

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # -- 2530/1

INTRODUCTION # SB 218

Admin. Rule #

Subject

Individual Income Tax Deduction for Certain Health Insurance Premiums

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

Increase Costs - May be Possible to Absorb Within Agency's Budget Yes No

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

Under current law, self-employed persons may deduct 100% of their health insurance premiums, and persons who are employed by another person may deduct 50% of their premiums if their employer does not contribute to their health insurance coverage. This bill would increase the deduction to 100% of premiums for employed persons whose employer does not contribute to their health insurance. It would also create a deduction for 100% of health insurance premiums for persons who are not employed and who are not eligible for the deduction for the self-employed. Both changes would take effect in tax year 2000.

Simulations on the 1997 Wisconsin individual income tax model, adjusted to reflect changes in tax law, indicate that this bill would reduce individual income tax revenues by \$4.1 million in FY01.

Doubling the existing deduction for persons whose employer does not contribute to their health insurance would reduce revenues by \$0.9 million.

Creating a deduction for persons who are not employed and who are not eligible for the deduction for the self-employed would reduce revenues by \$3.2 million. The simulation assumed that 9.5% of tax filers without earnings would be eligible for the deduction, based on information from the Employee Benefits Research Institute that 9.5% of all adult nonworkers are covered by private, nonemployer health plans. Further, annual premiums were assumed to be \$6,000 for family plans and \$2,200 for single coverage, based on information in the Group Health Insurance Index for 1999 compiled by the Office of the Commissioner of Insurance.

The Department of Revenue would incur additional costs of \$40,800 for audit review of the new deduction. There would also be one-time costs of \$9,400 for supporting expenses.

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)

Wisconsin Department of Revenue

Dennis Collier, (608) 266-5773

Authorized Signature/Telephone No.

Yeang-Eng Braun

(608) 266-2700

Yeang Eng Braun

Date

10/6/99

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # - 2530/1

Admin. Rule #

INTRODUCTION # SB 218

Subject
Individual Income Tax Deduction for Certain Health Insurance Premiums

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

One-time costs of \$9,400

| II. Annualized Costs: | Annualized Fiscal impact on State funds from: | |
|---|---|---------------------------------|
| A. State Costs by Category | Increased Costs | Decreased Costs |
| State Operations - Salaries and Fringe | \$ | \$ - |
| (FTE Position Changes) | (FTE) | (- FTE) |
| State Operations-Other Costs | | - |
| Local Assistance | | - |
| Aids to Individuals or Organizations | | - |
| TOTAL State Costs by Category | \$ | \$ - |
| B. State Costs by Source of Funds | Increased Costs | Decreased Costs |
| GPR | \$ | \$ - |
| FED | | - |
| PRO/PRS | | - |
| SEG/SEG-S | | - |
| III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.) | Increased Rev. | Decreased Rev. |
| GPR Taxes | \$ | FY01 \$ - 4.1 million |
| GPR Earned | | - |
| FED | | - |
| PRO/PRS | | - |
| SEG/SEG-S | | - |
| TOTAL State Revenues | \$ | FY01 \$ - 4.1 million |

NET ANNUALIZED FISCAL IMPACT

| | <u>STATE</u> | <u>LOCAL</u> |
|------------------------|--------------------|--------------|
| NET CHANGE IN COSTS | \$ _____ | \$ _____ |
| NET CHANGE IN REVENUES | \$ - \$4.1 million | \$ _____ |

| Agency/Prepared by: (Name & Phone No.) | Authorized Signature/Telephone No. | Date |
|---|---|---------|
| Wisconsin Department of Revenue Dennis Collier, (608) 266-5773 | Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700 | 10/6/99 |