

Fiscal Estimate Narratives

DOR 2/14/2007

LRB Number	07-1627/1	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 Earnings on the accounts are also tax-deductible, and account funds may be withdrawn tax-free when used to pay for routine and preventive medical care.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		Introduction Number SB-018	
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			
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 funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
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	\$		\$-13,100,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-13,100,000
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-13,100,000		\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984		Rebecca Boldt (608) 266-6785	2/13/2007