

## Fiscal Estimate - 2011 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>11-3114/1</b>	<b>Introduction Number</b> <b>SB-006 (SE1)</b>	
<b>Description</b> Adopting federal law as it relates to excluding from an employee's income certain payments from an employer related to medical care		
<b>Fiscal Effect</b>		
<b>State:</b>		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b>		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <u>0</u> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</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"/> SEGS		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984	John Koskinen (608) 267-8973	10/14/2011

## Fiscal Estimate Narratives

DOR 10/14/2011

LRB Number 11-3114/1	Introduction Number SB-006 (SE1)	Estimate Type Original
<b>Description</b> 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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<b>LRB Number</b> 11-3114/1		<b>Introduction Number</b> SB-006 (SE1)	
<b>Description</b> Adopting federal law as it relates to excluding from an employee's income certain payments from an employer related to medical care			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$	\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>	
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$-1,800,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-1,800,000</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-1,800,000	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984		John Koskinen (608) 267-8973	10/14/2011