

**1999 DRAFTING REQUEST**

**Bill**

Received: **12/10/1999**

Received By: **shoveme**

Wanted: **As time permits**

Identical to LRB:

For: **Frank Lasee (608) 266-9870**

By/Representing: **Mark**

This file may be shown to any legislator: **NO**

Drafter: **shoveme**

May Contact:

Alt. Drafters:

Subject: **Econ. Development - housing  
Tax - individual income**

Extra Copies:

**Pre Topic:**

No specific pre topic given

**Topic:**

Individual income tax exemption for 100% of health insurance premiums

**Instructions:**

See Attached. Subtract modification for 100% of the amounts paid for health insurance premiums or the amount an employee contributes to a policy to which an employer contributes

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Reauired</u>
/?	shoveme 12/22/1999	jgeller 1212711999		_____			State Tax
/1			martykr 1212711999	_____	lrb_docadmin 12/27/1999	lrb_docadmin 02/22/2000	

FE Sent For:

<END>

u/y  
2/25/00

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1?	shoveme	11/27/99 Jlg	12/27 km	JAN 12 km			
/1 MES 12/22/99							

FE Sent For:

<END>

**Shovers, Marc**

From: Wadium, Mark  
Sent: Thursday, December 09, 1999 4:26 PM  
To: Shovers, Marc  
Subject: Drafting Request.

don't base this  
on [redacted]

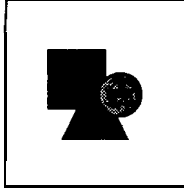
Marc: [redacted]  
I have another drafting request to make of you. I'm hoping to modify an existing LRB number either 2416 or 2417. Please give me a call Friday or early next week so we can talk.  
Thanks for your help.

Mark Wadium  
Office of Representative Frank Lasee  
State Capitol Room 7 North  
P.O. Box 8952  
Madison, WI 53708-8952  
(608) 266-9871

100% deduction of health ins<sup>premiums</sup> or  
EE contrib to ER's payments to ins.

do by Jan. 10 at the  
latest

Instructions from Mark  
Wadium via phone call --  
He said he'd send a memo  
Kelsie Doty prepared on this  
issue



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

September 9, 1999

TO: Representative Frank Lasee  
Room 7 North, State Capitol

FROM: Kelsie Doty, Fiscal Analyst

SUBJECT: Individual Income Tax: Exemption for Medical Insurance Premiums

At your request, I am providing information on proposals to provide an individual income tax deduction for the cost of medical insurance for all individuals and for unemployed persons. This information is an update of a proposal to reimburse unemployed persons for the cost of medical insurance through a refundable credit, as described in a memorandum to you dated February 10, 1999.

### **Background**

Federal income tax law allows individuals who itemize deductions to deduct the medical costs of the individual, spouse and dependents, including the cost of medical insurance, to the extent that such expenses exceed 7.5% of adjusted gross income. State law allows the same medical insurance deduction to be used when calculating the itemized deduction tax credit. If itemized deductions exceed the standard deduction, the itemized deduction credit is equal to 5% of the difference.

For tax years 1999 through 2001, federal law also allows self-employed individuals to deduct 60% of medical insurance costs for themselves, their spouse and dependents if the taxpayer or spouse is not eligible for employer-provided health benefits. The deduction is limited to the taxpayer's earned income derived from the business for which the insurance plan was established. The federal deduction will increase to 70% in 2002 and 100% in 2003 and thereafter. State law permits a 100% deduction for health insurance costs of self-employed taxpayers and a 50% deduction for employees whose employer pays no amount of money toward the employee's medical insurance. The state deduction is only allowed if the taxpayer or spouse is not **otherwise** eligible for employer-provided health care benefits.

Finally, under both federal and state law, the amount paid by an employer for medical insurance is not included as part of the employee's gross income for individual income tax purposes.

### **Medical Insurance Deduction**

A proposal to allow all taxpayers to deduct the amount paid for medical insurance costs for themselves, their spouse and dependents beginning with premiums paid in tax year 1999 is estimated to reduce income tax revenues by approximately \$76 million in 1999-00 and \$81 million in 2000-01. This estimate is based on census data and information from the U.S. Health Care Financing Administration on household expenditures for private health insurance premiums and on the proportion of all persons in the U.S. covered by health insurance that reside in Wisconsin, adjusted for the deduction that is currently provided to self-employed individuals and persons whose employer does not provide health insurance.

If the deduction were limited to low-income, unemployed individuals, the estimated cost would be reduced to approximately \$1.6 million in 1999-00 and \$1.7 million in 2000-01. Specifically, taxpayers with household income equal to or lower than 190% of the federal poverty level (FPL) would be allowed to deduct 100% of the medical insurance costs under the alternative. The portion of the amount of premium costs that could be deducted would be reduced for unemployed taxpayers with income above 190% until the deduction would be eliminated when income exceeded 200% of the FPL (a taxpayer with income equal to 195% of the FPL would be able to deduct 50% of their medical insurance costs). In addition, an unemployed individual would not be able to claim the deduction if their spouse was eligible for employer-provided medical insurance during the period of unemployment.

