



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Fiscal Note

Short Title: Voluntary Portable Benefits Plan Act.
Bill Number: House Bill 1083 (Third Edition)
Sponsor(s): Rep. Reeder, Rep. Chesser, Rep. Rhyne, and Rep. Schietzelt

SUMMARY TABLE

FISCAL IMPACT of H.B. 1083, V.3 (\$ in millions)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
State Impact					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
General Fund Impact	Likely Insignificant Fiscal Impact - Refer to Fiscal Analysis section				

NET STATE IMPACT	Likely Insignificant Fiscal Impact - Refer to Fiscal Analysis section
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FISCAL IMPACT SUMMARY

House Bill (HB) 1083 creates a personal income tax deduction for certain voluntary contributions made by public or private entities to a portable benefit plan owned by an independent contractor. These contributions must be used by the taxpayer to purchase or fund certain benefits such as health insurance, disability insurance, life insurance, or retirement benefits.

The Fiscal Research Division (FRD) estimates the HB 1083 would reduce income tax collections by an unknown amount. FRD does not anticipate a significant fiscal impact because independent contractors may deduct insurance or retirement contributions, as self-employed taxpayers, under existing tax law.

For State tax purposes, HB 1083 would provide additional flexibility for independent contractors. HB 1083 would allow independent contractors the ability to receive deductible benefits funded by a contracting entity through a portable benefit plan rather than paying for benefits out-of-pocket before qualifying for a tax deduction.

FISCAL ANALYSIS

The IRS generally considers an individual an independent contractor if the person for whom the services are performed has the right to control or direct only the result of the work and not what will be done or how it will be done. Alternatively, an employee is generally someone who

performs services for a business, and the business has the right to control what will be done and how it will be done.

Under current law, W-2 employees may deduct health insurance premiums, retirement contributions, life insurance premiums, or disability insurance premiums from the wages or salary paid by their employer, reducing their taxable income. The IRS considers independent contractors as self-employed individuals, meaning independent contractors need to pay for benefits, such as health insurance, out-of-pocket to receive a tax deduction.

According to 2022 IRS Statistics of Income data, 701,840 North Carolina resident taxpayers reported self-employment tax, 27,280 returns reported self-employed retirement plan contributions, and 124,080 reported self-employed health insurance deductions.

Ultimately, since the number of entities contributing to portable benefit plans is unknown and contributions are voluntary, FRD is unable to estimate the fiscal impact of this deduction. FRD assumes some independent contractors who presently deduct the cost of benefits paid out-of-pocket would instead take the alternative deduction in HB 1083 for portable benefit contributions.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

IRS Statistics of Income

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

ESTIMATE PREPARED BY

Nick Long

ESTIMATE APPROVED BY

Brian Matteson, Director of Fiscal Research
Fiscal Research Division
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