

2001 ASSEMBLY BILL 282

April 3, 2001 – Introduced by Representatives F. LASEE, AINSWORTH, M. LEHMAN, MUSSER, OLSEN, PETTIS, NASS, REYNOLDS, STASKUNAS, KRAWCZYK, WASSERMAN, GRONEMUS, VRAKAS, TOWNSEND, GUNDERSON, UNDERHEIM, FREESE, STONE, HOVEN, BIES, KREIBICH, SYKORA, PETROWSKI, KESTELL, OTT, GROTHMAN and LEIBHAM, cosponsored by Senators DARLING, A. LASEE, SCHULTZ, ROESSLER and M. MEYER. Referred to Committee on Health. Referred to Joint survey committee on Tax Exemptions.

1 **AN ACT** *to amend* 71.07 (5) (a) 15.; and *to create* 71.05 (6) (b) 34., 71.05 (6) (b)
2 35., 71.05 (6) (b) 36. and 71.07 (5) (a) 16. of the statutes; **relating to:** creating
3 an individual income tax subtract modification for amounts spent on medical
4 insurance premiums, medical and dental expenses, and prescription and
5 nonprescription drugs by 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 person's dependents if the person's employer pays no amount of money toward the person's medical care insurance. Also under current law, a similar deduction exists for 100% of such amounts paid for a medical care insurance policy by a self-employed person.

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 is not eligible to claim any of the current law deductions for amounts paid for a medical care insurance policy. The bill creates similar deductions for 100% of the amount paid by an individual for medical and dental expenses, prescription drugs, and nonprescription drugs or drug products.

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.

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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) (b) 34. of the statutes is created to read:

2 71.05 **(6)** (b) 34. An amount paid by an individual, other than a person to whom
3 subd. 19. or 20. applies, for medical care insurance for the individual, his or her
4 spouse, and the individual's dependents, calculated as follows:

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

14 b. From the amount calculated under subd. 34. a., subtract the amounts
15 deducted from gross income for medical care insurance in the calculation of federal
16 adjusted gross income.

17 c. For an individual who is a nonresident or part-year resident of this state,
18 multiply the amount calculated under subd. 34. a. or b., by a fraction the numerator
19 of which is the individual's wages, salary, tips, unearned income, and net earnings
20 from a trade or business that are taxable by this state and the denominator of which
21 is the individual's total wages, salary, tips, unearned income, and net earnings from

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1 a trade or business. In this subd. 34. c., for married persons filing separately “wages,
2 salary, tips, unearned income, and net earnings from a trade or business” means the
3 separate wages, salary, tips, unearned income, and net earnings from a trade or
4 business of each spouse, and for married persons filing jointly “wages, salary, tips,
5 unearned income, and net earnings from a trade or business” means the total wages,
6 salary, tips, unearned income, and net earnings from a trade or business of both
7 spouses.

8 d. Reduce the amount calculated under subd. 34. a., b., or c. to the individual’s
9 aggregate wages, salary, tips, unearned income, and net earnings from a trade or
10 business that are taxable by this state.

11 **SECTION 2.** 71.05 (6) (b) 35. of the statutes is created to read:

12 71.05 **(6)** (b) 35. An amount paid by an individual for medical and dental
13 expenses, other than any of the following amounts: an amount paid for long-term
14 care insurance under subd. 26.; an amount paid for drugs under subd. 36.; or an
15 amount paid for nonprescription drug products under subd. 36.; for the individual,
16 his or her spouse, and the individual’s dependents, calculated as follows:

17 a. One hundred percent of the amount paid by the individual for medical and
18 dental expenses. In this subdivision, “medical and dental expenses” means expenses
19 paid during the taxable year that may be used in the calculation of the deduction that
20 may be claimed under section 213 of the Internal Revenue Code; “drugs” has the
21 meaning given in s. 450.01 (10), to the extent that it applies to individuals; and
22 “nonprescription drug products” has the meaning given in s. 450.01 (13m).

23 b. From the amount calculated under subd. 35. a., subtract the amounts
24 deducted from gross income for medical and dental expenses in the calculation of
25 federal adjusted gross income, other than any of the following amounts: the amounts

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1 deducted for a long-term care insurance, as that term is used in section 213 (d) (1)
2 D of the Internal Revenue Code; drugs; or nonprescription drug products.

3 c. For an individual who is a nonresident or part-year resident of this state,
4 multiply the amount calculated under subd. 35. a. or b., by a fraction the numerator
5 of which is the individual's wages, salary, tips, unearned income, and net earnings
6 from a trade or business that are taxable by this state and the denominator of which
7 is the individual's total wages, salary, tips, unearned income, and net earnings from
8 a trade or business. In this subd. 35. c., for married persons filing separately "wages,
9 salary, tips, unearned income, and net earnings from a trade or business" means the
10 separate wages, salary, tips, unearned income, and net earnings from a trade or
11 business of each spouse, and for married persons filing jointly "wages, salary, tips,
12 unearned income, and net earnings from a trade or business" means the total wages,
13 salary, tips, unearned income, and net earnings from a trade or business of both
14 spouses.

15 d. Reduce the amount calculated under subd. 35. a., b., or c. to the individual's
16 aggregate wages, salary, tips, unearned income, and net earnings from a trade or
17 business that are taxable by this state.

18 **SECTION 3.** 71.05 (6) (b) 36. of the statutes is created to read:

19 71.05 **(6)** (b) 36. An amount paid by an individual for drugs or nonprescription
20 drug products or both for the individual, his or her spouse, and the individual's
21 dependents, calculated as follows:

22 a. One hundred percent of the amount paid by the individual for drugs or
23 nonprescription drug products or both. In this subdivision, "drugs" has the meaning
24 given in s. 450.01 (10), to the extent that it applies to individuals, and
25 "nonprescription drug products" has the meaning given in s. 450.01 (13m).

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1 b. From the amount calculated under subd. 36. a., subtract the amounts
2 deducted from gross income for drugs or insulin or both in the calculation of federal
3 adjusted gross income.

4 c. For an individual who is a nonresident or part-year resident of this state,
5 multiply the amount calculated under subd. 36. a. or b., by a fraction the numerator
6 of which is the individual's wages, salary, tips, unearned income, and net earnings
7 from a trade or business that are taxable by this state and the denominator of which
8 is the individual's total wages, salary, tips, unearned income, and net earnings from
9 a trade or business. In this subd. 36. c., for married persons filing separately "wages,
10 salary, tips, unearned income, and net earnings from a trade or business" means the
11 separate wages, salary, tips, unearned income, and net earnings from a trade or
12 business of each spouse, and for married persons filing jointly "wages, salary, tips,
13 unearned income, and net earnings from a trade or business" means the total wages,
14 salary, tips, unearned income, and net earnings from a trade or business of both
15 spouses.

16 d. Reduce the amount calculated under subd. 36. a., b., or c. to the individual's
17 aggregate wages, salary, tips, unearned income, and net earnings from a trade or
18 business that are taxable by this state.

19 **SECTION 4.** 71.07 (5) (a) 15. of the statutes is amended to read:

20 71.07 (5) (a) 15. The amount claimed as a deduction for medical care insurance
21 under section 213 of the Internal Revenue Code that is exempt from taxation under
22 s. 71.05 (6) (b) 17. to 20. and 34. and the amount claimed as a deduction for a
23 long-term care insurance policy under section 213 (d) (1) (D) of the Internal Revenue
24 Code, as defined in section 7702B (b) of the Internal Revenue Code that is exempt
25 from taxation under s. 71.05 (6) (b) 26.

