



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-2922/P3
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PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1-note

regarding the personal property tax and corporate income and franchise taxes, adopting federal law as it relates to health savings accounts for state income and franchise tax purposes, ~~providing a penalty.~~

regenerate ↓

LPS:
inserts out of order
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1 AN ACT to create 13.94 (1s) (c) 4., 20.566 (2) (j), 20.855 (8m), 25.17 (1) (gd), 25.775
2 and chapter 260 of the statutes; relating to: creating the Private Health
3 Insurance Purchasing Corporation of Wisconsin, establishing a health
4 insurance purchasing arrangement through the use of private accounts for all
5 state residents, ^{expanding and increasing the earned income tax credit.} and making appropriations. ^{and providing a penalty}

Analysis by the Legislative Reference Bureau

TAXEYM
FE-S:

This is a preliminary draft. An analysis will be provided in a later version.

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

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6 SECTION 1. 13.94 (1s) (c) 4. of the statutes is created to read:
7 13.94 (1s) (c) 4. The Private Health Insurance Purchasing Corporation of
8 Wisconsin for the cost of the audits under s. 260.05 (4).

9 SECTION 2. 20.566 (2) (j) of the statutes is created to read:
10 20.566 (2) (j) Private health insurance purchasing corporation assessment
11 administration. A sum sufficient equal to no more than one and one-half percent of

From the health insurance purchasing trust fund ↑

1 all moneys collected under s. 260.50 (4) (a), (as described in s. 260.50 (4) (b)), for the
2 administration and collection of the assessments under s. 260.50.

3 SECTION 3. 20.855 (8m) of the statutes is created to read:

4 20.855 (8m) PRIVATE HEALTH INSURANCE PURCHASING CORPORATION OF
5 WISCONSIN. (r) *Health insurance purchasing accounts and administration.* After
6 deducting the amounts appropriated for the state's share of benefits and
7 administrative costs under the Medical Assistance program that are attributable to
8 the low-income families category, as determined under 2005 Wisconsin Act (this
9 act), section 7 (1) (b), and the amounts appropriated for the state's share of benefits
10 and administrative costs under the Badger Care health care program under s.
11 49.665, and the amount appropriated under A. 20-566 (2) (5),
12 fund to be paid to the Private Health Insurance Purchasing Corporation of Wisconsin
13 for establishing, funding, and managing, and assisting individuals with the use of,
14 the health insurance purchasing accounts established under ch. 260.

15 SECTION 4. 25.17 (1) (gd) of the statutes is created to read:

16 25.17 (1) (gd) Health insurance purchasing trust fund (s. 25.775);

17 SECTION 5. 25.775 of the statutes is created to read:

18 **25.775 Health insurance purchasing trust fund.** There is established a
19 separate, nonlapsible trust fund designated as the health insurance purchasing
20 trust fund, consisting of 98.5 percent of all moneys collected under s. 260.50.

21 SECTION 6. Chapter 260 of the statutes is created to read:

22 **CHAPTER 260**

23 **HEALTH INSURANCE PURCHASING ACCOUNTS**

24 **260.01 Definitions.** In this chapter:

25 (1) "Board" means the board of directors of the corporation.

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1 (2) “Corporation” means the Private Health Insurance Purchasing
2 Corporation of Wisconsin.

3 (3) “Eligible resident” means an individual who satisfies all of the following
4 criteria:

5 (a) The individual has been legally domiciled, as defined by the corporation, in
6 this state for at least 6 months, except that, if a child is under 6 months of age, the
7 child is an “eligible resident” if the child lives in this state and at least one of the
8 child’s parents or the child’s guardian has been legally domiciled, as defined by the
9 corporation, in this state for at least 6 months.

10 (b) The individual is under 65 years of age.

11 (c) The individual is not eligible for health care coverage from the federal
12 government, is not an inmate of a penal facility, as defined in s. 19.32 (1e), and is not
13 placed or confined in, or committed to, an institution for the mentally ill or
14 developmentally disabled.

15 (d) Unless a waiver is requested under s. 260.60 and granted and in effect, the
16 individual is not eligible for medical assistance under subch. IV of ch. 49 or for health
17 care coverage under the Badger Care health care program under s. 49.665.

18 **260.05 Private Health Insurance Purchasing Corporation of**
19 **Wisconsin.** (1) INCORPORATION. The secretary of administration shall do all of the
20 following:

21 (a) Draft and file articles of incorporation for a nonstock corporation under ch.
22 181 and take all actions necessary to exempt the corporation from federal taxation
23 under section 501 (c) (3) of the Internal Revenue Code.

24 (b) Provide in the articles of incorporation filed under par. (a) all of the
25 following:

1 1. That the name of the corporation is the “Private Health Insurance
2 Purchasing Corporation of Wisconsin.”

3 2. That the board shall consist of 8 directors who, except for the initial directors,
4 shall be designated or appointed as follows:

5 a. One designated by Wisconsin Manufacturers and Commerce.

6 b. One designated by the Wisconsin State American Federation of Labor and
7 Congress of Industrial Organizations.

8 c. One designated by the Metropolitan Milwaukee Association of Commerce.

9 d. One designated by the Wisconsin office of the National Federation of
10 Independent Business.

11 e. One designated by the Wisconsin Farm Bureau Federation.

12 f. One designated by the SEIU Wisconsin State Council.

13 g. Two designated by the governor to represent consumers.

14 3. That the term of a director shall be 4 years, except that the term of an initial
15 director shall be one year.

16 4. The names and addresses of the initial directors.

17 5. That 7 votes shall be necessary for adoption of any decision of the board,
18 except for those designated categories of decisions, if any, that the board agrees to
19 adopt by a simple majority of the votes.

20 (c) In consultation with the persons charged with designating the directors
21 under par. (b) 2. a. to g., designate the initial directors.

22 (d) Draft bylaws for adoption by the board.

23 **(2) DUTIES.** As a condition for the release of funds under s. 20.855 (8m) (r), the
24 corporation shall do all of the following:

1 (a) Establish, fund, and manage health insurance purchasing accounts in the
2 manner provided in this chapter; assist eligible residents in using their accounts to
3 purchase health care coverage; and perform all other functions required of the
4 corporation under this chapter.

5 (b) Establish an independent and binding appeals process for resolving
6 disputes over eligibility and other determinations made by the corporation.

7 (c) Keep its records open at all times to inspection and examination by the
8 governor, the secretary of administration, any committee of either or both houses of
9 the legislature, the ^{legislative} legislature fiscal bureau, and the legislative audit bureau.

10 (d) Keep its meetings open to the public to the extent required of governmental
11 bodies under subch. V of ch. 19.

12 (e) Cooperate with the legislative audit bureau in the performance of the audits
13 under sub. (4).

14 (f) