

TAX INCENTIVES TO PROMOTE COVERAGE: CREDITS, DEDUCTIONS, SECTION 125 PLANS

PRELIMINARY SHARE FINDING:

The legal debate surrounding Section 125 plans and HIPAA might discourage employers from adopting these plans.

- ⇒ SHARE grantee **Mark A. Hall, J.D.**, of Wake Forest University, is examining the use of Section 125 plans in Indiana, Massachusetts, and Missouri. His project aims to determine the effectiveness of Section 125 plans with respect to cost savings; acceptance by employers, employees, and insurance agents; administrative efficiency; and, ultimately, coverage rates.
- ⇒ One of Mark's preliminary findings is that the legal debate surrounding Section 125 plans and the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) will likely complicate states' attempts to use section 125 plans to lower the costs of individual insurance and might discourage employers from adopting or continuing the use of section 125 plans.
- ⇒ Click [here](#) to read Mark Hall's complete analysis of Section 125 plans and HIPAA.
- ⇒ Click [here](#) to learn more about Mark Hall's SHARE-sponsored study, "Sheltering Employee Premium Contributions from Tax Using 'Section 125' Plans."

A number of states currently provide some kind of insurance-based tax relief to employers and/or individuals to encourage the purchase of health insurance benefits. These state-sponsored tax incentives typically focus on low-income individuals or employers (usually small businesses), who tend to face more financial barriers to purchasing health insurance than do larger employers and people of higher income. Generally, state tax incentives to purchase coverage take three forms: tax credits, tax deductions, and Section 125 plans.

Tax Credits: Tax credits allow an individual or employer to subtract the value of qualifying medical expenditures, premiums, or other fixed amounts directly from income tax liability, reducing the total tax amount owed. Individuals who are ineligible for public insurance programs and purchase their own health insurance may receive tax credits in some states. Some employers who provide health insurance or contribute to private insurance plans for their employees may also be eligible for tax credits.

A tax credit may be refundable or non-refundable. Non-refundable tax credit may reduce a taxpayer's liability down to zero but not below zero. A refundable tax credit, on the other hand, may reduce a taxpayer's liability below zero, allowing a credit in the form of a payment.

Tax Deductions: Tax deductions lower a taxpayer's overall taxable income by subtracting the expense of purchasing private insurance from the taxpayer's gross income.

Many states offer deductions for individual contributions made to Health Savings Accounts (HSAs), which are tax-free savings accounts that coupled with high-deductible insurance plans. The accounts are owned by individuals and used to pay for current and future health care expenses.

Section 125 Plans: Section 125 plans (also known as cafeteria plans or flexible spending accounts) are a type of employee benefit plan offered pursuant to Section 125 of the Internal Revenue Code. These plans allow employers to set up accounts into which employees can contribute pre-tax dollars, generally via payroll deduction. The funds in these accounts can be used for expenses ranging from childcare to health care. There are also healthcare-specific “premium only” plans, which are used to pay only for the employee portion of health insurance premiums. Some states mandate the creation of Section 125 plans, while others promote or encourage it.

Please continue to the next page to learn about specific tax incentives offered by states.

STATE & PROGRAM DESCRIPTION	EMPLOYER CREDIT	INDIVIDUAL CREDIT	EMPLOYER DEDUCT.	INDIVIDUAL DEDUCT.	SECTION 125
<p style="text-align: center;">ALABAMA</p> <p>Employer Tax Deduction: The Small Business Health Insurance Premium Deduction Enhancement Act took effect in January 2009; it allows small business owners (< 25 employees) to deduct 150% of the amount paid for employee premiums from state income taxes.¹</p> <p>Individual Tax Deduction: The aforementioned Act also allows employees of small businesses who earn less than \$50,000 annually to deduct 150% of their portion of premiums from state income taxes.²</p>			X	X	
<p style="text-align: center;">ALASKA</p> <p>Section 125 Plan: As of July 2009, Alaska is exploring legislation (S 61) stating that employers offering Section 125 plans are exempt from paying into Alaska's proposed universal health coverage.³</p>					X
<p style="text-align: center;">ARIZONA</p> <p>Employer Tax Credit: Employers (between 2 and 25 eligible employees) are eligible for the Health Insurance Premium Tax Credit, which consists of the lesser of: \$1,000 for each employee (single coverage); \$3,000 for each employee (family coverage); or 50% of annual premium.⁴</p> <p>Individual Tax Credit: Individuals who are not enrolled in insurance for six months and earn less than 250% FPL are eligible for a refundable tax credit of \$1,000 for coverage of a single person, \$500 for coverage of a child, or \$3,000 for family coverage; or 50% of the health insurance premium cost.⁵</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁶</p>	X	X		X	
<p style="text-align: center;">ARKANSAS</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁷</p>				X	

