



2021 ASSEMBLY BILL 40

February 10, 2021 - Introduced by Representatives PRONSCHINSKE, LOUDENBECK, HORLACHER, KUGLITSCH, MOSES, PETRYK, SKOWRONSKI, TAUCHEN and ZIMMERMAN, cosponsored by Senators JACQUE and FEYEN. Referred to Committee on Ways and Means.

1 **AN ACT to amend** 71.05 (6) (b) 19. c. and 71.05 (6) (b) 19. d.; and **to create** 71.05
2 (6) (b) 19. cm. and 71.05 (6) (b) 19. dm. of the statutes; **relating to:** modifying
3 the medical care insurance deduction for self-employed individuals.

Analysis by the Legislative Reference Bureau

This bill modifies the income tax subtraction for amounts paid for medical care insurance by self-employed individuals. Under current law, the subtraction may not exceed the individual's net earnings from a trade or business that are taxable by Wisconsin. Under the bill, the subtraction may not exceed the individual's wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by Wisconsin.

The bill similarly modifies the provision under current law that prorates the subtraction for self-employed nonresidents and part-year residents based on the percentage of the individual's net earnings from a trade or business taxable by Wisconsin to total net earnings from a trade or business. Under the bill, the subtraction is prorated based on the percentage of the individual's wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by Wisconsin to total wages, salary, tips, unearned income, and net earnings from a trade or business.

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.

ASSEMBLY BILL 40

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. c. of the statutes is amended to read:

2 71.05 **(6)** (b) 19. c. For taxable years beginning before January 1, 2021, for a
3 person who is a nonresident or a part-year resident of this state, modify the amount
4 calculated under subd. 19. b. by multiplying the amount by a fraction the numerator
5 of which is the person's net earnings from a trade or business that are taxable by this
6 state and the denominator of which is the person's total net earnings from a trade
7 or business.

8 **SECTION 2.** 71.05 (6) (b) 19. cm. of the statutes is created to read:

9 71.05 **(6)** (b) 19. cm. For taxable years beginning after December 31, 2020, for
10 a person who is a nonresident or a part-year resident of this state, modify the amount
11 calculated under subd. 19. b. by multiplying the amount by a fraction the numerator
12 of which is the person's wages, salary, tips, unearned income, and net earnings from
13 a trade or business that are taxable by this state and the denominator of which is the
14 person's total wages, salary, tips, unearned income, and net earnings from a trade
15 or business. In this subd. 19. cm., for married persons filing separately "wages,
16 salary, tips, unearned income, and net earnings from a trade or business" means the
17 separate wages, salary, tips, unearned income, and net earnings from a trade or
18 business of each spouse, and for married persons filing jointly "wages, salary, tips,
19 unearned income, and net earnings from a trade or business" means the total wages,
20 salary, tips, unearned income, and net earnings from a trade or business of both
21 spouses.

