

2001 DRAFTING REQUEST

Bill

Received: **11/15/2001**

Received By: **shoveme**

Wanted: **As time permits**

Identical to LRB:

For: **Mark Pettis (608) 267-2365**

By/Representing: **Rep. Pettis**

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

Drafter: **shoveme**

May Contact:

Addl. Drafters:

Subject: **Tax - individual income**

Extra Copies: **DAK, PJK**

Submit via email: **NO**

Pre Topic:

No specific pre topic given

Topic:

Individual income tax deduction for long term care savings accounts

Instructions:

See Attached

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>
/P1	shoveme 12/21/2001	gilfokm 01/24/2002	jfrantze 01/28/2002	_____	lrb_docadmin 01/28/2002		State Tax
/1	shoveme 02/08/2002	gilfokm 02/08/2002	pgreensl 02/08/2002	_____	lrb_docadmin 02/08/2002	lrb_docadmin 03/12/2002	State Tax

FE Sent For:

<END>

2001 DRAFTING REQUEST**Bill**Received: **11/15/2001**Received By: **shoveme**Wanted: **As time permits**

Identical to LRB:

For: **Mark Pettis (608) 267-2365**By/Representing: **Rep. Pettis**This file may be shown to any legislator: **NO**Drafter: **shoveme**

May Contact:

Addl. Drafters:

Subject: **Tax - individual income**Extra Copies: **DAK, PJK**Submit via email: **NO**

Pre Topic:

No specific pre topic given

Topic:

Individual income tax deduction for long term care savings accounts

Instructions:

See Attached

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>
/P1	shoveme 12/21/2001	gilfokm 01/24/2002	jfrantze 01/28/2002	_____	lrb_docadmin 01/28/2002		State Tax
/1	shoveme 02/08/2002	gilfokm 02/08/2002	pgreensl 02/08/2002	_____	lrb_docadmin 02/08/2002		State Tax

FE Sent For:

<END>

2001 DRAFTING REQUEST

Bill

Received: 11/15/2001

Received By: shoveme

Wanted: As time permits

Identical to LRB:

For: Mark Pettis (608) 267-2365

By/Representing: Rep. Pettis

This file may be shown to any legislator: NO

Drafter: shoveme

May Contact:

Addl. Drafters:

Subject: Tax - individual income

Extra Copies: DAK, PJK

Submit via email: NO

Pre Topic:

No specific pre topic given

Topic:

Individual income tax deduction for long term care savings accounts

Instructions:

See Attached

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>
/P1	shoveme 12/21/2001	gilfokm 01/24/2002	jfrantze 01/28/2002	<i>Z</i>	lrb_docadmin 01/28/2002		State Tax

11 MES 2/18/02 - *shoveme*

FE Sent For:

Z
PJ/KJR
PJ
<END>

2001 DRAFTING REQUEST

Bill

Received: 11/15/2001

Received By: shoveme

Wanted: As time permits

Identical to LRB:

For: Mark Pettis (608) 267-2365

By/Representing: Rep. Pettis

This file may be shown to any legislator: NO

Drafter: shoveme

May Contact:

Addl. Drafters:

Subject: Tax - individual income

Extra Copies:

Submit via email: NO

Pre Topic:

No specific pre topic given

Topic:

Individual income tax deduction for long term care savings accounts

Instructions:

See Attached

See 1995 WI Act 453, ^(AB 545) LRB95-2472/1

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>
--------------	----------------	-----------------	--------------	----------------	------------------	-----------------	-----------------

/? shoveme

IP1 MES

12/15/01
12/15/01
12/15/01

12/28

12/28

SUBMIT

FE Sent For:

<END>

Rep Pettis

create a long term care savings
account

allow contributions of $\leq \$2K/\text{year}$
exemption

& \$ must be used for LT care

gain would be exempt - -

~~at~~ once acct reaches \$100,000

no more contributions

proceeds may only be used for

LT care, nursing homes,

if person dies before \$ is spent,
the corpus becomes part of their
estate



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-4346/7
MES:.....
P1
resetting
RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

D-note

gen

1

AN ACT ...; relating to tax-exempt, long-term care ^{expenses} ~~savings~~ accounts.

