

2005 DRAFTING REQUEST

Senate Substitute Amendment (SSA-SB37)

Received: 03/17/2005

Received By: mshovers

Wanted: As time permits

Identical to LRB:

For: Legislative Fiscal Bureau 7-7597

By/Representing: Faith Russell

This file may be shown to any legislator: NO

Drafter: mshovers

May Contact:

Addl. Drafters:

Subject: Tax, Individual - dedct/sbtrct

Extra Copies:

Submit via email: YES

Requester's email: faith.russell@legis.state.wi.us

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Individual income tax deduction for amounts spent on medical insurance premiums

Instructions:

See attached. Based on SB 37, with modifications

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers 03/17/2005	lkunkel 03/17/2005		_____			
/1			rschluet 03/18/2005	_____	sbasford 03/18/2005	sbasford 03/18/2005	

FE Sent For:

<END>

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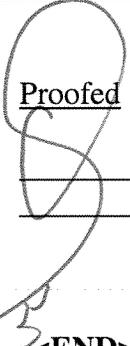
Topic:

Individual income tax deduction for amounts spent on medical insurance premiums ✓

Instructions:

See attached. Based on SB 37, with modifications

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1/1	mshovers	1/mk 3/17					
11 MES 3/17/05							
FE Sent For:							
<END>							

Shovers, Marc

From: Russell, Faith
Sent: Wednesday, March 16, 2005 10:52 AM
To: Shovers, Marc
Subject: substitute amendment

Hi, Marc.

Here is the relevant text from a memo I wrote describing the request for substitute amendments. Bob said to have them drafted for LFB. Let me know if you have any questions. Thanks.

Proposed Substitute Amendments

Under the proposed substitute amendments, the increase in the deduction for medical care insurance premiums paid by an individual whose employer does not contribute toward the individual's medical care insurance from 50% to 100% would take effect for tax year 2005, as provided under the bills. However, the proposed deduction for medical care insurance premiums paid by an individual with no employer and no self-employment income would be phased in over a three-year period, starting with tax year 2006. Under these provisions, 33.4% of the cost of such premiums would be deductible for tax year 2006, 66.7% of such premiums would be deductible for tax year 2007, and 100% of such premiums would be deductible for tax years 2008 and thereafter.

Faith Russell
Fiscal Analyst
Legislative Fiscal Bureau
608-266-3847

WANTED;
SOON
IN 3/17

50052/1
keep RMPK

SSA
SENATE

to 2005 ASSEMBLY BILL 6 37

January 18, 2005 - Introduced by Representatives HAHN, HUNDERTMARK, WASSERMAN, SUDER, GRONEMUS, KERKMAN, AINSWORTH, J. FITZGERALD, FRISKE, KAUFERT, RHOADES, MUSSER, ALBERS, F. LASEE, PETROWSKI, NASS, KRAWCZYK, NISCHKE, VAN ROY, FREESE, LOTHIAN, WOOD, McCORMICK, BIES, GIELOW, TOWNS, JENSEN, LEMAHIEU, JESKEWITZ, HINES, TOWNSEND, OTT, VOS, STONE, OWENS, DAVIS, MOULTON, GUNDERSON, NELSON and GARD, cosponsored by Senators LEIBHAM, ROESSLER, OLSEN, ERPENBACH, HARSDFORF, KANAVAS, LAZICH, A. LASEE, DARLING, GROTHMAN and LASSA. Referred to Joint Committee on Finance. Referred to Joint Survey Committee on Tax Exemptions.

reger

1 AN ACT to amend 71.05 (6) (b) 20. (intro.) and 71.07 (5) (a) 15.; and to create
2 71.05 (6) (b) 35. of the statutes; relating to: creating an individual income tax
3 subtract modification for amounts spent on medical insurance premiums by
4 certain individuals.

that is phased
in over 3 years.

percent, starting
in taxable year
2005
NoP
substitute amendment
under this, the
deduction for such persons
is increased to 100
33.4 percent in 2006,
66.7 percent in 2007, and
100 percent in 2009 and
thereafter.

Analysis by the Legislative Reference Bureau

Under current law, there is an individual income tax deduction for 50 percent of the amount paid by a person for a medical care insurance policy that covers the person, his or her spouse, and the person's dependents if the person's employer pays no amount of money toward the person's medical care insurance.

This bill creates an individual income tax deduction for 100 percent of the amount paid by an individual for a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents if the individual, other than a self-employed person, has no employer or if the individual's employer pays no amount of money toward the individual's medical care insurance.

