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(FORM UPDATED: 08/11/2010)

**WISCONSIN STATE LEGISLATURE ...  
PUBLIC HEARING - COMMITTEE RECORDS**

**2005-06**

(session year)

**Senate**

(Assembly, Senate or Joint)

**Committee on ... Job Creation, Economic  
Development and Consumer Affairs (SC-JCEDCA)**

**COMMITTEE NOTICES ...**

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

**INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL**

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
  - (**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)
  - (**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Mike Barman (LRB) (August/2012)

## Senate

### Record of Committee Proceedings

#### **Committee on Job Creation, Economic Development and Consumer Affairs**

##### **Assembly Bill 6**

Relating to: creating an individual income tax subtract modification for amounts spent on medical insurance premiums by certain individuals.

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, Gard and Molepske; cosponsored by Senators Leibham, Roessler, Olsen, Erpenbach, Harsdorf, Kanavas, Lazich, A. Lasee, Darling, Grothman and Lassa.

April 06, 2005      Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

May 19, 2005      **PUBLIC HEARING HELD**

Present:    (5)    Senators Kanavas, Zien, Reynolds, Lassa and Decker.  
Absent:    (0)    None.

##### Appearances For

- Gene Hahn, Madison — Representative
- Mr. Bill Smith, Madison — National Federation of Independent Business
- Joe Leibham, Madison — Senator

##### Appearances Against

- None.

##### Appearances for Information Only

- None.

##### Registrations For

- Glenn Grothman, Madison — Senator
- Mr. Pat Osborne, Madison — Wisconsin Association of Life and Health Insurers
- Mr. Pete Hanson, Madison — Wisconsin Restaurant Association

##### Registrations Against

- None.

June 24, 2005

**EXECUTIVE SESSION HELD**

Present: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.

Absent: (0) None.

Moved by Senator Kanavas that **Assembly Bill 6** be recommended for concurrence.

Ayes: (5) Senators Kanavas, Zien, Reynolds, Lassa and Decker.

Noes: (0) None.

CONCURRENCE RECOMMENDED, Ayes 5, Noes 0

Jeremy Shepherd  
Committee Clerk

**ASSEMBLY BILL 6 (LRB -0829)**

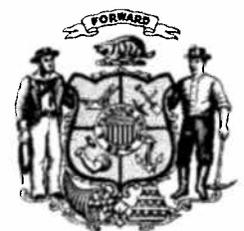
An Act to amend 71.05 (6) (b) 20. (intro.) and 71.07 (5) (a) 15.; and to create 71.05 (6) (b) 35. of the statutes; relating to: creating an individual income tax subtract modification for amounts spent on medical insurance premiums by certain individuals.

**2005**

01-18.	A.	Introduced by Representatives <b>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</b> ; cosponsored by Senators <b>Leibham, Roessler, Olsen, Erpenbach, Harsdorf, Kanavas, Lazich, A. Lasee, Darling, Grothman and Lassa.</b>	
01-18.	A.	Read first time and referred to joint committee on Finance .....	34
01-18.	A.	Read first time and referred to joint survey committee on Tax Exemptions .....	34
02-09.	A.	Fiscal estimate received.	
02-23.	A.	Fiscal estimate received.	
02-23.	A.	Public hearing held.	
02-23.	A.	Executive action taken.	
02-28.	A.	Report of joint survey committee on Tax Exemptions received, Ayes 7, Noes 2 .....	102
03-28.	A.	Assembly substitute amendment 1 offered by Representative Hahn ( <b>LRB s0051</b> ) .....	149
03-29.	A.	Executive action taken.	
03-30.	A.	Report Assembly Substitute Amendment 1 adoption recommended by joint committee on Finance, Ayes 13, Noes 2 .....	154
03-30.	A.	Report passage as amended with emergency statement attached pursuant to s. 16.47 (2) Wisconsin Statutes recommended by joint committee on Finance, Ayes 13, Noes 2 .....	154
03-30.	A.	Referred to committee on Rules .....	154
03-31.	A.	Placed on calendar 4-5-2005 by committee on Rules.	
04-05.	A.	Read a second time .....	163
04-05.	A.	Assembly substitute amendment 1 <b>adopted</b> .....	163
04-05.	A.	Ordered to a third reading .....	163
04-05.	A.	Rules suspended .....	163
04-05.	A.	Read a third time and <b>passed</b> , Ayes 98, Noes 0 .....	163
04-05.	A.	Representative Molepske added as a coauthor .....	163
04-05.	A.	Ordered immediately messaged .....	163
04-06.	S.	Received from Assembly .....	152
04-06.	S.	Read first time and referred to committee on Job Creation, Economic Development and Consumer Affairs .....	152
05-19.	S.	Public hearing held.	
06-24.	S.	Executive action taken.	
06-28.	S.	Report concurrence recommended by committee on Job Creation, Economic Development and Consumer Affairs, Ayes 5, Noes 0 .....	276
06-28.	S.	Available for scheduling.	
<b>2006</b>			
05-11.	S.	Failed to concur in pursuant to Senate Joint Resolution 1 .....	853

