

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** House Bill 204

**SHORT TITLE:** Remove Flexible Benefits Sunset

**SPONSOR(S):** Representative Insko, et al

<b>FISCAL IMPACT</b>					
	<b>Yes ( )</b>	<b>No (X)</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>
<b>REVENUES</b>					
<b>EXPENDITURES</b>					(No Impact )
<b>POSITIONS:</b>					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>	State Government Agencies.				
<b>EFFECTIVE DATE:</b>	When it becomes law.				

**BILL SUMMARY:** The proposed bill removes the December 31, 1999 sunset on the statute authorizing the reallocation of funds appropriated for state government employer payroll contributions under the Federal Insurance Contributions Act (FICA). The reallocation of budgeted FICA contributions are in turn used for administration of flexible benefit programs offered by the State as an employer.

**ASSUMPTIONS AND METHODOLOGY:**

Flexible benefit programs, under federal law, allow an employee to defer a limited pre-tax share of their annual salary into a flexible spending account for direct purchase of dependent care, medical care, and purchase of premium based insurance coverage for dental, vision and long-term care. This authorized diversion of pre-tax income reduces the amount of FICA contribution paid by a state employee and the State as the employer, since the taxable wage base of that employee is reduced by the amount of pre-tax contributions made to a flexible spending account.

For each \$1 contributed by an employee to a flexible spending account, the state reduces its FICA contribution by 7.65 cents. This reduction in contribution is in turn reallocated for administration of the flexible benefit plan which manages the payment of authorized claims from the pre-tax salary income set-aside by employees. This re-allocation of funds is a budget neutral transaction.

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION 733-4910**

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**DATE:** Thursday, April 29, 1999



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