This bill will be referred to the Joint Survey Committee on Tax Exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

substitute
amendment A/50

ASSEMBLY BILL 6

1 **SECTION 1.** 71.05 (6) (b) 20. (intro.) of the statutes is amended to read:

2 71.05 (6) (b) 20. (intro.) For taxable years beginning on or after January 1,
3 1995, and before January 1, 2005, an amount paid by a person who is the employee
4 of another person if the person's employer pays no amount of money toward the
5 person's medical care insurance, for medical care insurance for the person, his or her
6 spouse and the person's dependents, calculated as follows:

7 **SECTION 2.** 71.05 (6) (b) 35. of the statutes is created to read:

8 71.05 (6) (b) 35. For taxable years beginning after December 31, 2004, an
9 amount paid by an individual ~~other than a person to whom subd. 19. applies, who~~
10 ~~has no employer or~~ who is the employee of another person if the individual's employer
11 pays no amount of money toward the individual's medical care insurance, for medical
12 care insurance for the individual, his or her spouse, and the individual's dependents,
13 calculated as follows:

14 a. One hundred percent of the amount paid by the individual for medical care
15 insurance. In this subdivision, "medical care insurance" means a medical care
16 insurance policy that covers the individual, his or her spouse, and the individual's
17 dependents and provides surgical, medical, hospital, major medical, or other health
18 service coverage, and includes payments made for medical care benefits under a
19 self-insured plan, but "medical care insurance" does not include hospital indemnity
20 policies or policies with ancillary benefits such as accident benefits or benefits for loss
21 of income resulting from a total or partial inability to work because of illness,
22 sickness, or injury.

23 b. From the amount calculated under subd. 35. a., subtract the amounts
24 deducted from gross income for medical care insurance in the calculation of federal
25 adjusted gross income.

ASSEMBLY BILL 6

1 c. For an individual who is a nonresident or part-year resident of this state,
2 multiply the amount calculated under subd. 35. a. or b., by a fraction the numerator
3 of which is the individual's wages, salary, tips, unearned income, and net earnings
4 from a trade or business that are taxable by this state and the denominator of which
5 is the individual's total wages, salary, tips, unearned income, and net earnings from
6 a trade or business. In this subd. 35. c., for married persons filing separately "wages,
7 salary, tips, unearned income, and net earnings from a trade or business" means the
8 separate wages, salary, tips, unearned income, and net earnings from a trade or
9 business of each spouse, and for married persons filing jointly "wages, salary, tips,
10 unearned income, and net earnings from a trade or business" means the total wages,
11 salary, tips, unearned income, and net earnings from a trade or business of both
12 spouses.

13 d. Reduce the amount calculated under subd. 35. a., b., or c. to the individual's
14 aggregate wages, salary, tips, unearned income, and net earnings from a trade or
15 business that are taxable by this state.

16 **SECTION 3.** 71.07 (5) (a) 15. of the statutes is amended to read:

17 ~~71.07(5) (a) 15. The amount claimed as a deduction for medical care insurance
18 under section 213 of the Internal Revenue Code that is exempt from taxation under
19 s. 71.05 (6) (b) 17. to 20. and 35. and the amount claimed as a deduction for a
20 long-term care insurance policy under section 213 (d) (1) (D) of the Internal Revenue
21 Code, as defined in section 7702B (b) of the Internal Revenue Code that is exempt
22 from taxation under s. 71.05 (6) (b) 26.~~

23 **SECTION 4. Initial applicability.**

24 (1) This act first applies to taxable years beginning on January 1, 2005.

25 (END)

ASSEMBLY BILL 6

SECTION 1

SECTION 1. 71.05 (6) (b) 20. (intro.) of the statutes is amended to read:

71.05 (6) (b) 20. (intro.) For taxable years beginning on or after January 1, 1995, and before January 1, 2005, an amount paid by a person who is the employee of another person if the person's employer pays no amount of money toward the person's medical care insurance, for medical care insurance for the person, his or her spouse and the person's dependents, calculated as follows:

SECTION 2. 71.05 (6) (b) ³⁶ ~~35~~ of the statutes is created to read:

71.05 (6) (b) ³⁶ ~~35~~. For taxable years beginning after December 31, ²⁰⁰⁵ ~~2004~~ ^{and before January 1, 2007,} an amount paid by an individual, other than a person to whom subd. 19. applies, who has no employer ~~or who is the employee of another person if the individual's employer pays no amount of money toward the individual's medical care insurance,~~ for medical care insurance for the individual, his or her spouse, and the individual's dependents, calculated as follows:

a. ~~One hundred~~ ^{Thirty-three and four-tenths} percent of the amount paid by the individual for medical care insurance. In this subdivision, "medical care insurance" means a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents and provides surgical, medical, hospital, major medical, or other health service coverage, and includes payments made for medical care benefits under a self-insured plan, but "medical care insurance" does not include hospital indemnity policies or policies with ancillary benefits such as accident benefits or benefits for loss of income resulting from a total or partial inability to work because of illness, sickness, or injury.

b. From the amount calculated under subd. ³⁶ ~~35~~ a., subtract the amounts deducted from gross income for medical care insurance in the calculation of federal adjusted gross income.

