Statement of Estimated State Revenue Impact

Date: May 17, 2013

Bill Number: H. 3101

Authors: Chumley, Taylor, G.R. Smith, Huggins, Wells, Henderson, et al.

Committee Requesting Impact: Senate Finance

Bill Summary
TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, SO AS TO ENACT THE "SOUTH CAROLINA FREEDOM OF HEALTH CARE PROTECTION ACT" BY ADDING ARTICLE 21 TO CHAPTER 71, TITLE 38 SO AS TO RENDER NULL AND VOID CERTAIN UNCONSTITUTIONAL LAWS ENACTED BY THE CONGRESS OF THE UNITED STATES TAKING CONTROL OVER THE HEALTH INSURANCE INDUSTRY AND MANDATING THAT INDIVIDUALS PURCHASE HEALTH INSURANCE UNDER THREAT OF PENALTY; TO PROHIBIT CERTAIN INDIVIDUALS FROM ENFORCING OR ATTEMPTING TO ENFORCE SUCH UNCONSTITUTIONAL LAWS; AND TO ESTABLISH CRIMINAL PENALTIES AND CIVIL LIABILITY FOR VIOLATING THIS ARTICLE.

REVENUE IMPACT
This bill will reduce General Fund individual income taxes by $2,610,000 in FY 2014-15.

Explanation of Bill

Section 4 of this bill creates an income tax deduction to partially offset federal taxes paid pursuant to 26 U.S.C. Section 5000A of the Patient Protection and Affordable Care Act. This federal statute requires individuals and their dependents to acquire and maintain minimum essential health insurance coverage beginning in 2014. The federal tax for noncompliance with this statute is the greater of $95 per uninsured person or 1 percent of household income over the filing threshold. By 2016, the federal tax increases to the greater of $695 per uninsured person or 2.5 percent of household income over the filing threshold. The filing threshold is the adjusted gross income that requires the taxpayer to file a federal income tax return. The threshold amount varies depending on filing status and age. For tax year 2012, the filing threshold amounts ranged from $3,800 for married taxpayers filing separately to $21,800 for married taxpayers with both spouses aged 65 or older filing jointly. Beginning in 2017, the tax penalties for not obtaining health insurance coverage increase annually by the growth in inflation.

In a July 2012 report updated in February 2013, the Congressional Budget Office and the staff of the Joint Committee on Taxation estimate that the penalty payments by a projected fourteen million uninsured individuals will total $3 Billion in 2015. Census data report that South Carolina comprises 1.5% of the nation by population, suggesting that 210,000 South Carolina taxpayers with incomes above the tax return filing threshold will remit $45,000,000 of the tax. This $45,000,000 under the proposed language is a deduction from taxable
income for these South Carolina taxpayers. Multiplying this amount times an average tax rate of 5.8% results in an estimated $2,610,000 reduction General Fund individual income taxes in FY 2014-15.

The other Sections of the bill will have no revenue impact on the General Fund or other revenue.

[Signature]
Frank A. Rainwater  
Chief Economist

Analyst: Shuford

This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.