The FPL for 1999 is \$8,240 for a single individual plus \$2,820 for each additional member of the household. For a family of four, \$33,400 is equal to 200% of the FPL. These amounts are adjusted each year for inflation.

A number of factors could influence the cost of this proposal, such as whether eligible individuals who would not otherwise purchase medical insurance would do so if the deduction were available. It is also possible that people who purchase their own medical insurance would upgrade the type of coverage they carry. For example, an individual who currently pays for catastrophic health care coverage may decide to instead purchase a more comprehensive, more expensive health insurance plan if the cost of the premiums would be partially reimbursed by the state. Finally, under the proposal to limit the deduction to unemployed persons, the cost could increase significantly during periods of high unemployment.

I hope this information is helpful. If I can be of further assistance, please contact me.

KD/lah

*F MNR*

# 1999 ~~SENATE~~ BILL ~~218~~

August 17, 1999 - Introduced by Senators DRZEWIECKI, ROESSEER, DARLING, HUELSMAN and LAZICH, cosponsored by Representatives HAHN, MUSSER, HUEBSCH, KELSO, KEDZIE, PLOUFF, JESKEWITZ, RYBA, STONE, GOETSCH, OWENS, SERATTI, LADWIG, FREESE, LASSA, PETROWSKI, HUNDERTMARK, SYKORA, AINSWORTH, SKINDRUB, NASS, UNDERHEIM, MEYERHOFER, WAUKAU, RHOADES and JENSEN. Referred to Joint survey committee on Tax Exemptions.

*Ragen*

1 AN **ACT** to amend 71.05 (6) (b) 20. (intro.) and 71.07 (5) (a) 15.; and **to create**  
2 71.05 (6) (b) 29. of the statutes; **relating to:** creating an individual income tax  
3 subtract modification for amounts spent on medical insurance premiums by  
4 certain individuals.

### **Analysis by the Legislative Reference Bureau**

Under current law, there is an individual income tax deduction for 50% of the amount paid by a person for a medical care insurance policy that covers the person, his or her spouse and the persons dependents if the person's employer pays no amount of money toward the person's medical care insurance.

This bill 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 person, has no employer or if the individual's employer pays ~~no amount of money toward~~ the individual's medical care insurance.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this 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:**

*less than 100%  
of the cost of*

1 SECTION 1. 71.05 (6) (b) 20. (intro.) of the statutes is amended to read:

2 71.05 (6) (b) 20. (intro.) For taxable years beginning on or after January 1,  
3 1995, and before January 1, 2000, an amount paid by a person who is the employe  
4 of another person if the person's employer pays no amount of money toward the  
5 person's medical care insurance, for medical care insurance for the person, his or her  
6 spouse and the person's dependents, calculated as follows:

7 SECTION 2. 71.05 (6) (b) ~~20%~~<sup>31</sup> of the statutes is created to read:

8 71.05 (6) (b) ~~20%~~<sup>31</sup> For taxable years beginning after December 31, 1999, an  
9 amount paid by an individual, other than a person to whom subd. 19. applies, who  
10 has no employer or who is the employe of another person if the individual's employer  
11 pays ~~an amount of money toward~~ <sup>less than 100% of the cost</sup> the individual's medical care insurance, for medical  
12 care insurance for the individual, his or her spouse and the individual's dependents,  
13 calculated as follows:

14 a. One hundred percent of the amount paid by the individual for medical care  
15 insurance. In this subdivision, "medical care insurance" means a medical care  
16 insurance policy that covers the individual, his or her spouse and the individual's  
17 dependents and provides surgical, medical, hospital, major medical or other health  
18 service coverage, and includes payments made for medical care benefits under a  
19 self-insured plan, but "medical care insurance" does not include hospital indemnity  
20 policies or policies with ancillary benefits such as accident benefits or benefits for loss  
21 of income resulting from a total or partial inability to work because of illness,  
22 sickness or injury.

23 b. From the amount calculated under subd. ~~20.~~<sup>31</sup> a., subtract the amounts  
24 deducted from gross income for medical care insurance in the calculation of federal  
25 adjusted gross income.



**SENATE BILL 218**

1 c. For an individual who is a nonresident or part-year resident of this state,  
 2 multiply the amount calculated under subd. ~~20~~<sup>31</sup> b., by a fraction the numerator of  
 3 which is the individual's wages, salary, tips, unearned income and net earnings from  
 4 a trade or business that are taxable by this state and the denominator of which is the  
 5 individual's total wages, salary, tips, unearned income and net earnings from a trade  
 6 or business. In this subd. ~~20~~<sup>31</sup> c., for married persons filing separately "wages, salary,  
 7 tips, unearned income and net earnings from a trade or business" means the separate  
 8 wages, salary, tips, unearned income and net earnings from a trade or business of  
 9 each spouse, and for married persons filing jointly "wages, salary, tips, unearned  
 10 income and net earnings from a trade or business" means the total wages, salary,  
 11 tips, unearned income and net earnings from a trade or business of both spouses.

