

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT

LS 6613
BILL NUMBER: SB 183

NOTE PREPARED: Dec 22, 2025
BILL AMENDED:

SUBJECT: Income Tax Deduction for Health Insurance Premiums.

FIRST AUTHOR: Sen. Young M
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides that a taxpayer who is covered by a health insurance plan may deduct from the taxpayer's adjusted gross income an amount equal to the total amount of premiums on the health insurance plan the taxpayer paid for coverage during the taxable year.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur expenses to put the bill's changes in place. The DOR should be able to make these changes within current resource levels.

Explanation of State Revenues: The deduction could reduce state General Fund revenue by an estimated \$114 M to \$176 M annually beginning in FY 2028.

Additional Information - The cost of health insurance premiums paid in Indiana in 2024 totaled approximately \$30.4 B. The estimate assumes that 13% to 20% of the premium total is paid by individuals and families, while 80% to 87% of the premium total is paid by employers. The estimate is based on a state income tax rate of 2.9%.

Explanation of Local Expenditures:

Explanation of Local Revenues: The deduction could reduce revenue from local income tax (LIT) by an estimated \$66 M to \$102 M beginning in FY 2028. The estimate is based on an average LIT rate of 1.68%.

State Agencies Affected:

Local Agencies Affected:

Information Sources: Bureau of Labor Statistics (BLS). March 2025. Table 3. Medical Plans: Share of Premiums Paid by Employer and Employee for Single Coverage.

<https://www.bls.gov/news.release/ebs2.t03.htm>;

BLS. March 2025. Table 4. Medical Plans: Share of Premiums Paid by Employer and Employee for Family Coverage.<https://www.bls.gov/news.release/ebs2.t04.htm>;

BLS. Medical Care Premiums in the United States, March 2023.

<https://www.bls.gov/ebs/factsheets/medical-care-premiums-in-the-united-states.htm#:~:text=88%20percent%20of%20workers%20participated%20in%20medical,medical%20plans%20with%20an%20employee%20contribution%20requirement>; Indiana Department of Insurance.

Fiscal Analyst: Camille Tesch, 317-232-5293; Jason Barrett, 317-232-9809.