FISCAL NOTE TO

SENATE, No. 361

STATE OF NEW JERSEY

DATED: AUGUST 29, 1997

Senate Bill No. 361 of 1996 provides a refundable credit against the gross income tax for taxpayers who make Medicare Part B premium payments. The credit is equal to the amount that the current year premium exceeds the value of Medicare Part B premiums in calendar year 1995. Essentially, this bill holds New Jerseyans harmless against future growth in Medicare Part B premiums. In 1995, the Medicare Part B premium was $46.10 per month, or $553.20 annually.

The Division of Taxation asserts that this legislation will have no fiscal impact because the current Medicare Part B premium is $43.80 per month which is lower than the premium in 1995. As a result, if this bill were enacted there would be no revenue loss to the Property Tax Relief Fund (PTRF).

The Office of Legislative Services (OLS) agrees with the division's short-term estimate of this legislation. However, the OLS notes that over the longer-term this bill will have an impact and it may be substantial. Estimates in March 1997 by the Congressional Budget Office (CBO) suggest that Medicare Part B premiums will grow above the value of the 1995 premium by 1999. The premiums will continue to grow in the years that follow and by 2007 will be $59.70 per month or $716.40 annually, according to the CBO. If accurate, the credit contained in this bill will produce an individual credit of $163.20. (The difference between the 2007 premiums and the 1995 premiums.)

In 2007 there will be approximately 1.44 million Medicare Part B premium payers in the State, based on New Jersey historical population growth trends (mainly senior and disabled residents). Therefore, the annual revenue loss to the PTRF associated with this legislation in ten years will be between $130 million and $235 million.

The estimate is calculated on the low end by multiplying the individual credit by the 55 percent of the number of estimated premium payers in 2007. Only 55 percent of premium payers are included because currently 55 percent of all senior and disabled taxpayers have taxable income gross tax returns. However, given that this credit is estimated to be worth over $160 per recipient, it will probably entice many more premium payers to file an income tax return in order to receive the credit. Therefore, on the high end of the range, the estimate is created by multiplying the value of the credit by the total estimated number of premium payers in 2007.

The Congressional Budget Office estimates contained in this

analysis are based on the state of current federal law. Recent efforts in Washington, DC to balance the federal budget and to account for shifts in demographics may produce changes to the Medicare program. These changes may involve an additional increase in Medicare Part B premiums beyond the growth included in the CBO estimates. If such an increase does occur, then the revenue losses attributable to this legislation will be larger.

This fiscal note has been prepared pursuant to P.L.1980, c.67.