



2005 ASSEMBLY BILL 445

June 1, 2005 - Introduced by Representatives STASKUNAS, BOYLE, MOLEPSKE, HAHN, MUSSEY, TURNER, SHERIDAN, SEIDEL, CULLEN, VAN AKKEREN and SHILLING, cosponsored by Senators A. LASEE, LASSA, COGGS, ERPENBACH, HANSEN and TAYLOR. Referred to Joint Committee on Finance.

1 **AN ACT to amend** 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a) and 71.34 (1) (g); and
2 **to create** 71.07 (5r), 71.10 (4) (cd), 71.28 (5r) and 71.30 (3) (dm) of the statutes;
3 **relating to:** creating an individual and corporate income tax credit for certain
4 unreimbursed medical assistance costs.

Analysis by the Legislative Reference Bureau

This bill creates a nonrefundable individual and corporate income tax credit for dentists for certain costs of providing dental services that are not reimbursed under the Medical Assistance program. Sole proprietorships and corporations may claim the credit. Partnerships, limited liability companies, and tax-option corporations compute the credit but pass it on to the partners, members, and shareholders in proportion to their ownership interests.

The credit that may be claimed is 50 percent of a dentist's unreimbursed costs that are incurred in the taxable year to which the claim relates. Because the credit is nonrefundable, it may only be claimed up to the amount of the taxpayer's tax liability. The bill defines unreimbursed costs as the difference between a dentist's usual and customary charges for providing a dental service, and the amount paid to the dentist for providing such services to recipients of medical assistance.

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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) (a) 15. of the statutes is amended to read:

2 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),
3 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3n), (3s), (3t), (5b), and (5d), and (5r)
4 and not passed through by a partnership, limited liability company, or tax-option
5 corporation that has added that amount to the partnership's, company's, or
6 tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g).

7 **SECTION 2.** 71.07 (5r) of the statutes is created to read:

8 71.07 (5r) UNREIMBURSED DENTAL SERVICES COSTS TAX CREDIT. (a) *Definitions.*

9 In this subsection:

10 1. "Claimant" means a sole proprietor, a partner, a member of a limited liability
11 company, or a shareholder of a tax-option corporation who is a dentist and who files
12 a claim under this subsection.

13 2. "Dentist" means a dentist, as defined in s. 447.01 (7), who is licensed under
14 ch. 447 and who practices general or pediatric dentistry.

15 3. "Medical assistance" has the meaning given in s. 49.43 (8).

16 4. "Unreimbursed costs" means the difference between a dentist's usual and
17 customary charges for providing a dental service, and the amount paid to the dentist
18 under s. 49.45 (3) for providing such service to recipients of medical assistance.

19 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
20 claimant may claim as a credit against the tax imposed under s. 71.02, up to the

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1 amount of those taxes, an amount equal to 50 percent of the claimant's unreimbursed
2 costs that are incurred in the taxable year to which the claim relates.

3 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it
4 is claimed within the time period under s. 71.75 (2).

5 2. The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit
6 under s. 71.28 (4), apply to the credit under this subsection.

7 3. Partnerships, limited liability companies, and tax-option corporations may
8 not claim the credit under this subsection, but the eligibility for, and the amount of,
9 that credit shall be determined on the basis of their economic activity, not that of their
10 shareholders, partners, or members. A partnership, limited liability company, or
11 tax-option corporation shall compute the amount of credit that each of its partners,
12 members, or shareholders may claim and shall provide that information to each of
13 them. Partners, members of limited liability companies, and shareholders of
14 tax-option corporations may claim the credit in proportion to their ownership
15 interest.

16 4. For a claimant who is a nonresident or part-year resident of this state and
17 who is a single person or a married person filing a separate return, multiply the
18 credit for which the claimant is eligible under par. (b) by a fraction the numerator of
19 which is the individual's Wisconsin adjusted gross income and the denominator of
20 which is the individual's federal adjusted gross income. If a claimant is married and
21 files a joint return, and if the claimant or the claimant's spouse, or both, are
22 nonresidents or part-year residents of this state, multiply the credit for which the
23 claimant is eligible under par. (b) by a fraction the numerator of which is the couple's
24 joint Wisconsin adjusted gross income and the denominator of which is the couple's
25 joint federal adjusted gross income.

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1 (d) *Administration*. Subsection (9e) (d), to the extent that it applies to the credit
2 under that subsection, applies to the credit under this subsection.

