



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

**Bill #** HB0545

**Title:** Allow employer to fund total cost of qualifying employee's health insurance

**Primary Sponsor:** Reichner, Scott

**Status:** As Introduced

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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	(\$10,088)	(\$10,088)	(\$10,088)
State Special Revenue	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	\$0	(\$10,088)	(\$10,088)	(\$10,088)

**Description of fiscal impact:** HB 545 allows employers to pay all or a portion of qualified employees' disability insurance coverage if the employer does not offer group health insurance or the cost of the employer offered health insurance exceeds 9.5 percent of the employee's household income. The bill also excludes the employer-paid premium from adjusted gross income.

### FISCAL ANALYSIS

**Assumptions:**

1. Federal law treats employer-paid premiums for group health insurance and reimbursement of medical costs by an employer's self-insurance program as a nontaxable fringe benefit as long as the same benefits are available to all employees.
2. When an employer's health plan provides more benefits to a select group of highly compensated employees, such as company executives, major stock-holders, or the highest-paid employees, federal law requires these employees to count the difference between their benefits and the benefits available to all employees as taxable compensation. Montana law allows these select employees to count their extra health insurance benefits as non-taxable fringe benefits.

3. In addition to health care premiums in assumption 2, HB 545 would also allow certain taxpayers to subtract disability insurance premiums paid on their behalf from their federal adjusted gross income when calculating Montana adjusted gross income.
4. According to the department’s biennial report, the tax expenditure for health insurance premiums was \$50,440 in TY 2011.
5. For fiscal note purposes, disability insurance premiums are assumed to be 20% of the cost of health insurance premiums. Therefore, it is assumed that the annual fiscal impact to the general fund will be \$10,088 (\$50,440 \* 20%).
6. This legislation has an effective date of January 1, 2014, and it is assumed that the first fiscal year that will be effected by this legislation will be FY 2015.
7. There will be additional enforcement costs for the State Auditor’s Office (SAO), assuming the practice remains a violation of federal law. The SAO will need to advise insurers, producers and employers that if they attempt to take advantage of the Montana law, they may be in violation of federal law and face federal penalties. SAO may be required to respond to additional consumer complaints and conduct additional investigations in order to protect consumers. This impact is unknown.

	<u><b>FY 2014</b></u> <u><b>Difference</b></u>	<u><b>FY 2015</b></u> <u><b>Difference</b></u>	<u><b>FY 2016</b></u> <u><b>Difference</b></u>	<u><b>FY 2017</b></u> <u><b>Difference</b></u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	(\$10,088)	(\$10,088)	(\$10,088)
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>(\$10,088)</u>	<u>(\$10,088)</u>	<u>(\$10,088)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	(\$10,088)	(\$10,088)	(\$10,088)

**Technical Notes:**

1. If insurers, producers, or employers attempt to take advantage of HB 545, they may be in violation of federal law and may face federal penalties.

_____ <i>Sponsor’s Initials</i>	_____ <i>Date</i>	_____ <i>Budget Director’s Initials</i>	_____ <i>Date</i>
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