¹ Source: National Conference of State Legislatures

² Source: National Conference of State Legislatures

³ http://www.legis.state.ak.us/basis/get_bill.asp?session=26&bill=SB61

⁴ Source: Kaiser State Health Facts

⁵ <http://www.azleg.state.az.us/search/oop/qfullhit.asp?CiWebHitsFile=/ars/20/00224-03.htm&CiRestriction=%22Premium+Tax+%22&CiBeginHilite=%3Cb%3E&CiEndHilite=%3C/b%3E&CiHiliteType=Full>

⁶ Source: Kaiser State Health Facts

⁷ Source: Kaiser State Health Facts

STATE & PROGRAM DESCRIPTION	EMPLOYER CREDIT	INDIVIDUAL CREDIT	EMPLOYER DEDUCT.	INDIVIDUAL DEDUCT.	SECTION 125
<p align="center">CALIFORNIA</p> <p>Section 125 Plan: As of July 2009, California legislators are proposing (SB 594) the authorization of a tax credit to employers that establish or administer a Section 125 plan that provides payment for employee insurance premiums.⁸</p>					X
<p align="center">COLORADO</p> <p>Individual Tax Credit: Individuals earning less than \$25,000 (with no dependents), \$30,000 (for two individuals with no dependents), or \$35,000 (with dependents) can receive a nonrefundable credit of up to \$500 per eligible enrollee (one credit per household) for individual health insurance, if they have been uninsured for one year prior to enrolling.^{9 10}</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.¹¹</p>		X		X	
<p align="center">CONNECTICUT</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.¹²</p> <p>Section 125 Plan: As of 2007, Connecticut employers that offer fully insured health coverage requiring an employee contribution are required to also establish a Section 125 plan.¹³</p>				X	X
<p align="center">DELAWARE</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.¹⁴</p>				X	
<p align="center">FLORIDA</p> <p>Section 125 Plan: The Cover Florida Health Care Access Program requires that employers that [voluntarily] participate in the Access Program provide a Section 125 plan.¹⁵</p>					X

⁸ http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number=sb_594&sess=CUR&house=B&author=ashburn

⁹ Source: Kaiser State Health Facts

¹⁰ <http://www.michie.com/colorado/lpExt.dll?f=templates&eMail=Y&fn=main-h.htm&cp=cocode/2/6397d/64e28/6508d/6508f/651af/6541d>

¹¹ Source: Kaiser State Health Facts

¹² Source: Kaiser State Health Facts

¹³ <http://www.cga.ct.gov/2007/rpt/2007-R-0690.htm>

¹⁴ Source: Kaiser State Health Facts

¹⁵ <http://www.flsenate.gov/data/session/2008/Senate/bills/billtext/pdf/s2534er.pdf>

STATE & PROGRAM DESCRIPTION	EMPLOYER CREDIT	INDIVIDUAL CREDIT	EMPLOYER DEDUCT.	INDIVIDUAL DEDUCT.	SECTION 125
<p align="center">GEORGIA</p> <p>Employer Tax Credit: Small employers (≤ 50 employees) offering high deductible health plans are eligible for a nonrefundable credit of \$250 per year per enrolled employee.¹⁶</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.¹⁷</p>	X			X	
<p align="center">HAWAII</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.¹⁸</p>				X	
<p align="center">IDAHO</p> <p>Employer Tax Credit: Employers qualify for tax credit for years when employment of new employees exceeds the average of employment of new employees in previous years. Employers receive \$1,000 credit for new employees earning over \$15.50/hour who are eligible for health coverage; employers receive \$500 for each new employee who does not meet the aforementioned criteria.¹⁹</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.²⁰</p>	X			X	
<p align="center">ILLINOIS</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.²¹</p>				X	

