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6. The State Auditors Office assumes that 25% of employees who work for small businesses in Montana are employed less than 20 hours a week and will not qualify for health benefits.
7. The State Auditors Office assumes in FY02, 74% of small businesses will qualify under assumption 2 above. 25% of employers who qualify will purchase a small group health plan and take advantage of the tax credit. 80% of the employees will enroll in the newly offered health plans, the remaining 20% will decline coverage because they are covered under a spouse's plan or for other reasons. In FY03, 10% of small businesses will be new participants.
8. Expenses claimed as a credit under this bill can not also be deducted as business expenses. Most businesses with fewer than 10 employees are not incorporated, and their income will be reported for personal income tax rather than corporation tax. The average tax rate on taxable income is 6.25%. Thus, collections will be reduced by 93.75% of the amount of credits.
9. This bill is effective upon passage and approval. It is estimated that employees will not be enrolled for health care coverage until July 1, 2001.
10. Funding for this bill will be general fund.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$22,237	
Equipment	<u>1,034</u>	
TOTAL	\$23,271	
 <u>Funding:</u>		
General Fund (01)	\$23,271	
 <u>Revenues:</u>		
General Fund (01)	(1,807,790)	(3,796,360)
 <u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(1,807,790)	(3,796,360)

LONG-RANGE IMPACTS:

1. There will be a long-range impact to this bill. The cost will increase to approximately \$4.1 million in fiscal year 2004, \$4.6 million in fiscal year 2005, \$5.4 million in fiscal year 2006, and should be less in subsequent years due to the limitation of the allowed credit. New business enrollment numbers should be less than the initial numbers of qualified participants in future years.

TECHNICAL NOTES:

1. Section 1(2)(a) provides that employers are only eligible if they have not offered "health care benefits" in the last two years. This section should either define the term "health care benefits" or refer to a definition elsewhere in code. In addition, this section needs to specify whether, when a business is sold or reorganized, it is to be considered a new employer. If it is a new employer it would not have offered health care benefits in the last two years.
2. Administration of this credit would be easier if the bill required the commissioner of insurance to provide the department of revenue with qualifying group health plans numbers.

Fiscal Note Request, SB0316, Introduced

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