

**2013 DRAFTING REQUEST**

**Bill**

Received: 12/6/2012 Received By: mshovers  
Wanted: As time permits Same as LRB:  
For: Administration-Budget 6-1923 By/Representing: Quinn  
May Contact: Drafter: mshovers  
Subject: Tax, Individual - dedct/sbtrct Addl. Drafters:  
Extra Copies:

Submit via email: YES  
Requester's email:  
Carbon copy (CC) to:

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**Pre Topic:**

DOA:.....Quinn, BB0291 -

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**Topic:**

Individual income tax health insurance subtract modification cannot include premium assistance credits under the Affordable Care Act

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**Instructions:**

See attached

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**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 12/17/2012			_____			
/P1		kfollett 12/18/2012	jmurphy 12/18/2012	_____	lparisi 12/18/2012		State Tax

FE Sent For:

<END>

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1/2	mshovers	1P/16f 12/17/12	gm 12/18	self			

FE Sent For:

<END>

**Shovers, Marc**

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**From:** Hanaman, Cathlene  
**Sent:** Thursday, December 06, 2012 8:59 AM  
**To:** Kreye, Joseph; Shovers, Marc; Dodge, Tamara  
**Subject:** FW: Statutory Language Drafting Request - BB0291

26 USC 36 B  
§ 1401

I think this is tax but I included Tami in case language is necessary.

**From:** [brian.quinn@wisconsin.gov](mailto:brian.quinn@wisconsin.gov) [mailto:[brian.quinn@wisconsin.gov](mailto:brian.quinn@wisconsin.gov)]  
**Sent:** Wednesday, December 05, 2012 5:11 PM  
**To:** Hanaman, Cathlene  
**Cc:** Frederick, Caitlin - DOA; Quinn, Brian D - DOA; Thornton, Scott - DOA  
**Subject:** Statutory Language Drafting Request - BB0291

**Biennial Budget:** 2013-15

**DOA Tracking Code:** BB0291

**Topic:** Treatment of Premium Assistance Credits in Health Insurance Deduction

**SBO Team:** TLGED

**SBO Analyst:** Quinn, Brian D - DOA  
**Phone:** (608) 266-1923  
**E-mail:** [brian.quinn@wisconsin.gov](mailto:brian.quinn@wisconsin.gov)

19,  
35,  
38,  
AM, 1.71.05(6)(b): 42.

**Agency Acronym:** DOR

**Agency Number:** 566

**Priority:** Medium

**Intent:**

Specify that, for purposes of calculating the state health insurance subtraction, amounts paid toward premiums cannot include amounts paid for by the premium assistance credits under the Affordable Care Act.

Note: This is for purposes of clarification and likely is not truly necessary, but it is meant to avoid any confusion that may arise from taxpayers believing that premium assistance credits are included in the amounts they paid toward health insurance premiums.

**Attachments:** False

Please send completed drafts to [statlanguage@wisapps.wi.gov](mailto:statlanguage@wisapps.wi.gov)

**Attachments:** False

*Please send completed drafts to [statlanguage@wisapps.wi.gov](mailto:statlanguage@wisapps.wi.gov)*



# Health Insurance Premium Credits in the Patient Protection and Affordable Care Act (ACA)

**Bernadette Fernandez**  
Specialist in Health Care Financing

**Thomas Gabe**  
Specialist in Social Policy

June 13, 2012

**Congressional Research Service**

7-5700

[www.crs.gov](http://www.crs.gov)

R41137

## Summary

New federal tax credits were authorized in the Patient Protection and Affordable Care Act (ACA, P.L. 111-148, as amended), to help certain individuals pay for health insurance coverage, beginning in 2014.

ACA requires “American Health Benefit Exchanges” to be established in every state by January 1, 2014, either by the state itself or by the Secretary of Health and Human Services (HHS). Exchanges will not be insurers, but will provide eligible individuals and small businesses with access to private health insurance plans. Generally, the plans offered through the exchanges will provide comprehensive coverage and meet all ACA market reforms, as applicable. One of the requirements that most exchange plans must meet is to provide a certain level of coverage generosity based on actuarial value. Each level of coverage generosity is designated according to a precious metal and corresponds to a specific actuarial value: Bronze (actuarial value of 60%), Silver (70%), Gold (80%), and Platinum (90%).

To make exchange coverage more affordable, certain individuals will receive premium assistance in the form of federal tax credits. The premium credit will be an advanceable, refundable tax credit, meaning taxpayers need not wait until the end of the tax year in order to benefit from the credit, and may claim the full credit amount even if they have little or no federal income tax liability. Although the premium credits will not be available until 2014, the illustrations provided in this report are based on current federal poverty levels, to reflect how the estimated premium credit amounts compare to current income levels.

