78th LEGISLATIVE ASSEMBLY
HOUSE COMMITTEE ON VETERANS
AND EMERGENCY PREPAREDNESS
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To: Senator Mark Hass and Representative Phil Barnhart, Co-Chairs, Joint Committee on Tax Credits

From: Representative John Lively, Chair
House Committee on Veterans and Emergency Preparedness

Date: 26 March 2015

Subj: House Bill 2109 – Tricare for Heath Care Providers

The House Veterans and Emergency Preparedness Committee (HVEP) conducted a public hearing on HB 2109 on March 10th, 2015 and concluded that the tax credit should be permitted to expire, as it appears to have served its purpose while it was in effect. The measure was properly noticed and scheduled for hearing. No one appeared in support or opposition, and the Office of Rural Health reported receiving no complaints or inquiries about the tax credit since it discontinued certifications after 2011.

Below are responses to questions posed at appendix D, on page 101 of the Legislative Revenue Office's Research Report No. 2-15, *2016 Expiring Tax Credits* (RR 2-15):

• What is the public policy purpose of this credit? Is there an expected timeline for achieving this goal?

> According to RR 2-15, the public policy purpose appears to have been, to improve access to healthcare for rural veterans, by using the tax credit to encourage more civilian providers to accept TRICARE patients. HVEP did not discuss timelines.

• Who (groups of individuals, types of organizations or businesses) directly benefits from this credit? Does this credit target a specific group? If so, is it effectively reaching this group?

> According to RR 2-15: health care providers directly benefitted from this credit; health care providers were the specific group targeted by this tax credit;

and the number of providers increased over the four-year period the credit was available.

• What is expected to happen if this credit fully sunsets? Could adequate results be achieved with a scaled down version of the credit? What would be the effect of reducing the credit by 50%?

According to RR 2-15, this tax credit is no longer in effect. HVEP did not discuss a scaled-down version or a reduction.

• What background information on the effectiveness of this type of credit is available from other states?

HVEP did not discuss whether background information was available from other states.

• Is use of a tax credit an effective and efficient way to achieve this policy goal? What are the administrative and compliance costs associated with this credit? Would a direct appropriation achieve the goal of this credit more efficiently?

HVEP did not discuss whether this tax credit was effective or efficient; nor direct appropriations. According to RR 2-15, the revenue impact of the credit in 2011 (the last year it was in effect) was $1.5 million and administrative costs were borne by the Office of Rural Health and the Department of Revenue.

• What other incentives (including state or local subsides, federal tax expenditures or subsidies) are available that attempt to achieve a similar policy goal?

HVEP did not discuss alternative incentives.