ASSEMBLY BILL 6

1 c. For an individual who is a nonresident or part-year resident of this state,
2 multiply the amount calculated under subd. ~~35~~³⁶ a. or b., by a fraction the numerator
3 of which is the individual's wages, salary, tips, unearned income, and net earnings
4 from a trade or business that are taxable by this state and the denominator of which
5 is the individual's total wages, salary, tips, unearned income, and net earnings from
6 a trade or business. In this subd. ~~35~~³⁶ c., for married persons filing separately "wages,
7 salary, tips, unearned income, and net earnings from a trade or business" means the
8 separate wages, salary, tips, unearned income, and net earnings from a trade or
9 business of each spouse, and for married persons filing jointly "wages, salary, tips,
10 unearned income, and net earnings from a trade or business" means the total wages,
11 salary, tips, unearned income, and net earnings from a trade or business of both
12 spouses.

13 d. Reduce the amount calculated under subd. ~~35~~³⁶ a., b., or c. to the individual's
14 aggregate wages, salary, tips, unearned income, and net earnings from a trade or
15 business that are taxable by this state. 

16 ~~SECTION 3. 71.07 (5) (a) 15. of the statutes is amended to read:~~

17 ~~71.07 (5) (a) 15. The amount claimed as a deduction for medical care insurance~~
18 ~~under section 213 of the Internal Revenue Code that is exempt from taxation under~~
19 ~~s. 71.05 (6) (b) 17. to 20. and 35. and the amount claimed as a deduction for a~~
20 ~~long-term care insurance policy under section 213 (d) (1) (D) of the Internal Revenue~~
21 ~~Code, as defined in section 7702B (b) of the Internal Revenue Code that is exempt~~
22 ~~from taxation under s. 71.05 (6) (b) 26.~~

23 ~~SECTION 4. Initial applicability.~~

24 ~~(1) This act first applies to taxable years beginning on January 1, 2005.~~

25 (END)

ASSEMBLY BILL 6

SECTION 1

SECTION 1. 71.05 (6) (b) 20. (intro.) of the statutes is amended to read:

71.05 (6) (b) 20. (intro.) For taxable years beginning on or after January 1, 1995, and before January 1, 2005, an amount paid by a person who is the employee of another person if the person's employer pays no amount of money toward the person's medical care insurance, for medical care insurance for the person, his or her spouse and the person's dependents, calculated as follows:

SECTION ~~4~~ 71.05 (6) (b) ~~85~~³⁷ of the statutes is created to read:

71.05 (6) (b) ~~85~~³⁷. For taxable years beginning after December 31, ~~2004~~²⁰⁰⁶, ~~and before January 1, 2008~~^{and}, an amount paid by an individual, other than a person to whom subd. 19. applies, who has no employer or who is the employee of another person if the individual's employer pays no amount of money toward the individual's medical care insurance, for medical care insurance for the individual, his or her spouse, and the individual's dependents, calculated as follows:

a. ~~One hundred~~^{Sixty-six and seven tenths} percent of the amount paid by the individual for medical care insurance. In this subdivision, "medical care insurance" means a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents and provides surgical, medical, hospital, major medical, or other health service coverage, and includes payments made for medical care benefits under a self-insured plan, but "medical care insurance" does not include hospital indemnity policies or policies with ancillary benefits such as accident benefits or benefits for loss of income resulting from a total or partial inability to work because of illness, sickness, or injury.

b. From the amount calculated under subd. ~~85~~³⁷ a., subtract the amounts deducted from gross income for medical care insurance in the calculation of federal adjusted gross income.

ASSEMBLY BILL 6

1 c. For an individual who is a nonresident or part-year resident of this state,
2 multiply the amount calculated under subd. ~~35~~³⁷ a. or b., by a fraction the numerator
3 of which is the individual's wages, salary, tips, unearned income, and net earnings
4 from a trade or business that are taxable by this state and the denominator of which
5 is the individual's total wages, salary, tips, unearned income, and net earnings from
6 a trade or business. In this subd. ~~35~~³⁷ c., for married persons filing separately "wages,
7 salary, tips, unearned income, and net earnings from a trade or business" means the
8 separate wages, salary, tips, unearned income, and net earnings from a trade or
9 business of each spouse, and for married persons filing jointly "wages, salary, tips,
10 unearned income, and net earnings from a trade or business" means the total wages,
11 salary, tips, unearned income, and net earnings from a trade or business of both
12 spouses.

