

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 44

with Senate committee amendments

STATE OF NEW JERSEY

DATED: MARCH 7, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 44 (1R) of 1996 with amendments.

Senate Bill No. 44 (1R), as amended, provides a 10% tax credit against the New Jersey Corporation Business Tax imposed pursuant to P.L.1945, c.162 (C.54:10A-1 et seq.), the tax imposed on insurance companies generally pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), and the gross income tax imposed pursuant to N.J.S.54A:1-1 et seq., as appropriate, for the purchase, lease or rental of electronic data interchange (EDI) technology for use to store, retrieve and transmit health care information. The tax credits will be available for tax years beginning on or after January 1, 1997 but before January 1, 1999,

These tax credits are intended to provide a financial incentive for health care facilities and providers, third party payers and those who process claims for health care benefits or enrollments for health care benefits plans to purchase, lease or rent computer equipment and software that will permit electronic claims processing and other electronic data exchanges. This will have the potential of significantly reducing health care administrative costs in this State, according to the Healthcare Information Networks and Technologies (HINT) report to the Legislature under the joint auspices of Thomas Edison State College and the New Jersey Institute of Technology. This bill is part of a legislative package designed to effectuate the recommendations included in the HINT report.

COMMITTEE AMENDMENTS

The committee amended the bill to:

- C Provide for a gross income tax credit for sole proprietors, partners in a partnership, members of an association and shareholders in a New Jersey S corporation that purchase EDI technology.
- C Make the corporate business tax credit and the gross income tax

credit available to entities that process enrollments for health care benefits plans and to health care providers who are reimbursable by health care benefits payers.

- C Require the equipment purchased, leased or rented to be used for the transmission, storage and retrieval of health care information according to standards developed by the Health Information Electronic Data Interchange Council. (The council will be established by Senate, No. 50 or Assembly, No. 1476 of 1996, now pending before the Legislature.)

FISCAL IMPACT

A reliable estimate of the fiscal impact of this bill cannot be made at this time due to insufficient information. To estimate the revenue loss from this bill, it would be necessary to know the potential statewide cost of EDI technology; the proportion of EDI technology consumers who may be eligible for tax credits; the annual tax liability of these taxpayers; and the proportion of EDI technology usage that is directly attributable to New Jersey health and medical transactions. Without such information, an estimate cannot be made due to too many variables.