

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
- CORRECTED SUPPLEMENTAL

LRB # 99-4847/1
INTRODUCTION # AB 942
Admin. Rule #

Subject

Change Applicability Date for Individual Income Tax Deduction for Medical Insurance for Persons with No Employer-Provided Insurance

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 type="checkbox"/> Decrease Existing Appropriation <input type="checkbox"/> Decrease Existing Revenues
<input type="checkbox"/> Create New Appropriation | <input type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No

<input type="checkbox"/> Decrease Costs |
|---|--|

Local: No Local Government Costs

- | | | |
|--|--|--|
| 1. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory

2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenues
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory

4. <input type="checkbox"/> Decrease 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 |
|--|--|--|

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

This bill changes the effective date of AB 456, which created an individual income tax deduction for certain health insurance premiums.

There are no costs associated with this bill other than to delay the costs associated with AB 456 from being incurred in FY01 to FY02. The revenue loss from AB 456 as introduced reduced revenue by \$4.1 million. However, an amendment to AB 456 substantially increases the cost of that bill.

Approximately 1,030,000 employees in Wisconsin with employer-sponsored medical insurance are required to contribute to the cost of their premiums. Average annual premiums range from \$2,000 for single coverage and \$5,600 for family plans, for an average of \$3,800. Assuming that 10% of employees are required to pay 75% or more of the cost of their health insurance, and that these employees pay, on average, 85% of the premiums (\$3,200), and assuming an effective marginal tax rate of 6%, allowing a deduction for persons whose employer either does not contribute or contributes not more than 25% of the cost of their health insurance would reduce individual income tax revenues by \$19.8 million (103,000 x 3,200 x 0.06). This would increase the revenue loss of the bill to \$23.9 million.

An estimate of administrative costs is not yet available.

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue	Yeang-Eng Braun <i>Yeang-Eng Braun</i>	3/29/00
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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	\$ Not available	\$ -
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	\$	\$ - 23.9 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ -23.9 million

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ Not available	\$
NET CHANGE IN REVENUES	\$ - 23.9 million	\$

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	3/29/00