Ohio Legislative Service Commission

Tom Wert

Fiscal Note & Local Impact Statement

Bill: Am. Sub. H.B. 201 of the 130th G.A.

Date: December 15, 2014

Status: As Passed by the Senate

Sponsor: Rep. Butler

Local Impact Statement Procedure Required: No

Contents: Revises requirements for entries of mortgage satisfaction, clarifies the status of volunteer firefighters for purposes of the Patient Protection and Affordable Care Act, makes changes regarding coverage for a dependent child under a parent's health insurance plan, and makes other insurance-related changes

State and Local Fiscal Highlights

- The additional recordation requirement under the bill is likely to lead to a gain in base fees retained by county recorders as well as Housing Trust Fund fees that are transferred to the state Low- and Moderate-Income Housing Trust Fund (Fund 6460) under the Development Services Agency budget.
- The provision that lowers the age limit for unmarried dependent child coverage under a health care plan or insurance policy from age 28 to 26 would reduce the state personal income tax (PIT) deduction for amounts paid for health insurance coverage for qualifying adult children. This provision would yield a PIT revenue gain to the state beginning in FY 2016 of up to $3.6 million in the first year.
- The state GRF would benefit from 96.68% or $3.5 million of the revenue gain from the PIT. The remaining 3.32% or $0.1 million of revenue would benefit the Local Government Fund (LGF) and the Public Library Fund (PLF) equally. Any revenue gain to the LGF and PLF will increase distributions to counties, municipalities, townships, and public libraries.
- The provisions related to bona fide volunteer firefighters may reduce local government expenditures to provide health benefits to such volunteers and their dependents. The estimated savings to local governments of not providing health insurance coverage to volunteer firefighters and their dependents could be up to $210 million annually.

Detailed Fiscal Analysis

Mortgage recordation

The bill revises statutes regarding mortgages and entries of satisfaction involving mortgages for residential and commercial property. The bill requires that a mortgagee record a release of a mortgage evidencing its satisfaction in the appropriate county recorder's office. Current law requires that the mortgagee record only the fact that the mortgage has been satisfied. As a consequence of this additional recordation requirement, the bill most likely will increase the volume of filings handled by county recorders. If so, this will increase the amount of recordation fees collected, including the portion remitted to the state for deposit into the Low- and Moderate-Income Housing Trust Fund (Fund 6460), commonly referred to as the Housing Trust Fund. County recorders charge a base fee of $14 and a Housing Trust Fund fee of $14 for the first two pages recorded, and a $4 base fee and $4 Housing Trust Fund fee for each additional page.

The bill also increases damages that can be recovered by a mortgagor in a civil action when the mortgagee fails to record the release of the mortgage within 90 days of the mortgage's satisfaction. Under current law, the amount of allowable civil damages that a mortgagor is entitled to is capped at $250. Under the bill, if the release of the mortgage remains unrecorded after 90 days, the mortgagor must notify the mortgagee of its failure to record the release. If after 15 days of being notified the mortgagee still has not recorded the release of mortgage, the mortgagor may recover damages of $100 per day, not to exceed $5,000 in total damages, for each day the release remains unrecorded. The bill also allows a mortgagor to recover reasonable attorneys' fees and costs related to these cases. Finally, the bill specifies the requirements and damages for noncompliance with the requirements for a mortgagee, mortgagor, and property owner who are parties to an unreleased mortgage that has been satisfied, but not recorded, prior to the effective date of the bill. Overall, it is not entirely clear how the changes in the bill would affect civil caseloads handled by the courts, since the penalties in the bill are in addition to other legal remedies and damages to which a mortgagor is entitled under current law.

Insurance

Overview

The bill lowers the age limit for unmarried dependent child coverage under a health care plan or insurance policy from age 28 to 26.[1] The insurers subject to this provision are sickness and accident insurance policies, health insuring corporation

[1] The federal Affordable Care Act requires plans and issuers that offer dependent coverage to make the coverage available until the adult child reaches the age of 26.

(HIC) plans, multiple employer welfare arrangements (MEWAs), and public employee benefit plans. Under existing law, all of these health care plans must offer to provide coverage for an unmarried child that meets certain conditions, upon the request of the subscriber when an unmarried child has attained the limiting age for dependent children as specified in such plans, until the dependent child reaches 28 years of age.

