

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE, No. 739**  
**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

DATED: NOVEMBER 7, 2022

**SUMMARY**

**Synopsis:** Provides gross income tax credit to certain taxpayers who pay for certain in-home services through health care service firm.

**Type of Impact:** Annual State revenue loss to the Property Tax Relief Fund.

**Agencies Affected:** Department of the Treasury.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>FY 2024 &amp; Thereafter</u></b>
<b>State Revenue Loss</b>	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill will result in an indeterminate annual loss of gross income tax revenues deposited into the Property Tax Relief Fund. The OLS cannot quantify the extent of this State revenue loss, as it lacks the data upon which to make a reliable estimate.
- The State revenue loss will be driven by the total amount of unreimbursed costs paid by taxpayers for in-home services provided through a health care service firm. These costs will vary widely among taxpayers, depending on the duration for which in-home health care services are utilized, the amount of service costs paid by a taxpayer, and the amount of costs that are not reimbursed to the taxpayer by their health insurance provider.
- According to a survey of the cost of long-term care conducted by Genworth Financial, the annual median cost of a home health aide in New Jersey in 2021 was about \$70,000. This cost had increased by about five percent annually from 2015 through 2021.

**BILL DESCRIPTION**

This bill provides a refundable gross income tax credit to a taxpayer who has gross income of less than \$150,000 for the taxable year and who pays a health care service firm to have an individual employed, placed or arranged at the residence of the taxpayer to provide in-home

companion services, health care services, or personal care services. This credit is only available to those taxpayers who are permanently and totally disabled or who are age 65 or older.

In calculating the credit amount, the credit is limited to 20 percent of relevant expenses incurred by the taxpayer during the taxable year. Expenses that have been reimbursed or paid by an insurance company are to be excluded and cannot be claimed.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS concludes that this bill will result in an indeterminate annual loss of gross income tax revenues deposited into the Property Tax Relief Fund beginning in Fiscal Year 2024. There will be no revenue loss prior to Fiscal Year 2024 because the bill allows taxpayers to deduct from gross income certain unreimbursed home health services costs beginning on or after January 1 next following the date of enactment. If the bill is enacted in calendar year 2022, the deduction will first be available for home health expenses incurred, but not reimbursed, in calendar year 2023. Calendar year 2023 tax returns, in turn, will be due in April 2024, or in Fiscal Year 2024.

The bill allows two groups of taxpayers with gross incomes less than \$150,000 to claim a tax credit: taxpayers under age 65 who are totally and permanently disabled and taxpayers over age 65. According to the New Jersey Statistics of Income for Tax Year 2017 (the most recent year for which information are available) approximately 23,300 taxpayers under age 65 with a gross income less than \$150,000 claimed the exemption for blind and disabled taxpayers. An additional 663,600 tax returns with at least one filer over age 65 reported gross income less \$150,000. In total, about 687,000 taxpayers may be eligible to claim a credit. The OLS notes that the actual number of taxpayers who claim a credit is likely to be much smaller because not all taxpayers will pay for in-home services through a health care service firm and those that do pay for such services may receive reimbursement from their health insurance provider for all or a portion of the costs they incur.

Data compiled by the U.S. Department of Health and Human Services and reported in the study Long-term Care Providers and Services Users in the United States, 2015-2016, indicates that 118,800 people living in New Jersey used a home health agency (which is similar to a health care service firm) in 2015. These data are based on the number of home health patients for whom a Medicare-certified home health care agency submitted a claim at any time in calendar year 2015. According to a survey of the cost of long-term care conducted by Genworth Financial, an insurance firm, the annual median cost of a home health aide in New Jersey in 2021, based on services provided 44 hours per week for 52 weeks, was about \$70,000. The median hourly cost for care provided by a home health aide was about \$30.

The total amount of the State revenue loss, or credits provided to taxpayers, will be driven by the degree to which an eligible taxpayer uses in-home services through a health care service firm and the amount of costs that are paid by a taxpayer but are not reimbursed by their health insurance provider. However, using the information reported by Genworth Financial, the OLS can provide an illustrative example of the amount of the tax credit that may be provided to a single taxpayer. Assuming that a taxpayer over age 65 who is a joint filer with gross income of \$150,000 claims \$2,000 in personal exemptions for themselves and their spouse, a \$1,000 exemption provided to

all taxpayers over age 65, and a property tax deduction of \$9,300 (the average residential property tax bill in calendar year 2021), they would have taxable income of \$137,700 and a New Jersey gross income tax liability of about \$4,800. Under the bill a taxpayer responsible for paying the full cost of in-home health care services (\$70,000) without reimbursement, they would be eligible to receive a credit for up to 20 percent of those unreimbursed costs (\$14,000). When their gross income tax liability of \$4,800 is applied against the credit, the total amount returned to the taxpayer is \$9,200. The OLS notes that this may represent a high-end estimate because most public and private health insurance plans cover all or a portion of the costs of in-home health care services, thereby resulting in a lower amount that must be paid by a taxpayer and a lower amount that may be claimed as a tax credit.

*Section: Revenue, Finance, and Appropriations*  
*Analyst: Scott A. Brodsky*  
*Principal Fiscal Analyst*  
*Approved: Thomas Koenig*  
*Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).