Analysis by the Legislative Reference Bureau

Under this bill, an individual may establish a long-term care expenses account (account) for the person and his or her spouse. "Long-term care expenses" is defined as any amount that is paid for care that is provided to an individual in his or her home or in institutional or community-based settings and that is convalescent or custodial care or care for a chronic condition or terminal illness. The account may be established at a financial institution, such as a bank, savings and loan, or credit union, and consists of deposits and any interest or other ~~gain~~ gain on the deposits.

bill authorizes an

In determining Wisconsin taxable income each year, the individual ~~may~~ deduct from his or her federal adjusted gross income up to \$2,000 in deposits to the account made on behalf of the individual and up to \$2,000 in deposits to the account made on behalf of the individual's spouse if the account is used exclusively to pay the long-term care expenses of the individual or his or her spouse. All gains that accrue to such an account are also tax-exempt if the gains are redeposited into the account. After the value of the account exceeds \$100,000, however, no deduction may be claimed for any further contributions to the account.

to

If any amount is withdrawn from the account and is used for any purpose other than the allowed purposes, the account holder must pay a penalty equal to 10% of any accumulated interest, dividends, or other gain that has accrued to the account from the time that the account was opened, except that this provision does not apply after the death of the account holder. In addition, the account holder must pay taxes on any interest, dividends, or other gain that accrues to the account in the year in which an improper withdrawal occurs, except that this provision also does not apply after the death of the account holder.

*

↓

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:

1 **SECTION 1.** 71.05 (6) (a) 21. of the statutes is created to read:

2 71.05 (6) (a) 21. Any accumulated interest, dividends, or other gain that accrues
3 from an account described under s. 71.10 (10) during the taxable year in which a
4 withdrawal occurs from such an account if any amount of the money or other assets
5 in the account is withdrawn for any reason other than the payment of long-term care
6 expenses, as defined in s. 71.10 (10) (a) 2., for the account holder or his or her spouse,
7 except that this subdivision does not apply after the death of the account holder.

8 **SECTION 2.** 71.05 (6) (b) 34. of the statutes is created to read:

9 71.05 (6) (b) 34. Any amount that is deposited by an individual in an account
10 described under s. 71.10 (10), up to \$2,000 each year for the individual and up to
11 \$2,000 each year for his or her spouse, and any interest, dividends, or other gain that
12 accrues in the account if the interest, dividends, or other gain is redeposited in the
13 account, if the account is used exclusively to pay the long term care expenses, as
14 defined in s. 71.10 (10) (a) 2., of the individual or his or her spouse, except that no
15 subtraction may be made under this subdivision for any amounts deposited in the
16 account once the total value of the account exceeds \$100,000.

17 **SECTION 3.** 71.07 (5) (a) 9. of the statutes is created to read:

18 71.07 (5) (a) 9. The amount claimed as a deduction for unreimbursed medical
19 expenses under section 213 (a) of the Internal Revenue Code to the extent that the

1 funds used to pay for the unreimbursed expenses for which the deduction was
2 claimed were withdrawn from an account described under s. 71.05 (6) (b) 34. ✓

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

4 71.10 (4) (k) Any amount of money or other assets computed under sub. (10)
5 (c). ✓

6 SECTION 5. 71.10 (10) of the statutes is created to read:

7 71.10 (10) LONG-TERM CARE EXPENSES. (a) In this subsection:

8 1. "Financial institution" means any bank, savings bank, savings and loan
9 association, or credit union that is authorized to do business under state or federal
10 laws relating to financial institutions.

11 2. "Long-term care expenses" means any amount that is paid for care that is
12 provided to an individual in an individual's home or in institutional or
13 community-based settings and that is convalescent or custodial care or care for a
14 chronic condition or terminal illness.

15 (b) An individual may establish an account for long-term care expenses, for the
16 individual and the individual's spouse, in a financial institution. Amounts deposited
17 into such an account and any ~~and any~~ interest, dividends, or other gain that accrues
18 on amounts deposited in the account may be used only to pay long-term care
19 expenses of the individual and the individual's spouse, except that this limitation on
20 the uses of the account does not apply after the death of the individual who ✓
21 establishes the account.

22 (c) If an individual is required to add any amount to federal adjusted gross
23 income under s. 71.05 (6) (a) 21., the person shall pay an amount equal to 10% of any
24 accumulated interest, dividends, or other gain that has accrued beginning on the
25 date on which the account was opened and ending on the date on which the

Adding an amount

1 withdrawal from the account occurs that results in a person ~~making a payment~~
2 under s. 71.05 (6) (a) 21. ✓

3 **SECTION 6. Initial applicability.**

4 (1) This act first applies to taxable years beginning on January 1 of the year
5 in which this subsection takes effect, except that if this subsection takes effect after
6 July 31 [✓] this act first applies to taxable years beginning on January 1 of the year
7 following the year in which this subsection takes effect.

8 (END)

D-note

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-4346/dn

MES

PI
05/2/03
King

Date

Representative Pettis:

Please review this draft carefully to ensure that it meets your intent. The definition of "long-term care expenses" is based on the definition of "long-term care insurance" in s. 40.02 (40m) of the statutes, and the definition of "financial institution" is based on the definition in s. 69.30 (1) (b). Are these definitions OK?

