

DEPARTMENT OF TAXATION

2026 Fiscal Impact Statement

1. **Patron** David A. Reid

3. **Committee** House Finance

4. **Title** Health Insurance Premium Stabilization Tax
Credit Act

2. **Bill Number** HB 405

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would establish the Health Insurance Premium Stabilization Tax Credit Act, which would allow qualified taxpayers to claim a refundable income tax credit in an amount equal to their certifiable premium. The bill provides that the Health Benefit Exchange Division of the State Corporation Commission would determine each qualifying taxpayer's certifiable premium for each taxable year in which such taxpayer may claim a health insurance premium stabilization tax credit and would annually report such amount to the Department of Taxation ("the Department").

This bill would be effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

6. **Budget amendment necessary:** Yes.

Item(s): 261 and 263 Department of Taxation

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2025-26	\$41,065	0	GF
2026-27	\$238,285	0	GF
2027-28	\$25,000	0	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") would incur estimated expenditures, as shown on Line 7a. Such costs would primarily consist of agency and contractor personnel costs for implementing and administering the new credit. Any costs thereafter would be considered routine.

The Department requests a delayed effective date of January 1, 2027, due to the system changes required by this legislation and resource commitments associated with the Integrated Revenue Management System (IRMS) replacement project. Changes needed to implement this bill would impact work in progress for the first rollout of the new system scheduled for September 2026. For more information on the new system implementation releases, see the [2025 Status Report on the Replacement of the Integrated Revenue Management System](#) (IRMS).

The Health Benefit Exchange of the State Corporation Commission is unable to determine the qualifying taxpayer's certifiable premium as required in the bill as the Exchange does not collect, and cannot obtain, much of the data required to determine the certifiable premium.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2027. The data necessary for an accurate estimate was not available to the Department, however by assuming that qualified taxpayers are represented by state-wide averages the Department was able to produce a speculative estimate. Based on average enrollment statistics for eligible taxpayers the Department estimates around 30,000 individuals would qualify for this credit, and the average credit would be approximately \$4,320 per taxpayer.

Based on these assumptions, the speculative negative General Fund revenue estimate would be over \$120 million annually; however, the actual revenue impact could vary significantly. The Department would expect this impact to increase significantly in future fiscal years as insurance premiums have historically grown faster than inflation.

9. Specific agency or political subdivisions affected:

Department of Taxation
Health Benefit Exchange Division of the State Corporation Commission

10. Technical amendment necessary: No.

11. Other comments:

Affordable Care Act

Enacted on March 23, 2010, the Patient Protection and Affordable Care Act ("ACA") largely retained the existing structure of Medicare, Medicaid, and the employer market, but drastically overhauled individual markets. Insurers were required to accept all applicants without charging based on pre-existing conditions or demographic status (except age). The ACA mandated that individuals buy insurance or pay a monetary penalty, and that insurers cover a list of "essential health benefits". Young people were also allowed to stay on their parents' insurance plans until they were 26 years old.

In order to allow individuals and businesses to shop for health insurance policies, the ACA allowed states to create their own state-run health insurance exchanges, join together to run multi-state exchanges, or opt out of running their own exchange, in which case the federal government would step in to create an exchange for use by such states residents.

Individuals whose household incomes are between 100 and 400 percent of the federal poverty level ("FPL") are eligible to receive federal subsidies for premiums for policies purchased on an ACA exchange, provided they are not eligible for Medicare, Medicaid, the Children's Health Insurance Program, or other forms of public assistance health coverage, and do not have access to affordable coverage through their own or a family member's employer. Households below the FPL are not eligible to receive these subsidies. Lawful Residents and some other legally present immigrants whose household income is below 100 percent FPL and are not otherwise eligible for Medicaid are eligible for subsidies if they meet all other eligibility requirements. Married people must file taxes jointly to receive subsidies. Enrollees must have U.S. citizenship or proof of legal residency to obtain a subsidy.