¹⁶ http://www.legis.state.ga.us/legis/2007_08/fulltext/hb977.htm

¹⁷ Source: Kaiser State Health Facts

¹⁸ Source: Kaiser State Health Facts

¹⁹ <http://www.legislature.idaho.gov/idstat/Title63/T63CH30SECT63-3029F.htm>

²⁰ Source: Kaiser State Health Facts

²¹ Source: Kaiser State Health Facts

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<p style="text-align: center;">INDIANA</p> <p>Employer Tax Credit: If an employer offers a Section 125 plan (see below), it can receive \$50 per employee in tax nonrefundable tax credit, up to \$2,500 for two years.^{22 23}</p> <p>Section 125 Plan: Indiana employers not currently offering health insurance coverage or an existing Section 125 plan are encouraged to establish a fully insured health plan in conjunction with Section 125. If an employer offers a Section 125 plan, it can receive \$50 per employee in tax nonrefundable tax credit, up to \$2,500 for two years.²⁴</p>	X				X
<p style="text-align: center;">IOWA</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.²⁵</p> <p>Section 125 Plan: Legislation passed in May 2008 requires the Iowa Commissioner of Insurance to assist small employers (≤ 25 employees) in voluntarily implementing Section 125 plans.²⁶ Further legislation passed in May 2009 requires that the state explore the “ramifications” of mandating that employers with more than 10 employees offer Section 125 plans.²⁷</p>				X	X
<p style="text-align: center;">KANSAS</p> <p>Employer Tax Credit: Small employers (≤ 50 employees) offering a small employer plan can receive \$70 in refundable credit per month per enrolled employee (the amount offered decreases to \$50 in the second year, and \$35 in the third year, and ends after the third year).^{28 29}</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.³⁰</p> <p>Section 125 Plan: Kansas insurers are required to offer Section 125 plans, while employers may choose to offer them.³¹ As of July 2009, Kansas legislators have proposed establishing a state program to promote Section 125 plans to small employers.³²</p>	X			X	X

²² <http://www.mathematica-mpr.com/publications/pdfs/section125brief.pdf>,

<http://www.statecoverage.net/programs-indiana.htm>

²³ Source: Kaiser State Health Facts

²⁴ <http://www.mathematica-mpr.com/publications/pdfs/section125brief.pdf>,

<http://www.statecoverage.net/programs-indiana.htm>

²⁵ Source: Kaiser State Health Facts

²⁶ <http://coolice.legis.state.ia.us/Cool->

[ICE/default.asp?Category=BillInfo&Service=Billbook&ga=82&menu=text&hbill=HF2539](http://coolice.legis.state.ia.us/Cool-ICE/default.asp?Category=BillInfo&Service=Billbook&ga=82&menu=text&hbill=HF2539)

²⁷ <http://coolice.legis.state.ia.us/Cool-ICE/default.asp?category=billinfo&service=billbook&GA=83&hbill=SF389>

²⁸ Source: Kaiser State Health Facts

²⁹ Kansas Statutes, Section 40-2246: <http://www.kslegislature.org/legsrv-statutes/getStatute.do?number=17739>

³⁰ Source: Kaiser State Health Facts

STATE & PROGRAM DESCRIPTION	EMPLOYER CREDIT	INDIVIDUAL CREDIT	EMPLOYER DEDUCT.	INDIVIDUAL DEDUCT.	SECTION 125
<p style="text-align: center;">KENTUCKY</p> <p>Individual Tax Deduction: When determining adjusted gross income, taxpayers may exclude amounts paid with after-tax dollars for health insurance premiums.³³</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.³⁴</p>				X	
<p style="text-align: center;">LOUISIANA</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.³⁵</p>				X	
<p style="text-align: center;">MAINE</p> <p>Employer Tax Credit: Small employers (< 5 employees) offering a small employer plan are eligible for nonrefundable credit in the form of the lesser of 20% of dependent health benefits paid or \$125 per year per enrolled low-income employee with dependent coverage. Credit may not exceed 50% of state income otherwise due.³⁶</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.³⁷</p> <p>Section 125 Plan: Maine’s Dirigo Health (comprehensive health reform) does not require employers to offer Section 125, although it offers to administer or contract to administer such plans on behalf of employers.</p>	X			X	(X)
<p style="text-align: center;">MARYLAND</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.³⁸</p> <p>Section 125 Plan: Maryland small businesses (2 to 9 full-time employees) may qualify for a premium subsidy by voluntarily establishing a Section 125 premium conversion plan within the Working Families and Small Business Health Coverage Act.^{39 40}</p>				X	X