Also, your instructions did not include any information as to how any oversight would be achieved. Who will determine whether a withdrawal is actually made for a "long-term care expense?" Is there a particular agency you would like to promulgate rules to govern the use of these accounts? Because the accounts are created in s. 71.10 (10) of the statutes, perhaps the department of revenue will promulgate rules to administer the program if DOR believes that rules are needed. Would this be consistent with your intent? You may wish to have DOR review this draft.

Marc E. Shovers
Senior Legislative Attorney
Phone: (608) 266-0129
E-mail: marc.shovers@legis.state.wi.us

(DOR)

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-4346/P1dn
MES:rs&kmj:jf

January 28, 2002

Representative Pettis:

Please review this draft carefully to ensure that it meets your intent. The definition of "long-term care expenses" is based on the definition of "long-term care insurance" in s. 40.02 (40m) of the statutes, and the definition of "financial institution" is based on the definition in s. 69.30 (1) (b). Are these definitions OK?

Also, your instructions did not include any information as to how any oversight would be achieved. Who will determine whether a withdrawal is actually made for a "long-term care expense"? Is there a particular agency that you would like to promulgate rules to govern the use of these accounts? Because the accounts are created in s. 71.10 (10) of the statutes, perhaps the department of revenue (DOR) will promulgate rules to administer the program if DOR believes that rules are needed. Would this be consistent with your intent? You may wish to have DOR review this draft.

Marc E. Shovers
Senior Legislative Attorney
Phone: (608) 266-0129
E-mail: marc.shovers@legis.state.wi.us



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-4346/P
MES:rs&kmg:jf

stays RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

TODAY

D-note

repen

1 AN ACT to create 71.05 (6) (a) 21., 71.05 (6) (b) 34., 71.07 (5) (a) 9., 71.10 (4) (k)
2 and 71.10 (10) of the statutes; relating to: tax-exempt, long-term care
3 expenses accounts.

Analysis by the Legislative Reference Bureau

Under this bill, an individual may establish a long-term care expenses account (account) for the person and his or her spouse. "Long-term care expenses" is defined as any amount that is paid for care that is provided to an individual in his or her home or in institutional or community-based settings and that is convalescent or custodial care or care for a chronic condition or terminal illness. The account may be established at a financial institution, such as a bank, savings and loan, or credit union, and consists of deposits and any interest or other gain on the deposits.

In determining Wisconsin taxable income each year, the bill authorizes an individual to deduct from his or her federal adjusted gross income up to \$2,000 in deposits to the account made on behalf of the individual and up to \$2,000 in deposits to the account made on behalf of the individual's spouse if the account is used exclusively to pay the long-term care expenses of the individual or his or her spouse. All gains that accrue to such an account are also tax-exempt if the gains are redeposited into the account. After the value of the account exceeds \$100,000, however, no deduction may be claimed for any further contributions to the account.

If any amount is withdrawn from the account and is used for any purpose other than the allowed purposes, the account holder must pay a penalty equal to 10% of any accumulated interest, dividends, or other gain that has accrued to the account from the time that the account was opened, except that this provision does not apply

after the death of the account holder. In addition, the account holder must pay taxes on any interest, dividends, or other gain that accrues to the account in the year in which an improper withdrawal occurs, except that this provision also does not apply after the death of the account holder.

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:

1 **SECTION 1.** 71.05 (6) (a) 21. of the statutes is created to read:

2 71.05 (6) (a) 21. Any accumulated interest, dividends, or other gain that
3 accrues from an account described under s. 71.10 (10) during the taxable year in
4 which a withdrawal occurs from such an account if any amount of the money or other
5 assets in the account is withdrawn for any reason other than the payment of
6 long-term care expenses, as defined in s. 71.10 (10) (a) 2., for the account holder or
7 his or her spouse, except that this subdivision does not apply after the death of the
8 account holder.

9 **SECTION 2.** 71.05 (6) (b) 34. of the statutes is created to read:

10 71.05 (6) (b) 34. Any amount that is deposited by an individual in an account
11 described under s. 71.10 (10), up to \$2,000 each year for the individual and up to
12 \$2,000 each year for his or her spouse, and any interest, dividends, or other gain that
13 accrues in the account if the interest, dividends, or other gain is redeposited in the
14 account, if the account is used exclusively to pay the long-term care expenses, as
15 defined in s. 71.10 (10) (a) 2., of the individual or his or her spouse, except that no
16 subtraction may be made under this subdivision for any amounts deposited in the
17 account once the total value of the account exceeds \$100,000.

18 **SECTION 3.** 71.07 (5) (a) 9. of the statutes is created to read:

1 71.07 (5) (a) 9. The amount claimed as a deduction for unreimbursed medical
2 expenses under section 213 (a) of the Internal Revenue Code to the extent that the
3 funds used to pay for the unreimbursed expenses for which the deduction was
4 claimed were withdrawn from an account described under s. 71.05 (6) (b) 34.

