



<b>BILL/VERSION:</b>	<b>SB 736</b> / PCS Req. No. 1659	<b>ANALYST:</b> MK
<b>AUTHORS:</b>	Sen. Deevers	<b>DATE:</b> 2/9/2025
<b>TAX(ES):</b>	Income Tax	
<b>SUBJECT(S):</b>	Deduction – Health Care Sharing Ministry	
<b>EFFECTIVE DATE:</b>	November 1, 2025	<b>Emergency</b> <input type="checkbox"/>

**ESTIMATED REVENUE IMPACT:**

**FY26: -0-**

**FY27: Unknown total decrease in income tax revenue. The proposed deduction for contributions would result in an estimated \$518,000 decrease in income tax collections in FY27 when 2026 income tax returns are filed. The effects of the income tax-free status on HCSM medical expense funds remain unknown.**

**ANALYSIS:** The Proposed Committee Substitute for SB 736 (Req. No. 1659) simplifies the definition of "qualified health care sharing expenses" and removes the severability clause (Section G in the introduced version) which would have kept the rest of the law in effect if part was found unconstitutional.

SB 736 proposes to enact the *Health Care Sharing Ministry Tax Parity Act*. This measure would allow for contributions<sup>i</sup> to a Health Care Sharing Ministry (HCSM)<sup>ii</sup> by a qualified individual<sup>iii</sup> to be deducted from adjusted gross income to calculate Oklahoma taxable income. This measure would also allow funds received by a qualified individual from a HCSM to assist with medical expenses not be subject to Oklahoma income tax.<sup>iv</sup> This is effective for tax year 2026 and subsequent tax years.

Information from the Alliance of Health Care Sharing Ministries suggests that 11,043 Oklahomans participated in a HCSM in 2023,<sup>v</sup> with an average annual share amount of \$1,560. The proposed deduction for contributions would result in an estimated \$518,000 decrease in income tax collections in FY27 when 2026 income tax returns are filed. The effects of the income tax-free status on HCSM medical expense funds remain unknown. No changes in withholding or estimated tax payments are anticipated.

2/10/25  
DATE

Huan Gong  
DR. HUAN GONG, CHIEF TAX ECONOMIST

2/10/25  
DATE

Marie Schuble  
MARIE SCHUBLE, DIVISION DIRECTOR

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Joseph P. Gappa  
JOSEPH P. GAPPA, FOR THE COMMISSION

*The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.*

Under federal law, if a taxpayer itemizes deductions on their federal return, the taxpayer may be allowed to deduct payments for insurance premiums paid for policies that cover medical care; however, a taxpayer may deduct only the amount of total medical expenses that exceed 10% of adjusted gross income. No federal or state deduction is allowed for amounts paid or received by individuals as a member of a health care sharing ministry, which is considered a not-for-profit ministry rather than insurance.

**ADMINISTRATIVE IMPACT:** The Oklahoma Tax Commission (OTC) is responsible for administering the provisions of *Health Care Sharing Ministry Tax Parity Act*. The OTC must issue an annual report to the Legislature detailing the number of deductions claimed, the total fiscal impact, and any other relevant data. There is no specific date by which this report must be issued, and the relevant data reference is vague. Implementing this proposal may have an administrative impact on the OTC. We are currently assessing the extent of the impact and evaluating the associated costs.

<sup>i</sup> The deduction is applicable to self-employed individuals, in the same manner as deductions for health insurance premiums; employer contributions toward HCSM membership for employees, which shall be treated as nontaxable fringe benefits, and individuals purchasing HCSM membership for themselves or their dependents.

<sup>ii</sup> Generally, a HCSM provides a health care cost sharing arrangement among persons of similarly held beliefs. HCSMs are operated by not-for-profit religious organizations acting as a clearinghouse for those who have medical expenses and those who desire to share the burden of those medical expenses.

<sup>iii</sup> A qualified individual is any resident of Oklahoma who has been an active member of an HCSM for at least 1 month during the applicable tax year.

<sup>iv</sup> This exemption assumes these funds are included in federal AGI. Information from the Alliance of Health Care Sharing Ministries states: *"In light of the fact the HCSMs are relatively unknown the federal tax code does not expressly address the status of such arrangements. Under the Internal Revenue Code, employers who purchase health insurance for their employees may deduct the cost as a business expense, while at the same time it is a nontaxable fringe benefit to the employee. The self-employed and employees who purchase their own health insurance may, in most circumstances, also deduct that cost on their income tax returns. Also, health insurance reimbursements for medical expenses are not considered taxable income. Like health insurance policyholders, members of HCSMs make payments that go toward assisting fellow members with medical expenses. However, due to the fact that HCSMs are not insurance companies and are not well known, the Internal Revenue Code does not explicitly address their status".*

<sup>v</sup> Alliance of Health Care Sharing Ministries [Data and Statistics | Alliance of Health Care Sharing Ministries](#)