

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Kathy J. Byron

3. **Committee** House Finance

4. **Title** Individual Income Tax: Deduction for
Donations to Health Care Sharing
Organizations.

2. **Bill Number** HB 1513

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would establish an individual income tax deduction for individuals who contribute annually to a health care sharing organization, provided the individual has not claimed a deduction for the contribution on his federal income tax return.

This bill would be effective for taxable years beginning on or after January 1, 2008.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative Impact

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

Revenue Impact

The negative impact associated with this bill is unknown. TAX was able to identify three health care sharing organizations, one in Florida, one in Illinois, and one in Ohio. Although the total amount of donations to these organizations is unknown, data for one of them indicates it received \$57 million in donations from 19,000 members nationwide for

taxable year 2006. However, there is currently no data available to identify in which states the members of these organizations live. Moreover, because the organizations are authorized to receive charitable donations, members who itemize deductions on their federal returns are likely to be already deducting the amounts paid. Therefore, TAX is unable to identify how many members of the health care sharing programs live in Virginia and, among those members, how many itemize their deductions.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

In order to specify the Internal Revenue Code section under which the organization must be exempt, the following technical amendment is suggested:

Page 6, Line 333, after 501(c)

Insert: (3)

11. Other comments:

Background

Research conducted by TAX on health care sharing organizations indicates that these organizations tend to be faith-based ministries. Three of the largest health care sharing organizations in the United States include the Christian Care Ministry based in Melbourne, Florida, the Christian Brotherhood Newsletter based in Barberton, Ohio, and Samaritan Ministries International based in Peoria, Illinois. All of these health care sharing organizations are nonprofit organizations exempt from taxation under § 501(c)(3) of the Internal Revenue Code.

Typically, people who participate in these programs share the financial and medical burdens of the group by paying a share of the total of all the medical bills. The amount that each family pays depends on the family's size and how much of the medical bills they are willing to pay.

Other States

Currently, the state of Missouri allows individuals to subtract from Missouri adjusted gross income an amount that the individual has paid during the taxable year as a member of a health care sharing ministry, provided the amount is not deducted on the individual's federal income tax return for the same taxable year. Missouri law defines "health care sharing ministry" as a faith-based, nonprofit organization that acts as a source of information between members who have financial, physical, or medical needs and members who can assist with those needs.

Proposal

This bill would establish an individual income tax deduction for individuals who contribute annually to a health care sharing organization, provided the individual has not claimed a deduction for the contribution on his federal income tax return.

For purposes of this bill, "health care sharing organization" would mean a nonprofit organization exempt from taxation under § 501 (c) of the Internal Revenue Code that acts as a clearinghouse by providing a health care cost sharing arrangement for those members who have medical expenses and those members who share the burden of such expenses through their monetary contributions. A technical amendment has been suggested to specify that the organization must be exempt under § 501(c)(3) of the Internal Revenue Code.

This bill would be effective for taxable years beginning on or after January 1, 2008.

Similar Legislation

House Bill 1049 would create an individual income tax deduction for licensed medical caregivers who provide medical care to individuals in the homes of such individuals.

House Bill 1050 would create a tax credit for certain individuals who pay for a family member's in-home health care.

House Bill 1512 would provide that insurance laws do not apply to a health care sharing ministry.

cc : Secretary of Finance

Date: 1/26/2008 TG
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