5 **SECTION 4.** 71.10 (4) (k) of the statutes is created to read:

6 71.10 (4) (k) Any amount of money or other assets computed under sub. (10)
7 (c).

8 **SECTION 5.** 71.10 (10) of the statutes is created to read:

9 **71.10 (10) LONG-TERM CARE EXPENSES.** (a) In this subsection:

10 1. “Financial institution” means any bank, savings bank, savings and loan
11 association, or credit union that is authorized to do business under state or federal
12 laws relating to financial institutions.

13 2. “Long-term care expenses” means any amount that is paid for care that is
14 provided to an individual in an individual’s home or in institutional or
15 community-based settings and that is convalescent or custodial care or care for a
16 chronic condition or terminal illness.

17 (b) An individual may establish an account for long-term care expenses, for the
18 individual and the individual’s spouse, in a financial institution. Amounts deposited
19 into such an account and any interest, dividends, or other gain that accrues on
20 amounts deposited in the account may be used only to pay long-term care expenses
21 of the individual and the individual’s spouse, except that this limitation on the uses
22 of the account does not apply after the death of the individual who establishes the
23 account.

24 (c) If an individual is required to add any amount to federal adjusted gross
25 income under s. 71.05 (6) (a) 21., the person shall pay an amount equal to 10% of any

1 accumulated interest, dividends, or other gain that has accrued beginning on the
2 date on which the account was opened and ending on the date on which the
3 withdrawal from the account occurs that results in a person adding an amount under
4 s. 71.05 (6) (a) 21.

5 **SECTION 6. Initial applicability.**

6 (1) This act first applies to taxable years beginning on January 1 of the year
7 in which this subsection takes effect, except that if this subsection takes effect after
8 July 31 this act first applies to taxable years beginning on January 1 of the year
9 following the year in which this subsection takes effect.

10 (END)

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-4346/1dn
MES: kmg:jf

Representative Pettis:

This version of the draft is identical to the /P1 version. I don't think ^{that} any changes are needed to authorize the department of revenue to promulgate rules to administer this program. Section 71.80 (1) (c) of the statutes states that "The department may make such regulations as it shall deem necessary in order to carry out this chapter" and your bill affects only chapter 71.

To memorialize the U.S. Congress to adopt a similar program, an ~~Assembly~~ ^{Joint} Resolution must be prepared. If you could forward to me the statistical or other factual information you would like me to include in the "Whereas" clauses of the ~~bill~~ ^{MR} I will be happy to draft ~~it~~. Please let me know if you have any further questions.

Marc E. Shovers
Senior Legislative Attorney
Phone: (608) 266-0129
E-mail: marc.shovers@legis.state.wi.us

that

it

resolution,

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-4346/1dn
MES:kmg:pg

February 8, 2002

Representative Pettis:

This version of the draft is identical to the /P1 version. I don't think that any changes are needed to authorize the department of revenue to promulgate rules to administer this program. Section 71.80 (1) (c) of the statutes states that "The department may make such regulations as it shall deem necessary in order to carry out this chapter" and your bill affects only chapter 71.

To memorialize the U.S. Congress to adopt a similar program, an assembly joint resolution must be prepared. If you could forward to me the statistical or other factual information that you would like me to include in the "Whereas" clauses of the resolution, I will be happy to draft it. Please let me know if you have any further questions.

Marc E. Shovers
Senior Legislative Attorney
Phone: (608) 266-0129
E-mail: marc.shovers@legis.state.wi.us



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
5TH FLOOR
MADISON, WI 53701-2037

STEPHEN R. MILLER
CHIEF

LEGAL SECTION: (608) 266-3561
LEGAL FAX: (608) 264-6948

February 8, 2002

MEMORANDUM

To: Representative Pettis

From: Marc E. Shovers, Senior Legislative Attorney

Re: LRB-4346/1 - Individual income tax deduction for long term care savings accounts

The attached draft was prepared at your request. Please review it carefully to ensure that it is accurate and satisfies your intent. If it does and you would like it jacketed for introduction, please indicate below for which house you would like the draft jacketed and return this memorandum to our office. If you have any questions about jacketing, please call our program assistants at 266-3561. Please allow one day for jacketing.

JACKET FOR ASSEMBLY JACKET FOR SENATE

If you have any questions concerning the attached draft, or would like to have it redrafted, please contact me at (608) 266-0129 or at the address indicated at the top of this memorandum.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will request that it be prepared after the draft is introduced. You may obtain a fiscal estimate on the attached draft before it is introduced by calling our program assistants at 266-3561. Please note that if you have previously requested that a fiscal estimate be prepared on an earlier version of this draft, you will need to call our program assistants in order to obtain a fiscal estimate on this version before it is introduced.

Please call our program assistants at 266-3561 if you have any questions regarding this memorandum.