

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2017**

**Legislative Fiscal Note**

**BILL NUMBER:** House Bill 295 (First Edition)  
**SHORT TITLE:** Health Care Sharing Expenses Deduction.  
**SPONSOR(S):** Representatives S. Martin and Dobson

| <b>FISCAL IMPACT</b>   |              |                |                |                |                |
|--|--------------|----------------|----------------|----------------|----------------|
| (\$ in millions)   |              |                |                |                |                |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available |              |                |                |                |                |
|  | FY 2017-18   | FY 2018-19     | FY 2019-20     | FY 2020-21     | FY 2021-22     |
| <b>State Impact</b>  |              |                |                |                |                |
| General Fund Revenues:   |              | (\$0.3)        | (\$0.3)        | (\$0.3)        | (\$0.3)        |
| General Fund Expenditures:   |              |                |                |                |                |
| Special Fund Revenues:   |              |                |                |                |                |
| Special Fund Expenditures:   |              |                |                |                |                |
| State Positions:   |              |                |                |                |                |
| <b>NET STATE IMPACT</b>  | <b>\$0.0</b> | <b>(\$0.3)</b> | <b>(\$0.3)</b> | <b>(\$0.3)</b> | <b>(\$0.3)</b> |
| <b>Local Impact</b>  |              |                |                |                |                |
| Revenues:  |              |                |                |                |                |
| Expenditures:  |              |                |                |                |                |
| <b>NET LOCAL IMPACT</b>  | <b>\$0.0</b> | <b>\$0.0</b>   | <b>\$0.0</b>   | <b>\$0.0</b>   | <b>\$0.0</b>   |
| <b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> NC Department of Revenue                                 |              |                |                |                |                |
| <b>EFFECTIVE DATE:</b> Taxable years beginning on or after January 1, 2018   |              |                |                |                |                |
| <b>TECHNICAL CONSIDERATIONS:</b><br>None   |              |                |                |                |                |

**BILL SUMMARY:** North Carolina conforms to federal tax law that allows an itemized deduction for qualified medical expenses to the extent the expenses exceed 10% of a taxpayer’s adjusted gross income. House Bill 295 would include as qualified medical expenses for North Carolina tax purposes, health care sharing expenses incurred by a taxpayer for being a member of a health care sharing organization.

**ASSUMPTIONS AND METHODOLOGY:** There are approximately 12,600 households in North Carolina that are members of health care sharing organizations, and the amount of health care sharing expenses averages \$3,636 per household, per year. Approximately 5- 10% of the total

expenses will actually be deducted in calculating taxable income. This is because most taxpayers claim the standard deduction or because medical expenses do not exceed 10% of income. After applying the tax rate, this results in an estimated reduction in revenue of approximately \$300,000 per year beginning FY 18-19.

**SOURCES OF DATA:** Alliance of Health Care Sharing Ministries, NC Department of Revenue, IRS Statistics on Income

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION:** (919) 733-4910

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Mark Trogdon, Director  
**Fiscal Research Division**

**DATE:** May 15, 2017



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