12 d. Reduce the amount calculated under subd. ~~20~~<sup>31</sup> a., b., or c,  
 13 aggregate wages, salary, tips, unearned income and net earnings from a trade or  
 14 business that are taxable by this state.

**SECTION 3.** 71.07 (5) (a) 15. of the statutes is amended to read:

16 71.07 (5) (a) 15.' The amount claimed as a deduction for medical care insurance  
 17 under section 213 of the Internal Revenue Code that is exempt from taxation under  
 18 s. 71.05 (6) (b) 17. to 20. ~~and 20~~<sup>31</sup> and the amount claimed as a deduction for a  
 19 long-term care insurance policy under section 213 (d) (1) (D) of the Internal Revenue  
 20 Code, as defined in section 7702B (b) of the Internal Revenue Code that is exempt  
 21 from taxation under s. 71.05 (6) (b) 26.

**SECTION 4. Initial applicability**

(1) This act first applies to taxable years beginning on January 1, 2000.

(END)

**SUBMITTAL  
FORM**

**LEGISLATIVE REFERENCE BUREAU  
Legal Section Telephone: 266-3561  
5th Floor, 100 N. Hamilton Street**

The attached draft is submitted for your inspection. Please check each part carefully, proofread each word, and **sign** on the appropriate line(s) below.

**Date:** 1212711999

**To:** Representative F. Lasee

**Relating to LRB drafting number: LRB-4066**

**Topic**

Individual income tax exemption for 100% of health insurance premiums

**Subject(s)**

Econ. Development - housing, Tax - individual income

1. **JACKET** the draft for introduction \_\_\_\_\_

in the **Senate** or the **Assembly**  (check only one). Only the requester under whose name the drafting request is entered in the LRB's drafting records may authorize the draft to be submitted. Please allow one day for the preparation of the required copies.

2. **REDRAFT.** See the changes indicated or attached \_\_\_\_\_

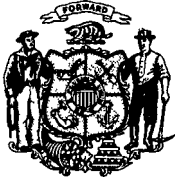
A revised draft will be submitted for your approval with changes incorporated.

3. Obtain **FISCAL ESTIMATE NOW**, prior to introduction \_\_\_\_\_

If the analysis indicates that a fiscal estimate is required because the proposal makes an appropriation or increases or decreases existing appropriations or state or general local government fiscal liability or revenues, you have the option to request the fiscal estimate prior to introduction. If you choose to introduce the proposal without the fiscal estimate, the fiscal estimate will be requested automatically upon introduction. It takes about 10 days to obtain a fiscal estimate. Requesting the fiscal estimate prior to introduction retains your flexibility for possible redrafting of the proposal.

If you have any questions regarding the above procedures, please call 266-3561. If you have any questions relating to the attached draft, please feel free to call me.

Marc E. Shovers, Senior Legislative Attorney  
Telephone: (608) 266-0129



# State of Wisconsin

## LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET  
P. O. BOX 2037  
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561  
REFERENCE SECTION: (608) 266-0341  
FAX: (608) 266-5648

STEPHEN R. MILLER  
CHIEF

LRB  
=

LRB  
COPY

April 11, 2000

## MEMORANDUM

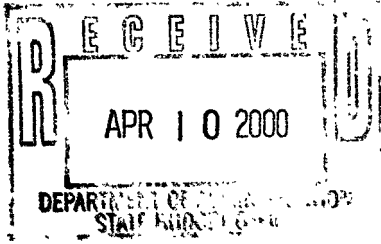
**To:** Representative Frank Lasee

**From:** Marc E. Shovers, Sr. Legislative Attorney, (608) 266-0129

**Subject:** Technical Memorandum to 1999 **AB 798** (LRB 99-4066/1)

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We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.



**MEMORANDUM**

April 7, 2000

**TO:** Marc Shovers  
Legislative Reference Bureau

**FROM:** Yeang-Eng Braun <sup>YEB</sup>  
Department of Revenue

**SUBJECT:** Technical Memorandum on AB 798 - Creating Individual Income Tax Deduction for Medical Insurance for Persons Without Insurance Provided in Full by Employer

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

	<u>Chapter 20</u>	<u>Amount</u>	<u>FTE</u>
one-time	s. 20.566 (1) (a)	\$ 114,100	
annual	s. 20.566 (1) (a)	\$247,100	5.0

If you have any questions regarding these administrative costs, contact Jackie Wipperfurth at 266-9513.

YEB:MLK:dls  
t:\fsn99-00\mk\ab798.tec