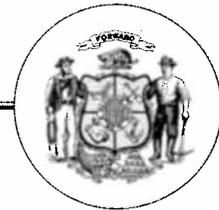


WISCONSIN STATE LEGISLATURE



# EUGENE HAHN

State Representative • 47th Assembly District



Chair:  
Assembly Committee  
on Rural Affairs

April 8, 2005

Senator Ted Kanavas  
10 South

Dear Senator Kanavas:

Assembly Bill 6 which would provide a tax deduction for health insurance has been assigned to your committee. As you know we passed this bill recently in Joint Tax Exemptions as well as Joint Finance. In addition it was passed unanimously in the Assembly this past Tuesday.

I would like to request a Senate hearing on this bill as soon as possible.

If you have any questions please feel free to contact my office.

Regards,

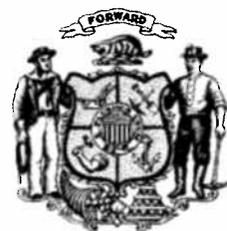
A handwritten signature in cursive script that reads "Eugene Hahn".

Rep. Eugene Hahn  
47<sup>th</sup> Assembly District

cc Speaker John Gard  
Representative Mike Huebsch



# WISCONSIN STATE LEGISLATURE





# State of Wisconsin • DEPARTMENT OF REVENUE

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**Jim Doyle**  
Governor

**Michael L. Morgan**  
Secretary of Revenue

## Senate Job Creation, Economic Development, and Consumer Affairs, May 19, 2005

### **Assembly Bill 6 – Individual Income Tax Deduction for Amounts Spent on Medical Insurance Premiums (Representative Hahn)**

#### *Description of Current Law and Proposed Change*

This bill would increase to 100% the amount of health insurance premiums that may be deducted by employed persons whose employer does not contribute to their health insurance; currently these persons may deduct 50% of their premiums. This bill would also create a deduction for 100% of health insurance premiums for filers who are not employed and who are not eligible for the existing deduction of 100% of premiums paid by the self-employed.

Assembly Substitute Amendment 1 modifies the bill's proposed deduction for medical insurance premiums paid by an individual with no employer who is not self-employed, to phase in the deduction over a three year period from tax years 2006 through 2008. The amendment allows a 33.4% deduction for the cost of premiums in 2006, a 66.7% deduction for premiums in 2007, and a 100% deduction for premiums in 2008. Assembly Substitute Amendment 1 retains the other provisions of the bill.

#### *Fairness/Tax Equity*

- This bill will affect approximately 75,800 taxfilers who are not working or whose employer does not contribute to their health insurance costs, according to our 2003 individual income tax model.
- Most workers and their families obtain health insurance through plans sponsored by their employers because the insurance is treated as a nontaxable fringe benefit for federal tax purposes, while employers are encouraged to provide the insurance because it is a deductible expense. State law has adopted this federal tax treatment and the tax subsidy has improved access to health insurance for some persons.
- The state has also adopted the federal tax treatment of self-employed persons by making their payments for health insurance premiums fully deductible. Beginning in tax year 2003, self-employed filers may deduct for federal tax purposes up to 100% of the amount paid for health insurance on behalf of themselves, their spouses, and their dependents. The state has an additional deduction of 50% for workers whose employer does not contribute to their health insurance.
- This bill seeks to expand the current state deduction from 50% to 100%, making fully deductible the health insurance premiums paid by persons whose employer does not

contribute to their health insurance. The bill also creates a new deduction of 100% for insurance premiums paid by persons who are not working and must buy their own insurance coverage. This bill would improve access to health insurance for some persons, but it is unclear who would benefit, and it is unlikely that those with no tax liability who are buying their own insurance would be affected.

- This bill would complicate the state tax system. It represents another departure from the federal tax treatment of medical expenses because, unlike Wisconsin, federal law provides no similar deductions for other groups of filers, although a filer may claim an itemized deduction for medical expenses exceeding 7.5% of adjusted gross income.

#### *Administrative Impact/Fiscal Effect*

- This bill would decrease state revenues by \$16.6 million in fiscal year 2006. Approximately 92% of the estimated cost, or \$15.3 million, is for the deduction to taxfilers who are not working, approximately 65,200 filers, representing the majority of the tax filers affected by the bill. An estimated 8% of the total cost would provide a deduction to about 10,600 workers at a cost of \$1.3 million.
- When Wisconsin provides different tax treatment from that provided under federal law, instructions are added to the tax booklet, which imposes additional compliance burdens on all filers, not just those affected by the deductions.
- The bill first applies to the 2005 tax year. Late passage of the bill may leave insufficient time to incorporate the provisions of the bill in 2005 tax forms and instructions to taxpayers. DOR recommends initial applicability in tax year 2005 if the bill is passed by July 31, 2005 and initial applicability in tax year 2006 if the bill is passed after July 31, 2005.

