

## 2005 ASSEMBLY BILL 446

June 1, 2005 – Introduced by Representatives STASKUNAS, BOYLE, MOLEPSKE, HAHN, MUSSER, TURNER, SHERIDAN, SEIDEL, CULLEN, VAN AKKEREN, SHILLING and GUNDERSON, cosponsored by Senators A. LASEE, LASSA, COGGS, ERPENBACH, HANSEN and TAYLOR. Referred to Joint Committee on Finance.

1     **AN ACT** *to amend* 71.05 (6) (a) 15., 71.21 (4), 71.26 (2) (a) and 71.34 (1) (g); and  
2             *to create* 71.07 (5r), 71.10 (4) (cd), 71.28 (5r) and 71.30 (3) (dm) of the statutes;  
3             **relating to:** creating an individual and corporate income tax credit for certain  
4             unreimbursed medical assistance costs.

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

This bill creates a nonrefundable individual and corporate income tax credit for primary care physicians for certain costs of providing medical services that are not reimbursed under the Medical Assistance program. Sole proprietorships and corporations may claim the credit. Partnerships, limited liability companies, and tax-option corporations compute the credit but pass it on to the partners, members, and shareholders in proportion to their ownership interests.

The credit that may be claimed is 50 percent of a physician's unreimbursed costs that are incurred in the taxable year to which the claim relates. Because the credit is nonrefundable, it may only be claimed up to the amount of the taxpayer's tax liability. The bill defines unreimbursed costs as the difference between a physician's usual and customary charges for providing a medical service, and the amount paid to the physician for providing such services to recipients of medical assistance.

**ASSEMBLY BILL 446**

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

1           **SECTION 1.** 71.05 (6) (a) 15. of the statutes is amended to read:

2           71.05 **(6)** (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),  
3           (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3n), (3s), (3t), (5b), ~~and (5d)~~, and (5r)  
4           and not passed through by a partnership, limited liability company, or tax-option  
5           corporation that has added that amount to the partnership's, company's, or  
6           tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g).

7           **SECTION 2.** 71.07 (5r) of the statutes is created to read:

8           71.07 **(5r)** UNREIMBURSED MEDICAL SERVICES COSTS TAX CREDIT. (a) *Definitions.*

9           In this subsection:

10           1. "Claimant" means a sole proprietor, a partner, a member of a limited liability  
11           company, or a shareholder of a tax-option corporation who is a physician and who  
12           files a claim under this subsection.

13           2. "Medical assistance" has the meaning given in s. 49.43 (8).

14           3. "Physician" has the meaning given for "primary care physician" in s. 609.01  
15           (4m).

16           4. "Unreimbursed costs" means the difference between a physician's usual and  
17           customary charges for providing a service specified under s. 49.46 (2) (a) 1., and the  
18           amount paid to the physician under s. 49.45 (3) for providing such service to  
19           recipients of medical assistance.

20           (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
21           claimant may claim as a credit against the tax imposed under s. 71.02, up to the

**ASSEMBLY BILL 446**

1 amount of those taxes, an amount equal to 50 percent of the claimant's unreimbursed  
2 costs that are incurred in the taxable year to which the claim relates.

3 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it  
4 is claimed within the time period under s. 71.75 (2).

5 2. The carry-over provisions of s. 71.28 (4) (e) and (f), as they apply to the credit  
6 under s. 71.28 (4), apply to the credit under this subsection.

7 3. Partnerships, limited liability companies, and tax-option corporations may  
8 not claim the credit under this subsection, but the eligibility for, and the amount of,  
9 that credit shall be determined on the basis of their economic activity, not that of their  
10 shareholders, partners, or members. A partnership, limited liability company, or  
11 tax-option corporation shall compute the amount of credit that each of its partners,  
12 members, or shareholders may claim and shall provide that information to each of  
13 them. Partners, members of limited liability companies, and shareholders of  
14 tax-option corporations may claim the credit in proportion to their ownership  
15 interest.

16 4. For a claimant who is a nonresident or part-year resident of this state and  
17 who is a single person or a married person filing a separate return, multiply the  
18 credit for which the claimant is eligible under par. (b) by a fraction the numerator of  
19 which is the individual's Wisconsin adjusted gross income and the denominator of  
20 which is the individual's federal adjusted gross income. If a claimant is married and  
21 files a joint return, and if the claimant or the claimant's spouse, or both, are  
22 nonresidents or part-year residents of this state, multiply the credit for which the  
23 claimant is eligible under par. (b) by a fraction the numerator of which is the couple's  
24 joint Wisconsin adjusted gross income and the denominator of which is the couple's  
25 joint federal adjusted gross income.

