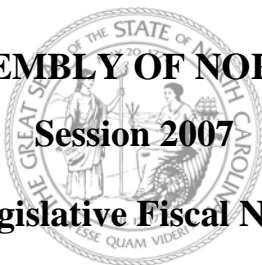


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1073 (First Edition)

SHORT TITLE: Tax Credit - Wheelchair Patient Exam Tables.

SPONSOR(S): Senator Swindell

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES: (\$ millions)	(\$10.8)	(\$11.3)	(\$7.8)	(\$4.6)	(\$4.6)
EXPENDITURES: (\$ millions)	\$1.0	\$1.0	-	-	-
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue, Department of Health and Human Services					
EFFECTIVE DATE: January 1, 2007					

BILL SUMMARY:

Senate bill 1073 provides a tax credit for health care providers who purchase a wheelchair accessible exam table, which is compliant with ADA standards for patient accessibility. Beginning with the 2007 taxable year, the bill enacts new GS 105-130.49 and GS 105-151.31 providing taxpayers that purchase a wheelchair accessible examination table with a corporate or individual income tax credit equal to the cost of the table, not to exceed \$5,000 per table and \$10,000 per taxable year. It allows unused portions of the credit to be carried forward for the succeeding five years and provides that the credit may not exceed a taxpayer's tax liability. The bill also amends GS 105-130.5(c) and GS 105-134.6(d) to provide for a deduction from taxable income purchases of wheelchair accessible exam tables to the extent the credit had not been taken. The bill also, effective July 1, 2007, appropriates \$1 million for each year of the 2007-09 biennium from the General Fund to the Department of Health and Human Services to make grants to nonprofit

agencies for the purchase of wheelchair accessible exam tables. The grants are not to exceed \$5,000 per table or \$10,000 per grantee per year.

ASSUMPTIONS AND METHODOLOGY:

The fiscal impact was estimated using industry specific data and the U.S Census Bureau's Economic Census data. The primary assumption needed to make the estimate is that the full credit will be taken in the tax year that the eligible exam table was purchased and there will be no carry forward of the tax credit. Given this assumption and other assumptions described below, the estimated reduction in FY2007-08 General Fund revenues will be \$10.8 million.

An estimated 7,800 hospitals, healthcare facilities, and physician offices in North Carolina would probably be required by federal law to have a wheelchair accessible examination table. Several court cases, which occurred in 2002 and 2003, reinforced the responsibility of medical facilities to provide accessible healthcare, including wheelchair accessible examination tables. The legal responsibility is based on legal obligations under Title II or Title III of the Americans with Disability Act (ADA). In response to ADA requirements, the medical equipment industry has developed exam tables to comply with ADA accessibility requirements. These tables cost, on average, an estimated \$10,000 each with prices ranging between \$5,000 and \$15,000.

Currently, federal law allows a Disabled Access Tax Credit (Title 26, IRS Code, Section 44). This tax credit is available to eligible small businesses for 50 percent of "eligible access expenditures" that exceed \$250, but do not exceed \$10,250 for a taxable year. A business may take the credit each year that it makes eligible access expenditure. Eligible small businesses are those businesses with either \$1 million or less in gross receipts for the preceding tax year, or 30 or fewer full time employees during the preceding tax year. Based on the U.S. Economic Census, an estimated 7,000 medical care facilities could be classified as a "small business" under this federal tax credit. Eligible access expenditures are expenses paid or incurred by an eligible small business for complying with the applicable requirements of the ADA. Included in those expenditures is the purchase of wheelchair accessible exam tables.

Because some facilities have already purchased the tables in response to ADA requirements, and are unlikely to purchase any additional tables, it was assumed that 30 percent of small business facilities would purchase one table the first year the credit is available. The combined federal and state credits would equal the average price of the exam table (both credits combined would sum to \$10,000). Therefore, small businesses will find it particularly beneficial to purchase the tables since the federal and state tax credits will equal the average cost of the tables. This could stimulate additional sales beyond the estimates in this projection. It was also assumed that 20 percent of the larger facilities not eligible for federal tax credits would purchase a table the first year.

The bill also provides grants to non-profit hospitals totaling \$1 million in each year of the 2007-2009 fiscal bienniums. Based on data collected by Fiscal Research in 2004 and U.S. Economic Census data on North Carolina hospitals, there are 167 hospitals in the state and 85 are non-profit hospitals. The hospitals not eligible for the grants would be eligible for the state tax credit, but are unlikely to qualify for the federal tax credits. It was assumed that over the next five fiscal years, these hospitals would purchase one table per year.

Finally, Sec. 3 and Sec. 4 of the bill do not allow a taxpayer to claim both a deduction for the purchase of the table, and claim the tax credit. Since taxpayers are less likely to choose to expense the tables and take the deduction against taxable income, the estimated revenue loss from the tax credit was reduced by the projected increase in taxpayers' taxable income when the deduction for the exam tables are no longer taken.

SOURCES OF DATA: U.S Census Bureau's Economic Census

TECHNICAL CONSIDERATIONS: None

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