³¹ <http://www.kslegislature.org/bills/2008/81.pdf>

³² <http://www.kslegislature.org/bills/2010/2262.pdf>

³³ http://www.revenue.ky.gov/NR/rdonlyres/8D50337A-3310-4852-96D1-432151DF32CB/0/42A740M_0002_bcclosed.pdf

³⁴ Source: Kaiser State Health Facts

³⁵ Source: Kaiser State Health Facts

³⁶ Source: Kaiser State Health Facts

³⁷ Source: Kaiser State Health Facts

³⁸ Source: Kaiser State Health Facts

³⁹ <http://mhcc.maryland.gov/partnership/about.aspx>

⁴⁰ http://mlis.state.md.us/2007s1/chapters_noln/Ch_7_sb0006E.pdf

STATE & PROGRAM DESCRIPTION	EMPLOYER CREDIT	INDIVIDUAL CREDIT	EMPLOYER DEDUCT.	INDIVIDUAL DEDUCT.	SECTION 125
<p style="text-align: center;">MASSACHUSETTS</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁴¹</p> <p>Section 125 Plan: Massachusetts employers (≥ 11 employees) are required to maintain a Section 125 plan, enable employees to pay for their coverage with pre-tax dollars, and employers must file a copy of their Section 125 plans with the Massachusetts Commonwealth Connector.^{42 43}</p>				X	X
<p style="text-align: center;">MICHIGAN</p> <p>Individual Tax Credit: Individuals enrolled in health insurance may subtract the amount paid in premiums from total income for that year (not including premiums paid by employers).⁴⁴</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁴⁵</p>		X		X	
<p style="text-align: center;">MINNESOTA</p> <p>Individual Tax Credit: Minnesota provides tax relief to individuals between 200% FPL and 300% FPL (pending dependent status), equal to 20% of the amount paid toward health insurance premiums under a Section 125 plan, for up to the first 12 months of enrollment in such a plan.⁴⁶</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁴⁷</p> <p>Section 125 Plan: Minnesota employers (> 10 employees) that do not offer health insurance coverage must establish a Section 125 plan; this proposal includes an opt-out provision. Employers are not required to contribute to or offer health insurance coverage.^{48 49}</p>	X			X	X

⁴¹ Source: Kaiser State Health Facts

⁴² <http://www.mahealthconnector.org/portal/site/connector/>

⁴³ <http://www.mass.gov/legis/laws/seslaw06/sl060058.htm>

⁴⁴ <http://legislature.mi.gov/doc.aspx?mcl-206-510>

⁴⁵ Source: Kaiser State Health Facts

⁴⁶ Source: <https://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=S0049.0.html&session=ls86>

⁴⁷ Source: Kaiser State Health Facts

⁴⁸ <http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=ccrsf3780.html&session=ls85>

⁴⁹ <https://webrh12.revisor.leg.state.mn.us/laws/?year=2008&type=0&doctype=Chapter&id=358>