**ASSEMBLY BILL 446**

1 (d) *Administration*. Subsection (9e) (d), to the extent that it applies to the credit  
2 under that subsection, applies to the credit under this subsection.

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

4 71.10 (4) (cd) The unreimbursed medical services costs tax credit under s. 71.07  
5 (5r).

6 **SECTION 4.** 71.21 (4) of the statutes is amended to read:

7 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
8 (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3n), (3s), (3t), ~~and (5b)~~, and (5r) and passed  
9 through to partners shall be added to the partnership's income.

10 **SECTION 5.** 71.26 (2) (a) of the statutes is amended to read:

11 71.26 (2) (a) *Corporations in general*. The "net income" of a corporation means  
12 the gross income as computed under the Internal Revenue Code as modified under  
13 sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit  
14 computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)  
15 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income  
16 under this paragraph at the time that the taxpayer first claimed the credit plus the  
17 amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),  
18 (1ds), (1dx), (3g), (3n), (3t), ~~and (5b)~~, and (5r) and not passed through by a  
19 partnership, limited liability company, or tax-option corporation that has added that  
20 amount to the partnership's, limited liability company's, or tax-option corporation's  
21 income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or  
22 other disposition of assets the gain from which would be wholly exempt income, as  
23 defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and  
24 minus deductions, as computed under the Internal Revenue Code as modified under  
25 sub. (3), plus or minus, as appropriate, an amount equal to the difference between

**ASSEMBLY BILL 446**

1 the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned, or  
2 otherwise disposed of in a taxable transaction during the taxable year, except as  
3 provided in par. (b) and s. 71.45 (2) and (5).

4 **SECTION 6.** 71.28 (5r) of the statutes is created to read:

5 **71.28 (5r) UNREIMBURSED MEDICAL SERVICES COSTS TAX CREDIT.** (a) *Definitions.*

6 In this subsection:

7 1. “Claimant” means a corporation that includes at least one physician and that  
8 files a claim under this subsection.

9 2. “Medical assistance” has the meaning given in s. 49.43 (8).

10 3. “Physician” has the meaning given for “primary care physician” in s. 609.01  
11 (4m).

12 4. “Unreimbursed costs” means the difference between a physician’s usual and  
13 customary charges for providing a service specified under s. 49.46 (2) (a) 1., and the  
14 amount paid to the physician under s. 49.45 (3) for providing such service to  
15 recipients of medical assistance.

16 (b) *Filing claims.* Subject to the limitations provided in this subsection, a  
17 claimant may claim as a credit against the tax imposed under s. 71.23, up to the  
18 amount of those taxes, an amount equal to 50 percent of the claimant’s unreimbursed  
19 costs that are incurred in the taxable year to which the claim relates.

20 (c) *Limitations.* 1. No credit may be allowed under this subsection unless it  
21 is claimed within the time period under s. 71.75 (2).

22 2. The carry-over provisions of sub. (4) (e) and (f), as they apply to the credit  
23 under sub. (4), apply to the credit under this subsection.

24 3. Partnerships, limited liability companies, and tax-option corporations may  
25 not claim the credit under this subsection, but the eligibility for, and the amount of,

**ASSEMBLY BILL 446**

1 that credit shall be determined on the basis of their economic activity, not that of their  
2 shareholders, partners, or members. A partnership, limited liability company, or  
3 tax-option corporation shall compute the amount of credit that each of its partners,  
4 members, or shareholders may claim and shall provide that information to each of  
5 them. Partners, members of limited liability companies, and shareholders of  
6 tax-option corporations may claim the credit in proportion to their ownership  
7 interest.

8 4. The credits under this subsection may not be claimed by a partnership,  
9 except a publicly traded partnership treated as a corporation under s. 71.22 (1),  
10 limited liability company, except a limited liability company treated as a corporation  
11 under s. 71.22 (1), or tax-option corporation or by partners, including partners of a  
12 publicly traded partnership, members of a limited liability company, or shareholders  
13 of a tax-option corporation.

14 (d) *Administration.* Subsection (4) (g), to the extent that it applies to the credit  
15 under that subsection, applies to the credit under this subsection.

16 **SECTION 7.** 71.30 (3) (dm) of the statutes is created to read:

17 71.30 (3) (dm) The unreimbursed medical services costs tax credit under s.  
18 71.28 (5r).

19 **SECTION 8.** 71.34 (1) (g) of the statutes is amended to read:

20 71.34 (1) (g) An addition shall be made for credits computed by a tax-option  
21 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g),  
22 (3n), (3t), ~~and (5b)~~, and (5r) and passed through to shareholders.

23 **SECTION 9. Initial applicability.**

24 (1) This act first applies to taxable years beginning on January 1 of the year  
25 in which this subsection takes effect, except that if this subsection takes effect after

