



JIM DOYLE
GOVERNOR
STATE OF WISCONSIN

May 26, 2006

TO THE HONORABLE MEMBERS OF THE ASSEMBLY:

I am vetoing Assembly Bill 4. This bill adopts the federal tax treatment of contributions to health savings accounts (HSAs). AB 4 would apply retroactively to tax year 2004.

As I have in the past, I am vetoing these HSA provisions. HSAs are inextricably linked to high deductible medical insurance and, therefore, could decrease employer-sponsored insurance coverage. Additionally, HSAs are only viable for healthy persons with higher incomes. As healthy individuals with higher incomes opt out of traditional insurance pools, the risk profiles of these existing health plans will worsen, which in turn will cause insurance companies to raise rates on remaining members likely to be those without any other options.

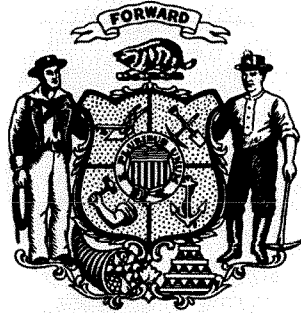
Finally, AB 4 is an expensive bill without a clear and demonstrated benefit for the residents of this state as a whole. The bill would cost taxpayers \$50 million, but wouldn't help a single Wisconsin family get health insurance. It's a windfall for wealthy and healthy individuals, but lower and middle-income families would still be struggling to find affordable insurance.

In order for me to consider signing these provisions into law, I believe HSAs must be taken up in the context of a comprehensive health care package that would effectively and affordably address the health care needs of seniors, children, and middle- and low-income families.

Respectfully submitted,

JIM DOYLE
Governor

State of Wisconsin



2005 Assembly Bill 4

Date of enactment:
Date of publication*:

2005 WISCONSIN ACT

AN ACT to amend 71.83 (1) (c); and to create 71.83 (1) (ce) and subchapter XVI of chapter 71 [precedes 71.98] of the statutes; relating to: adopting federal law as it relates to health savings accounts for state income and franchise tax purposes, modifying a penalty, and providing a penalty.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 71.83 (1) (c) of the statutes is amended to read:

71.83 (1) (c) *Medical savings account withdrawals.* Any person who is liable for a penalty for federal income tax purposes under section 220 (f) (4) of the Internal Revenue Code is liable for a penalty equal to 33% of that penalty, except that no penalty may be imposed under this paragraph with regard to any amount that is withdrawn from an individual's medical savings account and rolled over or deposited into the same individual's health savings account. The department of revenue shall assess, levy and collect the penalty under this paragraph as it assesses, levies and collects taxes under this chapter.

SECTION 2. 71.83 (1) (ce) of the statutes is created to read:

71.83 (1) (ce) *Health savings accounts.* Any person who is liable for a penalty for federal income tax purposes

under section 223 (f) (4) of the Internal Revenue Code is liable for a penalty equal to 33 percent of that penalty. The department of revenue shall assess, levy, and collect the penalty under this paragraph as it assesses, levies, and collects taxes under this chapter.

SECTION 3. Subchapter XVI of chapter 71 [precedes 71.98] of the statutes is created to read:

CHAPTER 71

SUBCHAPTER XVI

INTERNAL REVENUE CODE UPDATE

71.98 Internal Revenue Code update. The following federal laws, to the extent that they apply to the Internal Revenue Code, apply to this chapter:

(1) **HEALTH SAVINGS ACCOUNTS.** Section 1201 of P.L. 108-173, relating to health savings accounts.

SECTION 4. Initial applicability.

(1) This act first applies retroactively to taxable years beginning on January 1, 2004.

* Section 991.11, WISCONSIN STATUTES 2003-04 : Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication as designated" by the secretary of state [the date of publication may not be more than 10 working days after the date of enactment].