



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 13, 2023

Honorable Shaw Blackmon
Chairman, House Ways and Means
133 State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
House Bill 284 (LC 52 0236)

Dear Chairman Blackmon:

The bill creates an income tax deduction for certain expenses paid by a member of a health care sharing organization, as defined by O.C.G.A. §33-1-20 (as amended by this bill), to the extent that the expenses were not already deducted in determining the member’s federal adjusted gross income. The new deduction would be effective for tax years beginning on or after January 1, 2024.

Impact on State Revenue

Georgia State University’s Fiscal Research Center (FRC) estimated that the bill would decrease state revenue as shown in Table 1. Given the effective date of tax year 2024, the fiscal impact will not be seen until FY 2025. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of HB 284 LC 52 0236

(\$ millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
High Estimate	-	(\$7.1)	(\$7.7)	(\$8.4)	(\$9.1)
Low Estimate	-	(\$4.3)	(\$4.6)	(\$5.0)	(\$5.5)

Impact on State Expenditures

The Department of Revenue would be able to implement the provisions of the bill with existing resources.

Respectfully,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt

Analysis by the Fiscal Research Center

HB 284 LC 52 0236 creates an income tax deduction for certain expenses paid by a member of a health care sharing organization (hereafter HCSO, also known as health care sharing ministries), as defined by the proposed amendments in Section 1 of the bill to O.C.G.A. §33-1-20. Such expenses shall only be deductible to the extent that they have not been deducted on the taxpayer's federal income tax return in determining the taxpayer's federal adjusted gross income for that taxable year. A health care sharing organization is a nonprofit organization that facilitates health care cost sharing among persons who share a common set of ethical or religious beliefs.

To estimate the revenue cost of this bill to the state, the following data from the Alliance of Health Care Sharing Ministries (AHCSM) and Centers for Medicare & Medicaid Services (CMS) were used:

- An estimated 43.8 thousand people were enrolled in such cost sharing programs in Georgia in 2021. Georgia membership grew by approximately 5.6 percent annually between 2016 and 2021. This rate of growth in memberships is assumed to continue through 2028.
- Average annual contributions vary across the health care sharing industry. Data on average contributions or member-to-member sharing costs from four large HCSO's have a range of \$1,275 annual contribution per member in 2022 for Samaritan Ministries to \$3,553 for Liberty Healthshare in 2021. The average for the four, weighted by membership, was \$2,410 per member in 2021. Given the wide range, we estimate high and low cases assuming annual sharing contributions averaging 25 percent above and below the 2021 per-member estimate or \$3,012 and \$1,807 respectively.
- CMS projects personal health care prices to grow by approximately 2.8 percent annually between 2021 and 2028. The estimates assume this rate of growth for high and low average annual contribution estimates.
- CMS data indicate that 1.7 percent of Georgians buying health insurance on Affordable Care Act (ACA) had incomes below the Federal Poverty Limit (FPL). 42.5 percent had income between 100 and 138 percent of FPL and the remainder had incomes higher than 150 percent of FPL. We assume the distribution of HCSO members by income level is similar to that of ACA marketplace plan purchasers because both groups presumably do not have access to employer-provided health insurance coverage.
- To realize tax savings from the deductibility of health care sharing costs, members must have Georgia taxable income before the deduction to offset with the new deduction. We assume that the small share of members with incomes below the FPL have no taxable income under current law, thus 1.7 percent of members realize no tax savings. For those above 139 percent of FPL – income above \$20,120 for individuals and \$41,400 for a 4-person household – we assume sufficient taxable income to utilize the entire amount of the contribution deduction. For those between 100 and 138 percent of FPL, we assume sufficient taxable income, on average, to utilize half of the deductible amount. Taken together across all groups, this is equivalent to assuming taxable income sufficient to utilize about 77 percent of deductible contributions to offset otherwise taxable income.
- For the resulting utilizable deduction amount, tax savings are calculated at the flat tax rate of 5.49 percent that will become effective January 1, 2024.

These data and assumptions together result in the membership, total contribution, and deductible contribution estimates in Table 2 below. High and low estimated tax savings for members are presented in Table 1, assuming that the effect on state tax collections is realized at the time of filing of returns.

Table 2. Estimated Deductible Contributions of HB 284 LC 52 0236

(\$ millions)	TY 2024	TY 2025	TY 2026	TY 2027	TY 2028
Membership	51,498	54,365	57,390	60,585	63,957
Contributions					
High	\$169	\$183	\$199	\$216	\$234
Low	\$101	\$110	\$119	\$129	\$140
Deductible Contributions					
High	\$130	\$141	\$153	\$166	\$180
Low	\$78	\$85	\$92	\$100	\$108