

State of Arkansas Department of Finance and Administration Fiscal Impact Statement

Bill: HB1698 Amendment Number: H1 Bill Subtitle: TO AMEND THE LAW CONCERNING THE INCOME TAX TREATMENT OF EMPLOYER CONTRIBUTIONS TO A HEALTHCARE SHARING MINISTRY OR OTHER MEDICAL COST-SHARING PROGRAM.

Sponsors:

Rep. Torres and Sen. Petty

Basic Change:

HB1698-H1 (engrossed 3/17/25) excludes an employer's contributions for an employee's membership in a healthcare sharing ministry or other medical cost-sharing program from the employee's gross income. The bill provides that a self-employed person may also claim the exclusion.

HB1698-H1 also creates an income tax deduction for the employer's contributions to an employee's healthcare sharing ministry or other medical cost-sharing program. The bill provides that a self-employed person may also claim the deduction.

Under § 23-60-104, a "healthcare sharing ministry" is defined as an organization that:

- Is a faith-based, nonprofit organization that is tax-exempt under the Internal Revenue Code;
- Limits participation to those who are of a similar faith;
- Matches participants having financial or medical needs to participants with the ability to assist with those needs;
- Establishes contribution amounts for participants with no guarantee of return, assumption of risk, or promise to pay medical needs;
- Provides a monthly statement listing needs submitted to the ministry and contributions from participants and provides a written disclaimer that it is not an insurance company or policy;
- Transfers contributions received from one participant to match the qualified medical needs of another participant; and
- Provides an identification card to participants indicating their membership in the healthcare sharing ministry.

HB1698-H1 is effective for tax years beginning on or after January 1, 2026.

Fiscal Impact:

FY2026 - \$365,000 General Revenue Reduction **FY2027** - \$730,000 General Revenue Reduction

Taxpayer Impact:

The contributions of an employer or a self-employed person made for an employee's membership in a healthcare sharing ministry or other medical cost-sharing program may be excluded from the employee's gross income. A deduction may also be taken for contributions to a healthcare sharing ministry or other medical cost-sharing program.



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Resources Required:

Computer programs, tax forms, and instructions will need to be updated. The Arkansas Integrated Revenue System (AIRS) will require programming at an estimated cost of \$8,000.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Department employees will need to be educated as well as the tax community.

Other Comments:

None.

Legal Analysis:

HB1698-H1 may benefit from an amendment to

- Define the term "medical cost-sharing program."
- Delete the first "or" on page 2, line 12.
- Replace "exemption" with "exclusion" on page 2, line 1.

• Add "for contributions for his or her own membership in a healthcare sharing ministry as defined in § 23-60-104 or other medical cost-sharing program" to the end of each of the provisions providing that a self-employed person may claim the deduction provided by the bill.
