

Explanation of H.97 (FY19 BAA) health care claims tax language
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Under current law, the revenue from the 0.999% tax on health care claims is split, with 0.199% going into the Health IT Fund and the remaining 0.8% going into the State Health Care Resources Fund. Under current law, that allocation will change on July 1, 2019, when the 0.199% for the Health IT Fund goes away and the health care claims tax rate will become 0.8%, with all of the revenue going into the State Health Care Resources Fund. The FY19 budget adjustment act (BAA) moves most of the revenue that currently goes into the State Health Care Resources Fund, including the health care claims tax revenue, instead into the General Fund, with an effective date that is retroactive to July 1, 2018. In order to make the State Health Care Resources Fund to General Fund change for the health care claims tax, it is necessary to amend 32 V.S.A. § 10402 twice – first to make the General Fund language change for pre-July 1, 2019 version of the statute, when the tax rate is 0.999%, and then to make the General Fund language change for the July 1, 2019-and-after version, when the tax rate will be 0.8%. In the BAA as passed by the Senate, there were just the three asterisks (***) in Sec. 73 (the post-July 1, 2019 version) where subsection (a) would have been, but your Legislative Counsel became concerned that it might lead to confusion about whether the tax rate was still changing from 0.999% to 0.8% on July 1. The House Proposal of Amendment to the Senate Proposal of Amendment adds back in the language from the omitted subsection (a) to show that the change in the tax rate would still occur as planned.

As modified by the House Proposal, the language in H.97, Secs. 72 and 73 now reads:

Sec. 72. 32 V.S.A. § 10402 is amended to read: **(applies retroactively to July 1, 2018)**
§ 10402. HEALTH CARE CLAIMS TAX

* * *

(b) Revenues paid and collected under this chapter shall be deposited as follows:

(1) 0.199 of one percent of all health insurance claims into the Health IT-Fund established in section 10301 of this title; and

(2) 0.8 of one percent of all health insurance claims into the ~~State Health Care Resources Fund~~ established in ~~33 V.S.A. § 1901d~~ General Fund.

(c) The annual cost to obtain Vermont Healthcare Claims Uniform Reporting and Evaluation System (VHCURES) data, pursuant to 18 V.S.A. § 9410, for use by the Department of Taxes shall be paid from the Vermont Health IT-Fund and the ~~State Health Care Resources~~ General Fund in the same proportion as revenues are deposited into those Funds.

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Sec. 73. 32 V.S.A. § 10402 is amended to read: **(takes effect on July 1, 2019)**
§ 10402. HEALTH CARE CLAIMS TAX

(a) There is imposed on every health insurer an annual tax in an amount equal to ~~0.999~~ 0.8 of one percent of all health insurance claims paid by the health insurer for its Vermont members in the previous fiscal year ending June 30. The annual fee shall be paid to the Commissioner of Taxes in one installment due ~~by~~ on or before January 1.

(b) Revenues paid and collected under this chapter shall be deposited ~~as follows:~~ into the General Fund.

~~(1) 0.199 of one percent of all health insurance claims into the Health IT Fund established in section 10301 of this title; and~~

~~(2) 0.8 of one percent of all health insurance claims into the General Fund.~~

(c) The annual cost to obtain Vermont Healthcare Claims Uniform Reporting and Evaluation System (VHCURES) data, pursuant to 18 V.S.A. § 9410, for use by the Department of Taxes shall be paid from ~~the Vermont Health IT Fund and the General Fund in the same proportion as revenues are deposited into those Funds.~~

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H.97, Sec. 104, the effective dates section, specifies that Sec. 72 applies retroactively to July 1, 2018, while Sec. 73 takes effect on July 1, 2019:

Sec. 104. EFFECTIVE DATES

(a) Notwithstanding 1 V.S.A. § 214 or any other act or provision, Secs. 64-72 (State Health Care Resources Fund), 74 (32 V.S.A. § 10503), 75 (33 V.S.A. § 1951), and 76 (33 V.S.A. § 1956) and Sec. 85 amending 16 V.S.A. § 2857 shall take effect on passage and apply retroactively to July 1, 2018.

(b) Sec. 73 (further amending 32 V.S.A. § 10402) shall take effect on July 1, 2019.

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