

March 16, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 3430 (Haley) / S.F. 3401 (Weber)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
General Fund	\$0	(\$9,400)	(\$10,000)	(\$10,700)

Effective beginning tax year 2022.

EXPLANATION OF THE BILL

Current Law: The Affordable Care Act (ACA) established a federal health insurance marketplace and gave states the option to create their own. MNsure is Minnesota’s health insurance marketplace under the ACA. Individual premiums are determined by age and county of residence.

For a qualified taxpayer, the ACA also creates a refundable credit to reduce the monthly payments an individual has to pay for an insurance plan purchased through the marketplace.

A qualified taxpayer is one whose household income equals or exceeds 100% of the Federal Poverty Guideline (FPG) but does not exceed 400% of the FPG for their family size, does not have access to employer-sponsored coverage that is affordable, is not claimed as a dependent, and is a legal resident of the United States.

Proposed Law: The bill creates a Minnesota nonrefundable credit for taxpayers who purchase either gold or silver health insurance plans through MnSure that exceeds 120% state-wide average premium for the metal level purchased for that year.

Eligible taxpayers include those who are not eligible for the federal tax credit because (i) either their household income is over 400% of the federal poverty level; or (ii) decline employer-provided coverage through a spouse’s employer that is deemed minimal essential coverage but only if the annual premium for the declined coverage exceeds the required contribution percentage of 9.61% of annual household income for plan years beginning 2022.

The credit equals 100% of the excess premium for a silver plan, and 75% for a gold plan. The maximum credit is \$10,000. For a married couple filing the joint return, the maximum credit is reduced by 10% of federal adjusted gross income in excess of \$150,000. For all other filers, the maximum credit is reduced by 20% of federal adjusted gross income in excess of \$75,000, but not less than zero. The excess premium is the amount paid by the taxpayer in excess of 120% of the state-wide premium to purchase a health plan for the household that is minimum essential coverage.

For nonresidents or part-year residents, the credit is allocated based on the percentage of their income that is attributable to Minnesota.

REVENUE ANALYSIS DETAIL

- The estimate is based on summary data of individual market enrollees by income from the 2019 Minnesota Health Access Survey and 2021 MNsure premium and enrollment data as of January 30, 2022.
- The statewide average premiums for silver and gold plans were calculated as weighted averages by county. An average household size of 1.7 members was assumed.
- The average premium of plans available was multiplied by 1.2 to determine the excess premium threshold. For 2021, the annual thresholds were \$8,799 for silver plans and \$10,243 for gold plans. Taxpayers with premiums over the threshold would qualify for the credit.
- The average credit was calculated based on average premiums purchased by county compared to the excess premium threshold.
- Eligibility was estimated based on income data from the Minnesota Department of Health. There were approximately 3,400 households with silver plans eligible for the full credit and 1,700 in the phase-out range. In gold plans, there were approximately 1,900 households eligible for the full credit and 1,100 in the phase-out range.
- Taxpayers in the phase-out range were assumed to receive half of the average credit.
- The average credit is estimated at \$942 for a taxpayer with silver plan, and \$1,124 for a taxpayer with gold plan.
- The number of taxpayers who have access to employer-provided coverage through a spouse's employer but the cost of minimum coverage exceeds 9.61% of annual household income is unknown. The estimate was increased by 10% to account for these taxpayers.
- The \$10,000 cap is not expected to have a material impact on the credit.
- The estimate was increased by 25% to account for premium variability within counties.
- It is assumed that for nonresidents, the statewide average premium is the Minnesota statewide average premium. The estimate was increased by 5% to account for nonresidents claiming the credit.
- In 2022, the total credit would be \$9.4 million.
- A growth rate of 6.5% was applied to the estimate, based on private health insurance growth.
- Tax year impacts are allocated for the following fiscal year.

Number of Taxpayers: About 8,900 taxpayers would be eligible for the credit for tax year 2022.

Minnesota Department of Revenue
Tax Research Division
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