Under ACA, the amount received in premium credits is based on income tax returns. These amounts are reconciled in the next year and can result in overpayment of premium credits if income increases, which must be repaid to the federal government. ACA limited the amount of required repayments. Since the enactment of ACA, these limits have been increased in order to raise revenues for other legislative initiatives (e.g., P.L. 111-309 and P.L. 112-9). Most recently, on June 7, 2012, the House passed H.R. 436, the Health Care Cost Reduction Act of 2012, which includes a measure that would remove all limits on repayment, making individuals fully liable for the full amount of any premium credit overpayment.

Relative affordability of health insurance premiums individuals and families might face within health insurance exchanges will likely vary from exchange to exchange based on a host of factors, including enrollees’ age, the varying prices paid by plans for medical goods and services, the breadth of the provider network, the provisions regarding how out-of-network care is paid for (or not), and the use of tools by the plan to reduce health care utilization (e.g., prior authorization for certain tests). Examples provided in the **Appendix** of this report depict a range by which premiums might reasonably be expected to vary based on enrollees’ age, and variation in medical costs across geographic areas, for purposes of illustration only. Actual premiums will likely vary among health insurance exchanges based on a wide range of factors other than those depicted in this report.



State of Wisconsin  
2013 - 2014 LEGISLATURE



LRB-0746/P1  
MES.....

5f  
PMA

DOA:.....Quinn, BB0291 - Individual income tax health insurance subtract modification can not include premium assistance credits under the Affordable Care Act

**FOR 2013-2015 BUDGET - NOT READY FOR INTRODUCTION**

LPS:  
Fix request  
Sheet please  
VP

PWP  
2/2/13  
NDR  
1

do not open

AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

Under current law, certain individuals may claim an income tax deduction for amounts paid for medical care insurance for the individual, his or her spouse, and his or her dependents. Under federal law, commonly known as the Patient Protection and Affordable Care Act (PPACA), beginning in 2014 certain individuals will be eligible to receive premium assistance in the form of federal tax credits to make it more affordable for such individuals to purchase medical care insurance.

This bill clarifies that the current state income tax deduction for medical care insurance may not be claimed for any amount that is paid for with a premium assistance credit under the PPACA.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the 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:***

1           **SECTION 1.** 71.05 (6) (b) 19. a. of the statutes is amended to read:

2           71.05 (6) (b) 19. a. One hundred percent of the amount paid by the person for  
3           medical care insurance, not including any amount that is paid with a premium  
4           assistance credit amount under 26 USC 36B. In this subdivision, “medical care  
5           insurance” means a medical care insurance policy that covers the person, his or her  
6           spouse and the person’s dependents and provides surgical, medical, hospital, major  
7           medical or other health service coverage, and includes payments made for medical  
8           care benefits under a self-insured plan, but “medical care insurance” does not  
9           include hospital indemnity policies or policies with ancillary benefits such as  
10          accident benefits or benefits for loss of income resulting from a total or partial  
11          inability to work because of illness, sickness or injury.

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; 2007 a. 20, 96, 226; 2009 a. 2, 28, 205, 265, 269, 276, 295, 332, 344; 2011 a. 3, 5, 10, 32, 212, 232, 237; 2011 a. 260 ss. 80, 81; s. 13.92 (1) (bm) 2., (2) (i).

12          **SECTION 2.** 71.05 (6) (b) 35. a. of the statutes is amended to read:

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16          insurance” means a medical care insurance policy that covers the individual, his or  
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14 **SECTION 4.** 71.05 (6) (b) 42. a. of the statutes is amended to read:

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3 **SECTION 9337. Initial applicability; Revenue.**

4 (1) HEALTH INSURANCE PREMIUM SUBTRACTION; PREMIUM ASSISTANCE CREDITS. The  
 5 treatment of section 71.05 (6) (b) 19. a., 35. a., 38. a., and 42. a. of the statutes first  
 6 applies to taxable years beginning after December 31, 2013.

7 (END)



State of Wisconsin  
2013 - 2014 LEGISLATURE



LRB-0746/P1

MES:kjf:jm

DOA:.....Quinn, BB0291 – Individual income tax health insurance subtract modification cannot include premium assistance credits under the Affordable Care Act

**FOR 2013-2015 BUDGET – NOT READY FOR INTRODUCTION**

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