

Fiscal Estimate - 2011 Session

Original Updated Corrected Supplemental

LRB Number 11-2979/1 **Introduction Number SB-203**

Description
Relating to: adopting federal law as it relates to excluding from an employee's income certain payments from an employer related to medical care

Fiscal Effect

State:

- No State Fiscal Effect
- Indeterminate
 - Increase Existing Appropriations
 - Decrease Existing Appropriations
 - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
 - Yes No
- Decrease Costs

Local:

- No Local Government Costs
- Indeterminate
 - 1. Increase Costs
 - Permissive Mandatory
 - 2. Decrease Costs
 - Permissive Mandatory
 - 3. Increase Revenue
 - Permissive Mandatory
 - 4. Decrease Revenue
 - Permissive Mandatory
- 5. Types of Local Government Units Affected
 - Towns Village Cities
 - Counties Others 0
 - School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

- GPR FED PRO PRS SEG SEGS

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Fiscal Estimate Narratives

DOR 10/10/2011

LRB Number	11-2979/1	Introduction Number	SB-203	Estimate Type	Original
Description Relating to: adopting federal law as it relates to excluding from an employee's income certain payments from an employer related to medical care					

Assumptions Used in Arriving at Fiscal Estimate

Under current Wisconsin law, insurers are required to offer coverage for children of an insured subscriber if the child meets the following criteria:

- unmarried;
- under 27 years old; and
- not eligible for group health care coverage offered by an employer and for which the premium contribution is no greater than the premium amount for his or her coverage as a dependent under his or her parent's policy or plan.

This bill adopts federal law as it relates to exempting from taxation certain payments made by an employer to an employee to reimburse the employee for costs he or she has paid for medical care for an adult child. The bill also applies for self-employed persons, members of Voluntary Employees' Beneficiary Associations, and retired employees. The bill first applies to taxable years beginning on January 1, 2011.

Based on data provided by the Wisconsin Office of the Commissioner of Insurance (OCI), the U.S. Department of Health and Human Services, and the U.S. Census Bureau, it is estimated that the share of health insurance benefits attributable to approximately 15,900 qualifying Wisconsin individuals will become exempt from state income tax when this provision becomes effective. Moreover, as a result of an actuarial study commissioned by OCI, it was estimated that the imputed share of those benefits is approximately \$1,747 per adult child per year. Applying the average marginal tax rate for wage earners with adult children, 6.56%, the bill is expected to reduce revenue by approximately \$1.8 million annually (15,900 x \$1,747 x 6.56%).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

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 Updated
 Corrected
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Description Relating to: adopting federal law as it relates to excluding from an employee's income certain payments from an employer related to medical care			
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	\$		\$-1,800,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-1,800,000
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-1,800,000		\$
Agency/Prepared By		Authorized Signature	Date
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