13 d. Reduce the amount calculated under subd. ~~35~~³⁷ a., b., or c. to the individual's
14 aggregate wages, salary, tips, unearned income, and net earnings from a trade or
15 business that are taxable by this state.

16 **SECTION 3.** 71.07 (5) (a) 15. of the statutes is amended to read:

17 71.07 (5) (a) 15. The amount claimed as a deduction for medical care insurance
18 under section 213 of the Internal Revenue Code that is exempt from taxation under
19 s. 71.05 (6) (b) 17. to 20. and ~~35~~ and the amount claimed as a deduction for a
20 long-term care insurance policy under section 213 (d) (1) (D) of the Internal Revenue
21 Code, as defined in section 7702B (b) of the Internal Revenue Code that is exempt
22 from taxation under s. 71.05 (6) (b) 26.

23 **SECTION 4. Initial applicability.**

24 (1) This act first applies to taxable years beginning on January 1, 2005.

25 (END)

ASSEMBLY BILL 6

SECTION 1

SECTION 1. 71.05 (6) (b) 20. (intro.) of the statutes is amended to read:

71.05 (6) (b) 20. (intro.) For taxable years beginning on or after January 1, 1995, and before January 1, 2005, an amount paid by a person who is the employee of another person if the person's employer pays no amount of money toward the person's medical care insurance, for medical care insurance for the person, his or her spouse and the person's dependents, calculated as follows:

SECTION ~~4~~³⁸ 71.05 (6) (b) ~~35~~³⁸ of the statutes is created to read:

71.05 (6) (b) ~~35~~³⁸ For taxable years beginning after December 31, ~~2004~~²⁰⁰⁷, an amount paid by an individual, other than a person to whom subd. 19. applies, who has no employer ~~or who is the employee of another person if the individual's employer pays no amount of money toward the individual's medical care insurance,~~ for medical care insurance for the individual, his or her spouse, and the individual's dependents, calculated as follows:

a. One hundred percent of the amount paid by the individual for medical care insurance. In this subdivision, "medical care insurance" means a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents and provides surgical, medical, hospital, major medical, or other health service coverage, and includes payments made for medical care benefits under a self-insured plan, but "medical care insurance" does not include hospital indemnity policies or policies with ancillary benefits such as accident benefits or benefits for loss of income resulting from a total or partial inability to work because of illness, sickness, or injury.

b. From the amount calculated under subd. ~~19~~³⁸ a., subtract the amounts deducted from gross income for medical care insurance in the calculation of federal adjusted gross income.

ASSEMBLY BILL 6

1 c. For an individual who is a nonresident or part-year resident of this state,
 2 multiply the amount calculated under subd. ~~35~~³⁸ a. or b., by a fraction the numerator
 3 of which is the individual's wages, salary, tips, unearned income, and net earnings
 4 from a trade or business that are taxable by this state and the denominator of which
 5 is the individual's total wages, salary, tips, unearned income, and net earnings from
 6 a trade or business. In this subd. ~~35~~³⁸ c., for married persons filing separately "wages,
 7 salary, tips, unearned income, and net earnings from a trade or business" means the
 8 separate wages, salary, tips, unearned income, and net earnings from a trade or
 9 business of each spouse, and for married persons filing jointly "wages, salary, tips,
 10 unearned income, and net earnings from a trade or business" means the total wages,
 11 salary, tips, unearned income, and net earnings from a trade or business of both
 12 spouses.

13 d. Reduce the amount calculated under subd. ~~35~~³⁸ a., b., or c. to the individual's
 14 aggregate wages, salary, tips, unearned income, and net earnings from a trade or
 15 business that are taxable by this state.

16 **SECTION 3.** 71.07 (5) (a) 15. of the statutes is amended to read:

17 71.07 (5) (a) 15. The amount claimed as a deduction for medical care insurance
 18 under section 213 of the Internal Revenue Code that is exempt from taxation under
 19 s. 71.05 (6) (b) 17. to 20. ~~and~~^{and 35, 36, 37, and 38.} and the amount claimed as a deduction for a
 20 long-term care insurance policy under section 213 (d) (1) (D) of the Internal Revenue
 21 Code, as defined in section 7702B (b) of the Internal Revenue Code that is exempt
 22 from taxation under s. 71.05 (6) (b) 26.

23 **SECTION 4. Initial applicability.**

24 (1) ~~This act~~^{The treatment of sections} first applies to taxable years beginning on January 1, 2005.

25 (END)