



**WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO**

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| 2005 Assembly Bill 6 | Assembly Substitute Amendment 1 |
| <i>Memo published:</i> March 31, 2005 | |
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CURRENT LAW

Current state law provides an individual income tax deduction equal to 50% 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. In addition, state law generally provides for a 100% deduction for such amounts paid by a self-employed person.

THE BILL

2005 Assembly Bill 6 creates an individual income tax deduction for 100% 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 individual) has no employer or if the individual's employer pays no amount of money toward the individual's medical care insurance. The bill would first apply to tax years beginning on January 1, 2005.

ASSEMBLY SUBSTITUTE AMENDMENT 1

Assembly Substitute Amendment 1 retains the 100% deduction provided by the bill 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%, effective for tax years beginning on January 1, 2005. However, Assembly Substitute Amendment 1 modifies the bill's proposed deduction for medical care insurance premiums paid by an individual with no employer who is not self-employed, so that the deduction would be phased in over a three-year period. The phase-in would start with tax year 2006. Under the phase-in, 33.4% of the cost of such premiums would be deductible for tax year 2006, 66.7% would be deductible for tax year 2007, and 100% of those premiums would be deductible for tax year 2008 and thereafter.

LEGISLATIVE HISTORY

Assembly Substitute Amendment 1 was offered by Representative Hahn on March 28, 2005. On March 29, the Joint Committee on Finance recommended adoption of the amendment and passage of the bill, as amended, on a vote of Ayes, 13; Noes, 2.

RJC:wu