



## Fiscal Estimate Narratives

DOR 3/20/2007

LRB Number	<b>07-1605/1</b>	Introduction Number	<b>SB-087</b>	Estimate Type	<b>Original</b>
<b>Description</b> Creating an individual income tax subtract modification for medical care insurance costs paid by certain individuals who are employed by other persons					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates an individual income tax deduction equal to the amount paid by a claimant for medical care insurance premiums for a policy that covers the claimant, the claimant's spouse, and the claimant's dependents. To be eligible for the deduction, the claimant must be the employee of another person and the claimant's employer must pay part, but not all, of the cost of the claimant's medical care insurance.

Based on a comprehensive medical care insurance premium deduction in Iowa, adjusted for population size, adjusted for inflation, and adjusted to represent employees whose employers pay part of the cost of the claimant's medical care insurance, it is estimated that the employee share of medical care insurance that will be claimed is \$1.82 billion in tax year 2007. The tax year 2007 deduction is estimated to reduce revenue by \$109 million in fiscal year 2008 and the tax year 2008 deduction is estimated to reduce revenue by \$118 million in fiscal year 2009.

Some taxpayers may adjust their withholding to take into account the anticipated decrease in their tax liability. The extent to which they will do this is unknown, but if all taxpayers do so, the fiscal year 2008 revenue loss could be as high as \$163 million. The extra revenue loss would be temporary; the fiscal year 2009 revenue loss under this scenario is estimated to be \$122 million.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Creating an individual income tax subtract modification for medical care insurance costs paid by certain individuals who are employed by other persons			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<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		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
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		\$	\$-109,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$-109,000,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-109,000,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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