

## Fiscal Estimate - 2011 Session

Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> <b>11-2252/1</b>	<b>Introduction Number</b> <b>AB-0282</b>	
<b>Description</b> Relating to: tax-exempt accounts for health care expenditures for an individual's parents		
<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 <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</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>Affected Ch. 20 Appropriations</b>		
<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	11-2252/1	Introduction Number	AB-0282	Estimate Type	Original
<b>Description</b> Relating to: tax-exempt accounts for health care expenditures for an individual's parents					

### Assumptions Used in Arriving at Fiscal Estimate

This bill allows an individual to deduct up to \$2,000 per beneficiary in deposits to a parental assistance health care expense account established at a financial institution. Earnings on the account are not taxable if redeposited in the account and the account is used exclusively to pay health care expenses of a parent who is the beneficiary of the account.

If any amount withdrawn is used for any purpose other than for health care expenses of the beneficiary, the sponsor or beneficiary must pay a penalty equal to 10% of accumulated interest, dividends, or other gain that accrued from the time the account was opened. In addition, earnings that accrue to the account in the year in which an improper withdrawal occurs are taxable. Upon death of the beneficiary, any amount in the account that is returned to a sponsor, or which passes to the estate of the beneficiary, is taxable.

Limited data are available on the number of Wisconsin residents who provide financial support for their parents' health care expenses or the amount of that financial support, so the fiscal effect of this bill is not known. However, according to U.S. Census Bureau data there are approximately 739,000 Wisconsin residents who are 65 years old or more. According to a report on Growing Older in America produced by the U.S. Department of Health and Human Services, less than 10% of elderly individuals receive financial support from their children. As an illustration, if it is assumed that one fourth of the adult children currently providing financial support also set up parental assistance health care expense accounts and contribute \$2,000 each, the total deduction amount under the bill would be approximately \$37 million ( $739,000 \times 10\% \times 25\% \times \$2,000$ ). Applying an average marginal rate of 5.1%, the bill would reduce revenue by \$1.9 million annually. To the extent that the contributions to these accounts differ from the assumed value, the fiscal effect would also change.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 11-2252/1		<b>Introduction Number</b> AB-0282	
<b>Description</b> Relating to: tax-exempt accounts for health care expenditures for an individual's parents			
<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	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE		\$SeeText	\$
<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