

### Fiscal Estimate - 2003 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number 03-1072/1</b>		<b>Introduction Number AB-290</b>	
<b>Subject</b> Individual income tax deduction for medical insurance premiums			
<b>Fiscal Effect</b>			
<b>State:</b>			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
<b>Local:</b>			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		<b>Affected Ch. 20 Appropriations</b>	
<b>Fund Sources Affected</b>			
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.566(1)(a)			
<b>Agency/Prepared By</b> DOR/ Karyn Kriz (608) 261-8984		<b>Authorized Signature</b> Dennis Collier (608) 266-5773	
		<b>Date</b> 4/10/2003	

## Fiscal Estimate Narratives

DOR 4/23/2003

LRB Number	03-1072/1	Introduction Number	AB-290	Estimate Type	Original
<b>Subject</b>					
Individual income tax deduction for medical insurance premiums					

### Assumptions Used in Arriving at Fiscal Estimate

This bill would expand the individual income tax deduction for medical care insurance premiums paid by an employee whose employer does not contribute toward the cost of the insurance from 50% to 100% of the premiums. The bill also would create an individual income tax deduction for 100% of medical care insurance premiums paid by an individual who is not self-employed and has no employer.

Based on a simulation on the 2001 Individual Income Tax model, adjusted to reflect current law, the expansion of the individual income tax deduction from 50% to 100% of medical care insurance premiums paid by an employee whose employer does not contribute toward the cost of the insurance reduces state tax revenues by \$1.2 million.

According to the Employee Benefits Research Institute, 7.8% of non-working adults had private non-employment-based health insurance coverage in 2001. According to the Kaiser Family Foundation, 2001 family and single health insurance coverage premiums in Wisconsin, adjusted for the change in medical care spending from 2000-2001, were about \$7,000 and \$3,000, respectively.

This estimate assumes 7.8% of tax filers without earnings pay \$7,000 for family health insurance coverage or \$3,000 for single health insurance coverage and are eligible for the deduction of 100% of these premiums. Based on a simulation on the 2001 Individual Income Tax model, adjusted to reflect current law, the creation of an individual income tax deduction for 100% of health insurance premiums paid by non-working individuals would decrease state tax revenues by \$2.3 million.

Thus, the total revenue loss in 2001 would have been \$3.5 million (\$1.2 million + \$2.3 million). Adjusting for the change in the medical care CPI from 2001 to 2003, this bill would decrease state revenues by \$3.75 million.

The Department of Revenue would incur annual costs of \$85,166 for postage, training, and salaries and fringe benefits for limited-term employees, 0.7 full-time auditing employees and 0.25 full-time programming employees. The department would also incur one-time costs of \$18,360 for employee salaries in the programming department.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>03-1072/1</b>		Introduction Number <b>AB-290</b>	
<b>Subject</b>			
Individual income tax deduction for medical insurance premiums			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
+\$18,360 for employee salaries in the programming department.			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$53,771	
(FTE Position Changes)		(1.0 FTE)	
State Operations - Other Costs		31,395	
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$85,166</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR		85,166	
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-3,750,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$-3,750,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$85,166	\$
NET CHANGE IN REVENUE		\$-3,750,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Karyn Kriz (608) 261-8984		Dennis Collier (608) 266-5773	4/10/2003