, 50.0% of the difference between the fee the dentist normally charges for a service and the Medicaid Program reimbursement for the service, when providing dental care under the Program.

Assumptions

- Medicaid reimbursements cover 61.3% of the normal fee charged by participating dentists.
- Calendar year 2006 Medicaid dental reimbursements totaled \$45.3 million and are estimated to increase to \$51.0 million for FY 2007.
- Medicaid reimbursements will continue to grow at the recent annual growth rate of 12.1% for the next few years.
- The average marginal State income tax rate of participating dentists is 8.50%.
- A portion of the General Fund impact will occur with June 2007 income tax estimate payments.

Fiscal Impact

House File 218 will reduce the 2007 tax year liability of dentists by an estimated \$2.7 million, and 2008 liability by \$3.1 million. On a fiscal year basis, the projected net General Fund revenue reduction is:

- FY 2007 - \$0.4 million
- FY 2008 - \$1.4 million
- FY 2009 - \$1.6 million

The impact will continue in future years and grow at a rate greater than the rate of inflation.

Sources

Department of Revenue
Medicaid Program statistics

/s/ Holly M. Lyons

February 22, 2007

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