STATE & PROGRAM DESCRIPTION	EMPLOYER CREDIT	INDIVIDUAL CREDIT	EMPLOYER DEDUCT.	INDIVIDUAL DEDUCT.	SECTION 125
<p align="center">MISSISSIPPI</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁵⁰</p>				X	
<p align="center">MISSOURI</p> <p>Employer Tax Credit: Self-employed individuals are eligible for a refundable tax credit equal to the portion of the taxpayer's federal tax liability incurred by including health insurance payments in federally adjusted gross income.^{51 52}</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁵³</p> <p>Section 125 Plan: Missouri employers that offer health coverage that requires an employee contribution are required to also establish a Section 125 plan.⁵⁴ Employers must have a health plan in place before creating a Section 125 plan. Self-insured employers are exempt.</p>	X			X	X
<p align="center">MONTANA</p> <p>Employer Tax Credit: Small employers (≤ 20 employees) carrying group health plans are eligible for nonrefundable tax credits of \$25 per eligible employee per month if employer pays 100% of premium, reduced proportionally from 100% if the employer pays 50-100% of premium. The refund may not be claimed for a period of more than 36 consecutive months.⁵⁵</p> <p>Under the Insure Montana program, employers with between 2 and 9 eligible employees (who make less than \$75,000 gross annually) may receive tax credit.⁵⁶ There may be a waiting list for receiving tax credit.</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁵⁷</p> <p>Section 125 Plan: Although Montana promotes the use of Section 125 plans to small employers participating in Insure Montana, the state does not currently require the use of Section 125 plans.⁵⁸</p>	X			X	X

⁵⁰ Source: Kaiser State Health Facts

⁵¹ Source: Kaiser State Health Facts

⁵² Missouri State Statutes, Section 143.119: <http://www.moga.mo.gov/statutes/c100-199/1430000119.htm>

⁵³ Source: Kaiser State Health Facts

⁵⁴ <http://www.house.mo.gov/billtracking/bills071/billpdf/truly/HB0818T.pdf>

⁵⁵ Source: Kaiser State Health Facts

⁵⁶ Source: Kaiser State Health Facts

⁵⁷ Source: Kaiser State Health Facts

⁵⁸ Source: Mathematica: <http://www.mathematica-mpr.com/publications/pdfs/section125brief.pdf>

STATE & PROGRAM DESCRIPTION	EMPLOYER CREDIT	INDIVIDUAL CREDIT	EMPLOYER DEDUCT.	INDIVIDUAL DEDUCT.	SECTION 125
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<p align="center">NEBRASKA</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁵⁹</p>				X	
<p align="center">NEW MEXICO</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁶⁰</p>				X	
<p align="center">NEW YORK</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁶¹</p>				X	
<p align="center">NORTH CAROLINA</p> <p>Employer Tax Credit: Small employers (≤ 25 eligible employees) providing health care coverage that exceeds state health plan minimum provisions are eligible for a nonrefundable credit of \$250 per year per eligible enrolled employee, not to exceed the cost of providing benefits during the year. The tax credit expires January 1, 2010.⁶²</p> <p>Employers creating jobs and claiming credit under the William S. Lee Quality jobs and Business Expansion Act must provide health insurance for the positions created for which credit is claimed.⁶³</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁶⁴</p>	X			X	
<p align="center">NORTH DAKOTA</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁶⁵</p>				X	
<p align="center">OHIO</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁶⁶</p>				X	

⁵⁹ Source: Kaiser State Health Facts

⁶⁰ Source: Kaiser State Health Facts

⁶¹ Source: Kaiser State Health Facts

⁶² Source: Kaiser State Health Facts

⁶³ North Carolina Statutes, Section 105-129.4(b2):

http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/BySection/Chapter_105/GS_105-129.4.html

⁶⁴ Source: Kaiser State Health Facts

⁶⁵ Source: Kaiser State Health Facts

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<p align="center">OKLAHOMA</p> <p>Employer Tax Credit: Qualified small employers (no more than 50 employees) offering a state-certified basic health plan are eligible for a refundable tax credit of \$15 per month per eligible employee, for two consecutive years.^{67 68}</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁶⁹</p> <p>Section 125 Plan: As of July 2009, Oklahoma legislators have proposed legislation to require school districts to offer Section 125 plans.</p>	X			X	X
<p align="center">OREGON</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁷⁰</p>				X	
<p align="center">PENNSYLVANIA</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁷¹</p>				X	
<p align="center">RHODE ISLAND</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁷²</p> <p>Section 125 Plan: Rhode Island employers (≥ 25 employees) must establish a Section 125 plan, although legislation does not require employers to contribute to insurance or offer the opportunity to buy insurance at a group rate.⁷³</p>				X	X

