

HCS HB 1677 -- HEALTH INSURANCE PREMIUM DEDUCTION

SPONSOR: Sutherland (Ervin)

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 14 to 0.

This substitute authorizes a phased-in income tax deduction for health insurance premiums paid by the taxpayer for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents. For tax year 2006, a 20% deduction is allowed, 40% for 2007, 60% for 2008, 80% for 2009, and 100% for 2010.

The provisions of the substitute will expire six years from the effective date.

FISCAL NOTE: Estimated Cost on General Revenue Fund of Up to \$28,076,990 in FY 2007, Up to \$56,078,226 in FY 2008, and Up to \$84,080,187 in FY 2009. No impact on Other State Funds in FY 2007, FY 2008, and FY 2009.

PROPONENTS: Supporters say that the bill allows health insurance premiums to be taken as a deduction. If an employer offers insurance, the employees can purchase it with pre-tax dollars as opposed to the employee purchasing their own plan and paying the premiums with after-tax-dollars. The bill is for health care insurance premiums only and not for long-term care insurance. Since some employers are asking employees to pay a portion of the premiums as costs increase, the bill will help alleviate part of the burden on employees and help employers maintain group insurance coverage.

Testifying for the bill were Representative Ervin; National Federation of Independent Business; Taxpayers Research Institute of Missouri; Missouri Insurance Coalition; Golden Rule Insurance Company; Missouri's Health Insurance Plans; United Healthcare; and America's Health Insurance Plans.

OPPONENTS: There was no opposition voiced to the committee.

Karla Strobel, Legislative Analyst