



DEPARTMENT OF AUDITS AND ACCOUNTS

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STATE AUDITOR
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December 12, 2016

Honorable Jason Spencer
Representative
501-D Coverdell Legislative Office Building
Atlanta, Georgia 30334

SUBJECT: Fiscal Note
House Bill (LC 43 0417ER)

Dear Representative Spencer:

The bill creates an income tax deduction for certain expenses paid by a member of a health care sharing ministry, provided the deduction has not been already included in federal adjusted gross income. The new deduction would be effective for tax years beginning on or after January 1, 2017.

As shown in Table 1, Georgia State University's Fiscal Research Center estimated that the state would lose between \$2.2 million and \$3.3 million in fiscal year 2018. The loss would be \$2.7 million to \$4.0 million in fiscal year 2022. Details of FRC's analysis are in the appendix.

Table 1. Estimated State Revenue Effects of LC 43 0417ER

<i>(\$ millions)</i>	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
High Estimate	(\$3.3)	(\$3.5)	(\$3.7)	(\$3.8)	(\$4.0)
Low Estimate	(\$2.2)	(\$2.3)	(\$2.4)	(\$2.6)	(\$2.7)

Research did not indicate that the bill would have an impact on state agency expenditures.

Sincerely,

Greg S. Griffin
State Auditor

Teresa A. MacCartney, Director
Office of Planning and Budget

Analysis by the Fiscal Research Center

LC 43 0417ER creates an income tax deduction for certain expenses paid by a member of a health care sharing ministry, as defined by O.C.G.A. §33-1-20, so long as the deduction has not already been deducted in calculation of federal adjusted gross income. A health care sharing ministry is a nonprofit organization that facilitates health care cost sharing among persons of similar and sincerely held beliefs. Members are exempt from the individual responsibility requirements of the Affordable Care Act.

To estimate the cost of this bill to the state, the following data from the Alliance of Health Care Sharing Ministries (AHCSM) were used:

- An estimated 625,000 people are currently enrolled in such cost sharing programs in the United States.
- One of the larger providers, Samaritan Ministries, based in Illinois, reports that about half of members fall below 200 percent of the federal poverty level.
- Monthly payment amounts vary based on income or ability to pay. Ranges reported for two of the larger participants are \$109-760 for Medi-share, based in Florida and serving 62,050 families as of January 2016, and \$355-405 for Samaritan, which serves 55,731 families as of the same date.

Health care sharing ministries are available in all 50 states, so the number of Georgian's participating is estimated based on Georgia's share of the US population in 2015, about 3.2 percent, resulting in estimated Georgia members of approximately 20,000.

Based on the information from AHCSM, half of Georgia's participants are assumed to have incomes below 200 percent of the poverty level and to have no state taxable income after other deductions and exemptions. Thus, they are assumed to be unable to benefit from the proposed deduction.

For the other, higher income half of Georgia members, the average monthly contribution is assumed to be \$466, which is 80 percent of the average of the Medi-share and Samaritan high contribution amounts. This generates annual contributions and tax deductions of roughly \$55.5 million for this group.

To estimate the high and low cost to the state, average effective tax rates of 6 percent and 4 percent respectively are assumed, yielding the values shown in Table 1 for FY 2018. The FY 2018 estimate is grown by the expected average growth rate for state income tax collections of 4.9 percent annually.