Virginia Health Benefit Exchange

Legislation enacted in 2020 created the Virginia Health Benefit Exchange, which was established and operated by a new division within the State Corporation Commission ("SCC"). The Exchange facilitates the purchase and sale of qualified health plans and qualified dental plans to qualified individuals and qualified employers. The legislation required the Department of Taxation to include on the appropriate individual tax return forms a checkoff box or similar mechanism for indicating whether the individual, or spouse in the case of a married taxpayer filing jointly, (i) is an uninsured individual at the time the return is filed and (ii) voluntarily consents to the Department of Taxation providing the individual's tax information to the Department of Medical Assistance Services for purposes of determining the uninsured individual, spouse or dependent's eligibility for medical assistance. The Secretary of Health and Human Resources is required to convene a work group that includes representatives from the SCC, the Department of Medical Assistance Services, the Department of Social Services, and the Department of Taxation to develop systems, policies, and practices to leverage state income tax returns to facilitate the enrollment of eligible individuals in insurance affordability programs through the Virginia Health Benefit Exchange established in this measure.

Proposal

This bill would establish the Health Insurance Premium Stabilization Tax Credit Act, which would allow qualified taxpayers to claim a refundable income tax credit in an amount equal to their certifiable premium. The bill provides that the Health Benefit Exchange Division ("the Division") would determine each qualifying taxpayer's certifiable premium for each taxable year in which such taxpayer may claim a health insurance premium stabilization tax credit and would annually report such amount to the Department.

The Division would determine each qualifying taxpayer's certifiable premium for each taxable year in which such taxpayer may claim a tax credit pursuant to § 58.1-339.17.

A qualifying taxpayer's certifiable premium, with respect to any taxable year, would be the sum of each coverage month's premium balance across all coverage months for such taxable year. A qualifying taxpayer's coverage month premium balance, with respect to any coverage month, shall be equal to the lesser of:

1. The monthly premium for a qualified health plan in which such qualifying taxpayer and any covered spouse or dependent is enrolled through the Exchange; or
2. The difference, if any, between (i) the monthly premium that would apply if each individual covered under the qualified health plan as described in subdivision 1 were covered by the second lowest cost silver plan of the individual market in the rating area in which such taxpayer resides and (ii) an amount equal to 8.5 percent of such taxpayer's Virginia adjusted gross income divided by 12.

"Certifiable premium" would mean the amount certified by the Division for which a qualified taxpayer is allowed to claim a tax credit for the taxable year.

"Commission" would mean the State Corporation Commission.

"Coverage month" would mean a month during which a qualified taxpayer is enrolled in a qualified health plan.

"Division" would mean the Health Benefit Exchange, a division within the Commission through which it administers the Exchange.

"Exchange" would mean, as the context requires, either (i) the Division or (ii) the Virginia Health Benefit Exchange established pursuant to the provisions of Chapter 65 (§ 38.2-6500 et seq.) of Title 38.2 and in accordance with § 1311(b) of the Federal Act, through which qualified health plans and qualified dental plans are made available to qualified individuals through the American Health Benefit Exchange and to qualified employers through the Small Business Health Options Program (SHOP) Exchange. "Exchange," when referring to the Virginia Health Benefit Exchange, collectively refers to both the American Health Benefit Exchange and the SHOP Exchange.

"Federal Act" would mean the federal Patient Protection and Affordable Care Act, P.L. 111-148, as amended by the federal Health Care and Education Reconciliation Act of 2010, P.L. 111-152, and as it may further be amended, and regulations issued thereunder.

"Poverty guidelines" would mean the poverty guidelines of the 48 contiguous states and the District of Columbia under federal law.

"Qualified health plan" would mean a health benefit plan that has in effect a certification that the plan meets the criteria for certification described under federal law.

"Qualified taxpayer" would mean a taxpayer that during the taxable year (i) was enrolled in a qualified health plan through the Exchange and (ii) had a Virginia adjusted gross income in excess of 400 percent of the poverty guidelines.

"Rating area" would mean the rating area established in accordance with federal law.

"Silver plan" would mean a qualified health plan that is identified as a silver-level plan as described in the Code of Virginia, is offered through the Exchange, and provides self-coverage and family coverage options

The Department would be required to develop guidelines for claiming the credit.

This bill would be effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

cc : Secretary of Finance

Date: 02/01/2026 JLOF
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