⁶⁶ Source: Kaiser State Health Facts

⁶⁷ Source: Kaiser State Health Facts

⁶⁸ Oklahoma State Statutes, Section 68-2357.31: <http://www.lsb.state.ok.us/osstatuestitle.html>

⁶⁹ Source: Kaiser State Health Facts

⁷⁰ Source: Kaiser State Health Facts

⁷¹ Source: Kaiser State Health Facts

⁷² Source: Kaiser State Health Facts

⁷³ <http://www.rilin.state.ir.us/billtext07/senatetext07/s0448b.pdf>

STATE & PROGRAM DESCRIPTION	EMPLOYER CREDIT	INDIVIDUAL CREDIT	EMPLOYER DEDUCT.	INDIVIDUAL DEDUCT.	SECTION 125
<p style="text-align: center;">SOUTH CAROLINA</p> <p>Individual Tax Credit: Individuals assigned to the South Carolina Health Insurance Pool (only after having held insurance from a company no longer writing insurance in South Carolina) are eligible for a nonrefundable credit of 50% of the premium cost, up to \$3,000 per individual.^{74 75}</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁷⁶</p> <p>Individuals may deduct from taxable state income the amount of premium not deductible under IRS codes dictating deduction for self-employed individuals.⁷⁷</p>		X		X	
<p style="text-align: center;">TENNESSEE</p> <p>Section 125 Plan: Tennessee legislation requires that employers implementing a Section 125 plan must arrange for employee health insurance and dental premiums to be automatically paid from the Section 125 plan.</p>					X
<p style="text-align: center;">UTAH</p> <p>Employer Tax Credit: Employers offering health insurance coverage in an “Enterprise Zone” (as designated by the state) are eligible for refundable tax credits of \$200 per insured employee for two consecutive years, if the employer pays at least 50% of premium costs; coverage of construction workers does not count toward credit, and the credit is not available for tax years beginning after June 2008.⁷⁸</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁷⁹</p>	X			X	
<p style="text-align: center;">VERMONT</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁸⁰</p>				X	
<p style="text-align: center;">VIRGINIA</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁸¹</p>				X	

⁷⁴ Source: Kaiser State Health Facts

⁷⁵ South Carolina State Code, Section 12-6-3575: <http://www.scstatehouse.gov/code/t12c006.htm>

⁷⁶ Source: Kaiser State Health Facts

⁷⁷ South Carolina State Code, Section 12-6-1140: <http://www.scstatehouse.gov/code/t12c006.htm>

⁷⁸ NCSL: <http://www.ncsl.org/Default.aspx?TabId=13956>

⁷⁹ Source: Kaiser State Health Facts

⁸⁰ Source: Kaiser State Health Facts

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<p style="text-align: center;">WASHINGTON</p> <p>Section 125 Plan: Small employers (≤ 50 employees) that voluntarily participate in the Health Insurance Partnership must offer Section 125 plans; the state offers technical assistance to those employers who participate in the Health Insurance Partnership.⁸² However, legislation passed in April 2009 delays implementation of the Health Insurance Partnership until sufficient state and federal funding is available.⁸³</p>					X
<p style="text-align: center;">WEST VIRGINIA</p> <p>Individual Tax Deduction: Individuals may deduct contributions to a Health Savings Account (HSA) from their state income taxes.⁸⁴</p>				X	

To be included in this table, states must offer tax incentives for the purchase of basic health insurance coverage. This table does not include tax incentives for the purchase of long-term care insurance, the federal Health Care Tax Credit (HCTC), or the normal deduction of medical expenses allowed in all states.

Sources: National Conference of State Legislatures (www.ncsl.org), Kaiser Family Foundation (www.kff.org), Kaiser State Health Facts (www.statehealthfacts.org), Mathematica Policy Research, Inc. (www.mathematica.org), Nelson A. Rockefeller Institute of Government (www.rockinst.org), individual state statutes, and individual state tax departments

⁸¹ Source: Kaiser State Health Facts

⁸² <http://apps.leg.wa.gov/billinfo/summary.aspx?bill=5930&year=2007>

⁸³ <http://apps.leg.wa.gov/billinfo/summary.aspx?bill=2052>

⁸⁴ Source: Kaiser State Health Facts