

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

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Increase Costs - May be Possible to Absorb Within Agency's Budget Yes No

Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.566 (1)(a)

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
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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.

The Department would incur one-time administrative costs of \$67,100 in tax year 2000 and \$47,000 in tax year 2001 for modification of computer systems and equipment, as well as on-going costs of \$247,100 for additional data collection, audit correspondence, and adjustment activity.

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):

Administrative costs of \$67,100 in FY01 and \$47,000 in FY02.

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$ 210,900	\$ -
(FTE Position Changes)	(5.0 FTE)	(- FTE)
State Operations-Other Costs	36,200	-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 247,100	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 247,100	\$ -
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	\$ +247,100	\$
NET CHANGE IN REVENUES	\$ -125,500,000	\$

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
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