3 **SECTION 3.** 71.10 (4) (cd) of the statutes is created to read:

4 71.10 (4) (cd) The unreimbursed dental services costs tax credit under s. 71.07
5 (5r).

6 **SECTION 4.** 71.21 (4) of the statutes is amended to read:

7 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),
8 (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3n), (3s), (3t), ~~and (5b), and (5r)~~ and passed
9 through to partners shall be added to the partnership's income.

10 **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

11 71.26 (2) (a) *Corporations in general*. The "net income" of a corporation means
12 the gross income as computed under the Internal Revenue Code as modified under
13 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit
14 computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)
15 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income
16 under this paragraph at the time that the taxpayer first claimed the credit plus the
17 amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),
18 (1ds), (1dx), (3g), (3n), (3t), ~~and (5b), and (5r)~~ and not passed through by a
19 partnership, limited liability company, or tax-option corporation that has added that
20 amount to the partnership's, limited liability company's, or tax-option corporation's
21 income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or
22 other disposition of assets the gain from which would be wholly exempt income, as
23 defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and
24 minus deductions, as computed under the Internal Revenue Code as modified under
25 sub. (3), plus or minus, as appropriate, an amount equal to the difference between

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1 the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned, or
2 otherwise disposed of in a taxable transaction during the taxable year, except as
3 provided in par. (b) and s. 71.45 (2) and (5).

4 **SECTION 6.** 71.28 (5r) of the statutes is created to read:

5 71.28 (5r) UNREIMBURSED DENTAL SERVICES COSTS TAX CREDIT. (a) *Definitions.*

6 In this subsection:

7 1. "Claimant" means a corporation that includes at least one dentist and that
8 files a claim under this subsection.

9 2. "Dentist" means a dentist, as defined in s. 447.01 (7), who is licensed under
10 ch. 447 and who practices general or pediatric dentistry.

11 3. "Medical assistance" has the meaning given in s. 49.43 (8).

12 4. "Unreimbursed costs" means the difference between a dentist's usual and
13 customary charges for providing a dental service, and the amount paid to the dentist
14 under s. 49.45 (3) for providing such service to recipients of medical assistance.

15 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
16 claimant may claim as a credit against the tax imposed under s. 71.23, up to the
17 amount of those taxes, an amount equal to 50 percent of the claimant's unreimbursed
18 costs that are incurred in the taxable year to which the claim relates.

19 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it
20 is claimed within the time period under s. 71.75 (2).

21 2. The carry-over provisions of sub. (4) (e) and (f), as they apply to the credit
22 under sub. (4), apply to the credit under this subsection.

23 3. Partnerships, limited liability companies, and tax-option corporations may
24 not claim the credit under this subsection, but the eligibility for, and the amount of,
25 that credit shall be determined on the basis of their economic activity, not that of their

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1 shareholders, partners, or members. A partnership, limited liability company, or
2 tax-option corporation shall compute the amount of credit that each of its partners,
3 members, or shareholders may claim and shall provide that information to each of
4 them. Partners, members of limited liability companies, and shareholders of
5 tax-option corporations may claim the credit in proportion to their ownership
6 interest.

7 4. The credits under this subsection may not be claimed by a partnership,
8 except a publicly traded partnership treated as a corporation under s. 71.22 (1),
9 limited liability company, except a limited liability company treated as a corporation
10 under s. 71.22 (1), or tax-option corporation or by partners, including partners of a
11 publicly traded partnership, members of a limited liability company, or shareholders
12 of a tax-option corporation.

13 (d) *Administration.* Subsection (4) (g), to the extent that it applies to the credit
14 under that subsection, applies to the credit under this subsection.

15 **SECTION 7.** 71.30 (3) (dm) of the statutes is created to read:

16 71.30 (3) (dm) The unreimbursed dental services costs tax credit under s. 71.28
17 (5r).

18 **SECTION 8.** 71.34 (1) (g) of the statutes is amended to read:

19 71.34 (1) (g) An addition shall be made for credits computed by a tax-option
20 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g),
21 (3n), (3t), ~~and (5b)~~, and (5r) and passed through to shareholders.

22 **SECTION 9. Initial applicability.**

23 (1) This act first applies to taxable years beginning on January 1 of the year
24 in which this subsection takes effect, except that if this subsection takes effect after

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1 July 31 this act first applies to taxable years beginning on January 1 of the year
2 following the year in which this subsection takes effect.

3 (END)