

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-2800/1	Introduction Number AB-816	
Description Tax-exempt accounts for health care expenditures for an individual's parents		
Fiscal Effect		
<p>State:</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around; font-size: small;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div>		
<p>Local:</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs <div style="display: flex; justify-content: space-between; font-size: small;"> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> 2. <input type="checkbox"/> Decrease Costs <div style="display: flex; justify-content: space-between; font-size: small;"> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> </div> <div style="width: 30%;"> 3. <input type="checkbox"/> Increase Revenue <div style="display: flex; justify-content: space-between; font-size: small;"> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> 4. <input type="checkbox"/> Decrease Revenue <div style="display: flex; justify-content: space-between; font-size: small;"> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> </div> <div style="width: 30%;"> 5. Types of Local Government Units Affected <div style="display: flex; justify-content: space-between; font-size: small;"> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts </div> </div> </div>		
Fund Sources Affected		
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Affected Ch. 20 Appropriations		
Agency/Prepared By DHFS/ Curtis Cunningham (608) 266-5362	Authorized Signature Andy Forsaith (608) 266-7684	Date 12/23/2005

Fiscal Estimate Narratives

DHFS 12/28/2005

LRB Number	05-2800/1	Introduction Number	AB-816	Estimate Type	Original
Description Tax-exempt accounts for health care expenditures for an individual's parents					

Assumptions Used in Arriving at Fiscal Estimate

Assembly Bill 816 allows an adult child of a parent to establish an account for his/her parent to pay for health care expenses of the parent. For the purpose of determining Wisconsin taxable income, each year the sponsor of the account can deduct from his or her federal adjusted gross income an amount up to \$2,000 per beneficiary, and up to a total of \$4,000 annually for deposits to the account. All gains are also exempt from state taxes if the gains are re-deposited into the account. The accounts may be established at financial institutions. If a beneficiary incurs costs for health care services, the bill or receipt may be submitted to the managing financial institution that will either pay the bill or reimburse the payee. If the funds deposited in the account are used for a non medical expense, the sponsor or beneficiary must pay a penalty equal to 10% of any accumulated interest dividends or other gains. Upon death the account terminates and any amount left in the account becomes taxable and passes to the sponsor or to the estate of the beneficiary if the sponsor is not alive.

The fiscal impact of Assembly Bill 816 on the Department of Health and Family Services is indeterminate. These accounts would not be considered as an asset for Medicaid eligibility determination. However, depending on how the funds are utilized, in limited situations the funds could be considered income, which could affect cost sharing requirements for individuals determined eligible for Medicaid.

There would not be a strong incentive for individuals to establish these accounts for persons already enrolled in Medicaid since Medicaid provides comprehensive coverage. However, there may be an indirect effect on Medicaid if the existence of these accounts helps to expand access to health care for persons who would eventually become eligible for Medicaid as their health care costs increase. By improving access to health care, these accounts may help to improve health outcomes for the individual and delay the date that he or she applies for Medicaid. In addition, if an individual with one of these accounts becomes eligible for Medicaid and has not exhausted the balance in the account, the funds could be counted as a source for third party liability purposes. However, adequate data does not exist to estimate these impacts.

Long-Range Fiscal Implications