

Department of Finance and Administration

Legislative Impact Statement

Bill: SB1159

As Engrossed: 4/18/2013

Bill Subtitle: TO REQUIRE PERSONS AND ENTITIES TO COMPLY WITH ARKANSAS TAX LAW IN ORDER TO QUALIFY AS MEDICAID PROVIDERS.

Basic Change :

Senator D. Sanders

The bill requires all Medicaid providers to file a state income tax return, state withholding tax return, pass-through entity withholding tax return, or a composite pass-through entity tax return and pay any tax due for the previous calendar year. On or before December 1 of each year, DHS will provide a list of Medicaid providers to DFA. DFA will verify if the providers are complying with their tax filing obligations and paying their tax liability with DFA. DFA will notify DHS of the results. DHS will notify the affected providers that their enrollment in the Medicaid program is terminated unless the provider shows why their enrollment should continue. DFA and DHS may adopt rules to implement this bill.

Revenue Impact :

None

Taxpayer Impact :

Medicaid providers may have their enrollment in the Medicaid program terminated if the providers fail to file appropriate tax returns with DFA and pay and liability due.

Resources Required :

Additional programming to automate the verification process

Time Required :

6 months after enactment.

Procedural Changes :

Employees will need to be trained on the verification process. Medicaid providers and tax community will need to be notified.

Other Comments :

None

Legal Analysis :

The H4/18/13 engrossment of SB1159 completely rewrites the bill. As amended, SB1159 adds a provision to the Arkansas Code requiring an "Affected Medicaid Entity" to comply with Arkansas income tax laws. The bill defines the term "Affected Medicaid Entity" as an individual or entity that provides and is directly reimbursed by Medicaid for services in the Arkansas Medicaid Program; is required to submit an annual financial audit to DHS; and is required to file a state income tax return, state withholding tax return, pass-through entity withholding tax return, or a composite pass-through entity tax return or pay any tax due for the previous calendar year.

On or before December 1 of each year, DHS is required to provide DFA with a list of the tax identification number of each Affected Medicaid Entity. DFA is then required to verify whether each person or entity identified in the DHS list has filed and paid any state income tax liability owed "for the tax year for which the return was due" and notify DHS as to any "Affected Medicaid Provider" who has not filed and paid income tax "for the previous calendar year." Upon receiving this notice from DFA, DHS will notify the delinquent "Affected Medicaid Provider" that DHS will terminate the Affected Medicaid Provider's enrollment in the Medicaid program unless the Affected Medicaid Provider shows

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good cause why the Affected Medicaid Provider's Medicaid enrollment should continue.

The bill authorizes DHS and DFA to adopt rules as needed to implement the bill's provisions.

The term "Affected Medicaid Provider" is not defined in the bill. It is unclear whether the terms "Affected Medicaid Provider" and "Affected Medicaid Entity" (which is defined in the bill) are intended to be synonymous. Also, it is unclear whether the terms "for the tax year for which the return was due" and "for the previous calendar year" refer to the same tax year.