## Fiscal Estimate - 2011 Session

| ×   | Original   |                              | Updated                     |                           | Corrected   |   | Supple   | mental  |
|---|--|------------------------------|-----------------------------|---------------------------|-------------|---|----------|---------|
| LRB   | Number   | 11-0832/2                    |                             | Introd                    | duction Num | nber A  | B-000    | 2 (JR1) |
| 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   |  |                              |                             |                           |             |   |          |         |
| Fiscal  | Effect   |                              |                             |                           |             |   |          |         |
|   | No State Fiscandeterminate Increase E Appropriati Decrease I Appropriati Create Ne | ixisting<br>ions<br>Existing | Revenu<br>Decreas<br>Revenu | se Existing               | to at       | ease Costs<br>osorb within<br>Yes<br>rease Cost | n agency |         |
| Local:  No Local Government Costs Indeterminate  1. Increase Costs Permissive Mandatory  2. Decrease Costs Permissive Mandatory Permissive Mandatory Permissive Mandatory Permissive Mandatory Decrease Revenue Permissive Mandatory Districts  5. Types of Local Government Units Affected Towns Village Cities Counties Others Districts  Districts |  |                              |                             |                           |             |   |          |         |
| Fund Sources Affected Affected Ch. 20 Appropriations  |  |                              |                             |                           |             |   |          |         |
| <b>⊠</b> GF   | PR  FED  | PRO [                        | ] PRS   SE                  | G 🔲 SE                    | GS          |   |          |         |
| Agenc   | y/Prepared E   | Зу                           | Au                          | ıthorized (               | Signature   |   |          | Date    |
| DOR/ Bradley Caruth (608) 261-8984 Rebe   |  |                              | ebecca Bol                  | ecca Boldt (608) 266-6785 |             |   |          |         |

# Fiscal Estimate Narratives DOR 1/11/2011

| LRB Number   | 11-0832/2 | Introduction Number (JR1) | AB-0002 | 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 health savings accounts (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 creates a nonrefundable individual income tax credit equal to 6.5% of the amount that the individual claims as a federal tax deduction for a contribution to an HSA or 6.5% of the federal tax exempt earnings related to an HSA or both.

The fiscal effect of the bill can be calculated based on deductions claimed by Wisconsin residents on their federal income tax returns and the Federal Joint Committee on Taxation's (JCT) growth projections for the federal fiscal impact of HSAs. Using this methodology and an effective date of January 1, 2011, it is estimated that allowing a tax credit for amounts contributed to HSAs will decrease revenue by \$20.7 million in fiscal year 2012, \$27.3 million in fiscal year 2013, and \$29.0 million annually beginning in fiscal year 2014.

#### **Long-Range Fiscal Implications**

### Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

| ☑ Original                             |                                  | Updated                        |                             | Corrected                               |             | Supplemental       |  |  |  |
|--|----------------------------------|--------------------------------|-----------------------------|---|-------------|--------------------|--|--|--|
| LRB Number                             | 11-0832/                         | 2                              | Intro<br>(JR1               | duction Nur                             | nber .      | AB-0002            |  |  |  |
| <b>Description</b> Creating a nonrefu  | ndable individu                  | ual income ta<br>rom, or are e | ax credit for o             | ertain amounts                          | relating to | health savings     |  |  |  |
| I. One-time Costs<br>annualized fiscal | or Revenue l<br>effect):         | mpacts for                     | State and/or                | Local Govern                            | ment (do    | not include in     |  |  |  |
| II. Annualized Co                      | sts:                             |                                |                             | Annualized Fiscal Impact on funds from: |             |                    |  |  |  |
|  |                                  |                                |                             | Increased Costs                         | s           | Decreased Costs    |  |  |  |
| A. State Costs by                      | Category                         |                                |                             |   |             |                    |  |  |  |
| State Operations                       | s - Salaries and                 | d Fringes                      |                             | \$                                      | ;           | \$                 |  |  |  |
| (FTE Position C                        |                                  |                                |                             |   |             |                    |  |  |  |
| State Operations                       |                                  |                                |                             |   |             |                    |  |  |  |
| Local Assistance                       |                                  |                                |                             |   |             |                    |  |  |  |
| Aids to Individua                      |                                  |                                |                             |   |             |                    |  |  |  |
| <u> </u>                               | Costs by Cat                     |                                |                             | \$                                      | 5           | \$                 |  |  |  |
| B. State Costs by                      | Source of Fu                     | nds                            |                             |   |             |                    |  |  |  |
| GPR                                    |                                  |                                |                             |   |             |                    |  |  |  |
| FED                                    |                                  |                                |                             |   |             |                    |  |  |  |
| PRO/PRS                                |                                  |                                |                             |   |             |                    |  |  |  |
| SEG/SEG-S                              |                                  |                                |                             |   |             |                    |  |  |  |
| III. State Revenue revenues (e.g., ta  | s - Complete t<br>x increase, de | this only where                | nen proposa<br>cense fee, e | l will increase (<br>ts.)               | or decrea   | se state           |  |  |  |
|  |                                  |                                |                             | Increased Rev                           | /           | Decreased Rev      |  |  |  |
| GPR Taxes                              |                                  |                                |                             | \$                                      |             | \$                 |  |  |  |
| GPR Earned                             |                                  | -                              |                             |   |             |                    |  |  |  |
| FED                                    |                                  |                                |                             |   |             |                    |  |  |  |
| PRO/PRS                                |                                  |                                |                             |   |             |                    |  |  |  |
| SEG/SEG-S                              |                                  |                                |                             |   |             |                    |  |  |  |
| TOTAL State Revenues                   |                                  |                                |                             | \$                                      |             | \$                 |  |  |  |
|  | ١                                | IET ANNUA                      | LIZED FISC                  |   | <b>,</b>    |                    |  |  |  |
|  |                                  |                                |                             | State                                   | -           | <u>Local</u><br>\$ |  |  |  |
| NET CHANGE IN COSTS                    |                                  |                                |                             |   |             |                    |  |  |  |
| NET CHANGE IN I                        | HEVENUE                          |                                |                             | \$SeeTex                                | t           | \$                 |  |  |  |
| Agency/Prepared By Au                  |                                  |                                | Authorized                  | Signature                               |             | Date               |  |  |  |
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