Prepared by: Kirstin Nelson, (608) 261-8984

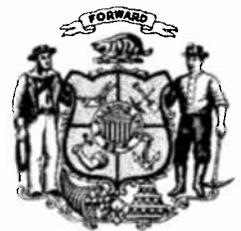
May 17, 2005

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# WISCONSIN STATE LEGISLATURE





WISCONSIN

**Statement Before The  
Senate Committee on Job Creation, Economic Development  
and Consumer Affairs**

**By**

**Bill G. Smith  
State Director  
National Federation of Independent Business  
Wisconsin Chapter**

**Assembly Bill 6  
Thursday, May 19, 2005**

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Mr. Chairman, and members of the Committee, I am appearing today on behalf of the members of the NFIB who support passage of Assembly Bill 6.

Founded in 1943, the NFIB is our nation's and state's oldest and largest advocacy organization on behalf of small and independent business.

I do not need to recite the grim statistics that describe the current state of health insurance costs and coverage for the members of this Committee. We know small businesses are often paying too much for too little. We also know, thus far, there is little or no relief for thousands of small business owners and their workers.

The legislation before you for your consideration this afternoon revises the tax code and creates a tax deduction to provide a mechanism which will help make health insurance more affordable for employees, whenever their employer is unable to contribute toward the cost of their insurance plan.

Recently NFIB released the results of a survey study, *The National Small Business Poll on Health Insurance*.

The survey asked small business owners who did not offer coverage why they did not offer a plan. Not surprisingly, the principal reason given was that the business could not afford the coverage.

Statement Before The  
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Thursday, May 19, 2005  
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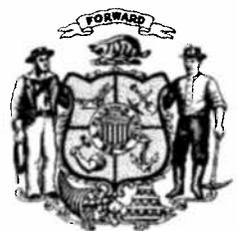
That's why AB-6 is so important. As employers are increasingly unable to afford to offer coverage or contribute to the cost of coverage, their employees will sometimes need to look outside their workplace to obtain their coverage. And as we move toward more "market-driven" health coverage purchasing options, allowing greater deductibility of health insurance premiums directly addresses the issue of affordability.

**Mr. Chairman, I respectfully request members of the Committee to act favorably on Assembly Bill 6.**

Thank you for the opportunity to share our views with you.



# WISCONSIN STATE LEGISLATURE



## **Assembly Bill 6 – Health Insurance Premium Tax Deduction – 4<sup>th</sup> time around**

### **Current Support & Legislative Activity**

40 Assembly sponsors, 11 Senate sponsors

Passed Joint Finance 13 – 2, Tax Exemption 7 – 2, Assembly 98 – 0

### **History**

1999	AB456	\$4.1 million	Died in Senate committee (Assembly 98-0)
2001	AB51	\$3.9 million	Died in Joint Finance
2003	AB290	\$3.75 million	Died at end of Regular Session in Joint Finance Revived as AJR 88 – Senate failed to concur (5/04)
2005	AB6	\$2 million (2005) \$7.8 million (2006) \$13.7 million (2007) \$19.5 million (2008)	Raising 50% to 100% when employer doesn't pay Implement 33.4% for unemployed/Seniors Increase to 66.7% for unemployed/Seniors full implementation

State Medical Society – “Bill encourages you to provide tax equity to all individuals who wish to purchase health insurance for themselves and their family.”

### **Current law**

- Self employed & Employers are allowed to deduct 100% of the cost of health insurance not to exceed net earnings
- Individuals are eligible for a 50% deduction if their employers don't pay towards their insurance coverage, this is projected to be 8.3% of tax filers
- Federal government allows 100% deduction

### **Fiscal notes**

- All fiscal estimates prior to this year (AB6) did not take into account the Seniors who would become eligible as part of the 'not employed' class this cause the significant increase as the fiscal estimate went from \$5.9 million to \$16.6 million for immediate full implementation.
- There is potential that passage of this provision could lessen the Badgercare cost. However, Fiscal Bureau indicates that this is difficult to estimate, although a valid consideration
- Due to the large increase in the fiscal note it was not realistic to pursue immediate full implementation of the deduction for both classes so I asked Fiscal Bureau (Bob Lang & Faith Russell) to look at fiscal compromise to ease the impact. A substitute amendment was introduced which would increase the 50% to 100% in 2005 and begin a phase in the deduction for those with no employer.
- 69% of elder tax filers pay \$4400 for family health insurance or \$2200 for single, AB6 would provide an average tax benefit of \$220 for 65,200 filers
- DOR costs estimated \$85,166 for programming, postage, training and salaries/fringe