

**FISCAL ESTIMATE FORM**

**2001 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB # 01-1530/1
INTRODUCTION # AB 51
Admin. Rule #

**Subject**  
**Individual Income Tax Deduction for Certain Health Insurance Premiums**

**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	

<b>Fund Sources Affected</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	<b>Affected Ch. 20 Appropriations</b> 20.566 (1)(a)
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**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 does not contribute to their health insurance. It would also create a deduction for 100% of the health insurance premiums for persons who are not employed and who are not eligible for the deduction for the self-employed.

Simulations on the 1999 Wisconsin Individual Income Tax Model, adjusted to reflect current law, indicate that this bill would reduce individual income tax revenues by a total of \$3.9 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. Creating a 100% deduction for persons who are not employed and who are not eligible for the deduction for the self-employed would reduce revenues by \$3.1 million. The estimate assumed that 9.1% of tax filers without earnings would be eligible for the deduction, based on information from the Employee Benefits Research Institute (EBRI) that 9.1% of all adult nonworkers are covered by private, nonemployer health plans. Further, annual premiums were assumed to be \$8,000 for family plans and \$3,000 for single coverage plans, based on information in the Group Health Insurance Index for July 1, 2000, compiled by the Wisconsin Office of the Commissioner of Insurance.

The Department would incur one-time administrative costs of \$40,300 in FY02 and \$9,400 in FY03 for modification of computer systems, data collection, and supporting expenses. The Department will also incur on-going costs of \$87,600 for additional data collection and supporting expenses, and for audit correspondence and adjustment activity.

**Long-Range Fiscal Implications:**

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**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

**2001 Session**

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**INTRODUCTION # AB 51**

**Subject**

Individual Income Tax Deduction for Certain Health Insurance Premiums

**I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

+\$40,300 GPR-Exp in FY02 and +\$9,400 GPR-Exp in FY03

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)	\$ 52,900 (0.95 FTE)	\$ - (- FTE)
State Operations-Other Costs	34,700	-
Local Assistance		-
Aids to Individuals or Organizations		-
<b>TOTAL State Costs by Category</b>	<b>\$ 87,600</b>	<b>\$ -</b>
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 87,600	\$ -
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	\$	\$ - 3.9 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ - 3.9 million</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ + 87,600	\$
NET CHANGE IN REVENUES	\$ - 3.9 million	\$

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