

SB 1134 STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Kyle Easton, Senior Economist

Meeting Dates: 4/14

WHAT THE MEASURE DOES:

Creates personal income tax subtraction for amounts paid by a taxpayer for medical, dental, or vision insurance premiums of a qualifying child dependent. Limits subtraction to \$10,000 per qualifying child dependent. Requires taxpayer to have an adjusted gross income of \$90,000 to \$150,000 for jointly filed tax returns and \$45,000 to \$75,000 for all others. Disallows subtraction for premium amounts claimed as a deduction or credit on the income tax return of the taxpayer. Applies to tax years beginning on or after January 1, 2026, and before January 1, 2032. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Multiple provisions relating to the tax treatment of medical premiums exist under current law. Employer-paid health insurance premiums are exempt from personal income tax and the portion of such premiums paid by the employee are generally excluded as well. Self-employed individuals may generally deduct the entire amount they pay for health insurance for themselves and their immediate family. The deduction is taken as an above-the-line deduction meaning the self-employed taxpayer may claim the deduction regardless of whether such taxpayer claims the standard deduction or itemizes. Active-duty and reserve component military personnel (and their dependents) can qualify for tax exempt medical and dental benefits. The federal premium tax credit is a refundable tax credit that helps eligible taxpayers pay for individual or family health coverage obtained through a Marketplace Exchange.

A qualifying child dependent is defined in Internal Revenue Code section 152(c)(1) as a child of the taxpayer, brother, sister, stepbrother, stepsister, or descendant of any such relative. Such individuals must meet specified requirements including being under the age of 19 (24 if a student) or permanently and totally disabled, and live with the taxpayer for more than half the tax year.