

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB #	99-4066/1
INTRODUCTION #	AB 798
Admin. Rule #	

Subject
 Create Deduction for Medical Insurance for Persons Without Insurance Provided in Full by Employer

Fiscal Effect

- State: No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation
- | | | |
|--|--|--|
| <input type="checkbox"/> Increase Existing Appropriation | <input type="checkbox"/> Increase Existing Revenues | <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 Existing Appropriation | <input checked="" type="checkbox"/> Decrease Existing Revenues | |
| <input type="checkbox"/> Create New Appropriation | <input type="checkbox"/> Decrease Costs | |

Local: No Local Government Costs

- | | | |
|--|---|--|
| 1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Governmental Units Affected:
<input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities
<input type="checkbox"/> Counties <input type="checkbox"/> Others _____
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| 2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 4. <input type="checkbox"/> Decrease Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | |

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 provide a deduction for 100% of premiums for employed persons whose employer either does not contribute or contributes less than the entire amount of 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. These changes would take effect in tax year 2000.

Simulations on the 1997 Wisconsin Individual Income Tax Model indicate that this bill would reduce individual income tax revenues by a total of \$125.5 million:

1. Doubling the existing deduction from 50% to 100% of premiums for persons whose employer does not contribute to their health insurance would reduce revenues by \$0.8 million.
2. Allowing a 100% deduction for persons who are employed but whose employer contributes less than the full amount of their health insurance would reduce revenues by \$120.8 million. The estimate assumed that, of filers with earnings, 55% of single tax filers and 75% of married and head of household filers would be eligible for the deduction. These percentages are based on U.S. Bureau of Labor Statistics information compiled by the Employee Benefits Research Institute (EBRI) that 55% of all adult workers in single coverage plans and 75% of all adult workers in family plans are required to make contributions toward the cost of their premiums. Based on the information compiled by EBRI, annual contributions were assumed to be \$450 for single coverage plans and \$1,850 for family plans.

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Meredith Krejny, (608) 261-8984	Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	3/28/00

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3. 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 \$3.9 million. The estimate assumed that 9.5% of tax filers without earnings would be eligible for the deduction, based on information from EBRI 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 plans, based on information in the Group Health Insurance Index for 1999 compiled by the Office of the Commissioner of Insurance.

YTB 3/28/00

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

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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 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	\$	\$ - 125,500,000
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ - 125,500,000

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ -125,500,000	\$ _____

Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue Meredith Krejny, (608) 261-8984	Authorized Signature/Telephone No. Yeang-Eng Braun <i>Yeang Eng Braun</i> (608) 266-2700	Date 3/28/00
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