The bill modifies the definition of "eligible employee" for the purposes of the law governing small employer benefit plans. Under the bill, an eligible employee means an employee who works a normal work week of 30 or more hours. The new definition would conform Ohio law to provisions in the federal Affordable Care Act (ACA) that relate to mandatory health insurance coverage. Under current law, an eligible employee works a normal work week of 25 or more hours. The bill also increases the duration of one-time-limited-duration health insurance policies from six months to twelve months.

The bill also specifies that volunteer firefighters employed by municipalities or townships are not employees for purposes of the ACA, if the firefighter receives certain benefits in connection with their volunteering.

The bill specifies that the cost sharing limit of $100 per prescription fill related to the chemotherapy parity law[2] is applied to a high deductible plan, as defined in 26 U.S.C. 223, or a catastrophic plan, as defined in 42 U.S.C. 18022, only after the deductible has been met.

Fiscal effect

The provision that lowers the age limit for unmarried dependent child coverage under a health care plan or insurance policy from age 28 to 26 would reduce a state personal income tax (PIT) deduction, for amounts paid for health insurance coverage for qualifying adult children between age 26 and 28. This would result in a PIT revenue gain to the state. Under existing law, Ohioans are allowed to deduct the portion of payments for employer-sponsored health insurance that would normally be excluded from federal adjusted gross income (FAGI) but is not because it relates to a person who is not a "qualifying dependent" for federal income tax purposes.

The bill applies to policies, contracts, agreements, and plans that are delivered, issued for delivery, or renewed in Ohio on or after January 1, 2016. Thus, any such revenue gain would begin in FY 2016. In the Ohio Department of Taxation's *Tax Expenditure Report* for fiscal years 2014 and 2015, the estimated PIT revenue loss to the state related to the current deduction for amounts paid for health insurance coverage for qualifying adult children and other dependents is about $3.8 million for FY 2015. This estimate would have been based on income tax rates prior to rate reductions enacted in Am. Sub. H.B. 59 of the 130th General Assembly. Adjusting for the lower

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[2] Under the chemotherapy parity law (enacted under Am. S.B. 99 of the 130th General Assembly) certain insurers are deemed to be in compliance with the requirement, if the cost sharing imposed under its policy, contract, or agreement for orally administered cancer treatments does not exceed $100 per prescription fill.

state income tax rates for all brackets in tax year 2015 (FY 2016) due to those PIT rate reductions, the estimated PIT revenue gain would be up to $3.6 million.

The state GRF would retain 96.68% or $3.5 million of the revenue gain from the PIT. The remaining 3.32%, or $0.1 million, would be transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF), with each fund receiving half of the total. The LGF is used to distribute money to counties, municipalities, and townships while the PLF is used to distribute money primarily to public libraries. Any revenue gain to the LGF and PLF will increase distributions to those political subdivisions.

The provision changing the definition of eligible employee for the purposes of the law governing small employer benefit plans and increasing the duration of one-time-limited-duration health insurance policies from six to twelve months would have no direct fiscal effect to the state and local governments. However, the provision related to bona fide volunteer firefighters would reduce local governments' expenditures related to health insurance coverage provided to volunteer firefighters and their dependents.

According to *The 20th Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (*2012 Report*), prepared by the State Employment Relations Board (SERB), the total employer costs per month (per employee per month) for medical and prescription coverage in 2012 ranged between $751 and $1,111. According to the National Fire Department Census Database, there were over 42,400 active firefighters statewide in 2009. Of the total number, approximately 15,743, or 37.1%, were active volunteer firefighters. The databases are administered by the U.S. Fire Administration (USFA), an entity of the Department of Homeland Security's Federal Emergency Management Agency.[3] Using those data, the estimated savings to local governments of not providing health insurance coverage to volunteer firefighters and their dependents could be between $142 million and $210 million annually. To the extent that individual jurisdictions elect to provide such benefits despite this provision, this savings estimate should be reduced.

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[3] Source: Fiscal Note for S.B. 66 of the 128th General Assembly, prepared by the Ohio Legislative Service Commission, dated March 31, 2009.