

BILL SUMMARY
2nd Session of the 54th Legislature

Bill No.:	HJR 1084
Version:	INT
Request Number:	9616
Author:	Rep. Moore
Date:	2/25/2014
Impact:	Tax Commission:
	Estimate of Exemption:
	FY-16 - \$1.9 Million Revenue Decrease
	FY-17 - \$2.6 Million Revenue Decrease

Research Analysis

HJR 1084, as introduced, brings to a vote of the people a resolution that would prohibit the state from aiding in the enforcement of the provisions of the Patient Protection and Affordable Care Act of 2010 and any subsequent amendments to the act. The measure permits the Attorney General to bring action against a person or entity causing harm to a person or business through the implementation of the PPACA. Furthermore, a tax deduction will be available to Oklahoma taxpayers that incur a tax penalty under the PPACA. The measure prohibits the state or any political subdivision of the state from establishing a health care exchange and from conducting or participating in an involuntary maternal, infant, and early childhood in-home visitation under the PPACA.

Prepared By: Scott Tohlen

Fiscal Analysis

The Congressional Budget Office (CBO) reports that *“Beginning in 2014, the Affordable Care Act (comprising Public Law 111-148 and the health care provisions of P.L. 111-152) requires most legal residents of the United States to either obtain health insurance or pay a penalty tax. That penalty will be the greater of: a flat dollar amount per person that rises to \$695 in 2016 and is indexed by inflation thereafter (the penalty for children will be half that amount and an overall cap will apply to family payments); or a percentage of the household’s income that rises to 2.5 percent for 2016 and subsequent years (also subject to a cap)”*¹. It estimates that approximately 6 million people will pay a penalty because they are uninsured in 2016 (a figure that includes uninsured dependents who have the penalty paid on their behalf) and that total collections will be approximately \$7 billion in 2016².

For purposes of this analysis, it is assumed that tax year 2015 is the first tax year that the deduction would be available to be claimed. For purposes of this impact, an estimate was made of the amount of the penalty for 2015, based on the 2016 estimate prepared by the CBO.

To estimate the number of Oklahomans potentially subject to the penalty, a ratio of Oklahoma's population to the U.S. population was applied to the estimated 6 million people expected to be subject to the penalty. Oklahoma's population is 1.22% of the U.S. population², so an estimated 73,000 persons would pay on average \$856¹ in fines in tax year 2015. This results in an estimated \$63 million in fines potentially eligible for the Oklahoma income tax deduction for tax year 2015. Applying an average Oklahoma income tax rate of 3.1% results in a potential decrease in income tax collections of \$1.9 million. For tax year 2016, the estimated fines increase to on average \$1,167¹, resulting in an estimated \$85 million in fines potentially eligible for the Oklahoma income tax deduction for tax year 2016. Applying an average Oklahoma income tax rate of 3.1% results in a potential decrease in income tax collections of \$2.6 million for tax year 2016.

No changes in withholding or estimated tax payments are anticipated. An estimated revenue decrease of up to \$1.9 million is expected in 2016 when the 2015 income tax returns are filed, and an estimated revenue decrease of \$2.6 million is expected in 2017 when the 2016 returns are filed.

¹ Congressional Budget Office - *Payments of Penalties for Being Uninsured Under the Affordable Care Act*; September 2012

² Table 1. Annual Estimates of the Population for the United States, Regions, States, and Puerto Rico: April 1, 2010 to July 1, 2013 (NST-EST2013-01) Source: U.S. Census Bureau, Population Division Release Date: December 2013
Oklahoma's Population = 3,850,568; U.S. Population = 316,123,839

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Other Considerations

None.