



INDIANA
COMMUNITY ACTION
POVERTY INSTITUTE
Research and Public Policy

Testimony before the Senate Appropriations Committee

January 15, 2026

Good afternoon Chairman Mishler and members of the committee,

My name is Olivia Smith and I am a policy analyst with the Indiana Community Action Poverty Institute. We envision an Indiana where financial security allows Hoosiers to better contribute to their families, communities, and the world.

We rise in support of the tax relief proposed by SB 183, which would help Hoosiers offset the financial burden of skyrocketing health insurance premiums.

Through our statewide community needs assessments, we learned that 42% of Hoosiers we heard from are struggling with medical debt. We know that when people lose health insurance coverage, they are more likely to incur medical debt, or even more critically, they may delay needed medical services out of fear of the cost.

The Centers for Medicare and Medicaid services issued approval for 2026 rate increases for marketplace insurance providers in Indiana. The overall approved average rate increase for Hoosiers on the marketplace is 27.2%- bringing the average 2026 monthly premium cost to \$669.84, or \$8,038 per year.

Beginning with a family's 2027 tax filing, Senate Bill 183 would provide Indiana taxpayers with some relief from these rising costs by exempting the amount of money spent on health insurance premiums from state and local income tax. We estimated the potential savings for a household if this policy was in effect sooner, for tax year 2026, assuming an average of 4.5% in savings between state and local income tax rates.

At the low end, with monthly premiums of $\$576.41 \times 4.5\% \text{ state and local tax relief} = \$24.58/\text{month}$ savings $\$319.54$. At the high end, with monthly premiums of $\$717.82 \times 4.5\% \text{ state and local tax relief} = \$32.30/\text{month}$ savings $\$387.60$

Budgets are ultimately just the set of policy choices that our elected officials have chosen to prioritize with our tax dollars. This choice to reduce the tax burden of an essential cost for families, health insurance premiums, would support Hoosiers' health and financial wellbeing while also being a smart long-term investment for the state.

While we would like to see the implementation of this policy be moved up to provide relief to families earlier than when they file their 2027 taxes, we think Senator Young's policy is an effective, targeted way for Indiana to help people retain their own health insurance and take care of their families' health.