

Statement of Estimated State Revenue Impact

Date: March 20, 2013

Bill Number: H. 3473

Authors: Delleney, Quinn, Simrill, Pope, D.C. Moss, *et al.*

Committee Requesting Impact: House Judiciary

Bill Summary

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 38-71-285 SO AS TO PROHIBIT THE STATE AND OTHER ENTITIES FROM ESTABLISHING, OPERATING, OR PURCHASING INSURANCE FROM AN AMERICAN HEALTH BENEFIT EXCHANGE AND TO MAKE SUCH HEALTH INSURANCE CONTRACTS VOID; BY ADDING SECTION 12-6-3577 SO AS TO GIVE AN INDIVIDUAL A TAX CREDIT IF TAXED UNDER 26 U.S.C. SECTION 5000A OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT; AND BY ADDING SECTION 1-7-180 SO AS TO ALLOW THE ATTORNEY GENERAL TO BRING AN ACTION AGAINST A PERSON OR ENTITY CAUSING HARM WHEN IMPLEMENTING THE PATIENT PROTECTION AND AFFORDABLE CARE ACT.

REVENUE IMPACT ^{1/}

This bill will reduce General Fund individual income taxes by \$41,265,000 in FY 2014-15.

Explanation of Bill

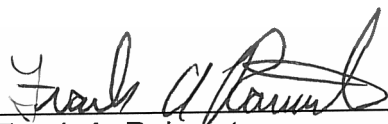
Section 2 of this bill creates a nonrefundable income tax credit to offset federal taxes paid pursuant to 26 U.S.C. Section 5000A of the Patient Protection and Affordable Care Act. This federal statute requires individuals and their dependents to acquire and maintain minimum essential health insurance 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

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of the tax. Based on an analysis of all South Carolina nonrefundable tax credits claimed in tax year 2010 compared to final tax liability, we find that taxpayers utilize 91.7% of all income tax credits. Multiplying this utilization ratio times the \$45,000,000 tax results in an estimated \$41,265,000 of tax credits claimed on South Carolina income tax returns. These credits will reduce General Fund individual income taxes by \$41,265,000 in FY 2014-15.

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



Frank A. Rainwater
Chief Economist

Analyst: Shuford

¹⁹ 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.