## Fiscal Estimate - 2007 Session

X	Original		Updated		Correcte	d		Supple	emental
LRB	Number	07-1627/1		Intro	duction	Number	S	B-018	
<b>Description</b> Creating a nonrefundable individual income tax credit for certain amounts relating to health savings accounts that may be deducted from, or are exempt from, federal income taxes									
Fiscal	Effect						······································		
	No State Fisc ndeterminate Increase E Appropriat Decrease Appropriat Create Ne	Existing cions Existing	☐ Increase E Revenues ☑ Decrease I Revenues		L===	Increase ( to absorb \ \ \ \	within 'es	agency	
	Indeterminate  1.  Increase Permiss  2.  Decrease	e Costs ive  Mandato	3.  Increase R  ory Permissive  4. Decrease F	e∏Mar Revenue	ndatory e	Types of Lo Governmen Towns Countin School District	nt Unit	ts Affect Village Others WTCS District	Cities
Fund Sources Affected  Affected Ch. 20 Appropriations  GPR FED PRO PRS SEG SEGS									
Agenc	y/Prepared I	Зу	Autho	orized S	Signature				Date
DOR/ Bradley Caruth (608) 261-8984 Reber				cca Boldt (608) 266-6785 2/13/2007					

## Fiscal Estimate Narratives DOR 2/14/2007

LRB Number <b>07-1627/1</b>	Introduction Number SB-018	Estimate Type Original					
Description Creating a nonrefundable individual income tax credit for certain amounts relating to health savings accounts that may be deducted from, or are exempt from, federal income taxes							

## **Assumptions Used in Arriving at Fiscal Estimate**

Under current federal law, individuals are allowed a deduction from federal gross income for amounts contributed during the taxable year to a health savings account (HSA). Earnings on the accounts are also tax-deductible, and account funds may be withdrawn tax-free when used to pay for routine and preventive medical care. Wisconsin has not adopted the federal treatment of HSAs.

This bill would allow a nonrefundable state income tax credit equal to 6.5% of the allowable amount that individuals claim as a federal tax deduction for a contribution to an HSA, 6.5% of the federal tax-exempt earnings relating to an HSA, or both. The amount of the credit allowed for part-year residents and nonresidents is calculated by multiplying the amount of the credit for which the claimant is eligible by the ratio of the individual's Wisconsin adjusted gross income to federal adjusted gross income.

The amount of the federal deduction taken by Wisconsin tax filers is calculated based on the Joint Committee on Taxation's estimate of the federal fiscal impact of the federal treatment of HSAs and Department of Revenue data. It is estimated that the revenue loss associated with this bill for fiscal year 2008 is \$8.4 million. The estimated loss increases to \$13.1 million in fiscal year 2009 and \$17.6 million in fiscal year 2010.

**Long-Range Fiscal Implications** 

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

	Original		Updated			Corrected		Supplemental		
LRB	Number	07-1627	/1		Intro	duction Nu	ımber	SB-018		
Creati	<b>ription</b> ing a nonrefur ınts that may l	ndable individ be deducted f	lual income t from, or are (	ax cre	edit for c	ertain amoun federal incom	ts relating e taxes	to health savings		
I. One annua	e-time Costs alized fiscal e	or Revenue I effect):	Impacts for	State	and/or	Local Gover	nment (de	o not include in		
II. Anr	nualized Cos	its:				Annualized I	Fiscal Imp	oact on funds from:		
						Increased Cos	sts	Decreased Costs		
<del></del>	ate Costs by									
		- Salaries an	d Fringes		\$					
	E Position Ch									
	· · · · · · · · · · · · · · · · · · ·	- Other Costs	S							
Loc	al Assistance									
Aids	s to Individual	ls or Organiza	ations							
<u> </u>	OTAL State	Costs by Cat	tegory				\$	\$		
B. Sta	te Costs by	Source of Fu	ınds							
GPF	ন									
FED	)									
PRO	O/PRS									
SEC	G/SEG-S									
III. Sta reven	ite Revenues ues (e.g., tax	s - Complete increase, de	this only whecrease in li	nen p cens	roposal e fee, et	will increases.)	e or decre	ease state		
						Increased R	ev	Decreased Rev		
GPF	R Taxes				\$ \$-13, <sup>-</sup>			\$-13,100,000		
GPF	R Earned									
FEC	)									
PRO	D/PRS									
SEG	G/SEG-S									
T	OTAL State I						\$	\$-13,100,000		
	NET ANNUALIZED FISCAL IMPACT									
					Sta	ite	Local			
	NET CHANGE IN COSTS						\$	\$		
NET CHANGE IN REVENUE					\$-13,100,00	00	\$			
					A - i make a sala marana					
Agency/Prepared By Au				Auth	orized S	Date				
DOR/ Bradley Caruth (608) 261-8984 Re				Rebe	ecca Bol	2/13/2007				