

Fiscal Estimate Narratives
DOR 2/10/2005

LRB Number	05-0424/1	Introduction Number	SB-37	Estimate Type	Original
Subject					
Individual income tax deduction for amounts spent on 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 2003 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, 8.3% of non-working adults had private non-employment-based health insurance coverage in 2003. According to the Kaiser Family Foundation, the average 2002 family and single health insurance coverage premiums were \$8,717 and \$3,500 respectively. Adjusting for the change in health insurance costs from 2002 to 2003 as estimated by the U.S. Department of Labor, Bureau of Labor Statistics, 2003 health insurance premiums for family and single coverage are estimated to be \$9,600 and \$4,000, respectively.

It is assumed that 8.3% of tax filers without earnings pay \$9,600 for family health insurance coverage or \$4,000 for single health insurance coverage and are eligible for the deduction of 100% of these premiums. Based on a simulation on the 2003 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 \$3.9 million.

Thus, the total revenue loss in 2003 would have been \$5.1 million (\$1.2 million + \$3.9 million). Adjusting for the change in health insurance costs from 2003 to 2005, as estimated by the U.S. Department of Labor, Bureau of Labor Statistics and Global Insight, this bill would decrease state revenues by \$5.9 million in FY06.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
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	\$	\$-5,900,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-5,900,000
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-5,900,000	\$
Agency/Prepared By	Authorized Signature	Date
DOR/ Kirstin Nelson (608) 261-8984	Rebecca Boldt (608) 266-6785	2/9/2005