

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2011

Legislative Fiscal Note

BILL NUMBER: Senate Bill 682 (First Edition)

SHORT TITLE: Tax Deduction for Sharing Health Care Costs.

SPONSOR(S): Senator Hunt

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
Revenues (\$Millions)					Cost estimated to be less than \$50,000 per year
PRINCIPAL DEPARTMENT AFFECTED: NC Department of Revenue					
EFFECTIVE DATE: Taxable years beginning on or after January 1, 2012					

BILL SUMMARY: Senate Bill 682 creates a tax deduction from individual income tax for 20% of the amount paid by a taxpayer to another individual for the other individual’s medical expenses, provided that the taxpayer made the payments as part of the taxpayer’s and recipient’s participation in a health care sharing organization. A “health care sharing organization” means a nonprofit organization exempt from taxation under section 501(c) of the Internal Revenue Code that acts as a clearinghouse by providing a health care cost-sharing arrangement for those members who have medical expenses and those members who share the burden of such expenses through their monetary contributions.

ASSUMPTIONS AND METHODOLOGY: The estimated cost for the tax deduction taken for payments for another individual’s medical expenses through a health care sharing organization is estimated to be less than \$50,000 per fiscal year. To calculate this amount, Fiscal Research reviewed data provided by the Alliance of Health Care Sharing Ministries regarding the three health care share organizations with members in North Carolina. This data included identifying the total number of members, and an estimate of the total payments made by the members in 2009 and 2010. From this data, Fiscal Research was able to estimate the fiscal impact by multiplying the average total payment amounts for 2009 and 2010 by the 20% deduction rate, and then applying the applicable tax rate. It is unknown what impact the tax deduction might have on the future growth of health care sharing organizations. Increases in membership would increase the amount of tax deductions taken, which would increase the cost of the tax expenditure.

SOURCES OF DATA: Alliance of Health Care Sharing Ministries

TECHNICAL CONSIDERATIONS: None

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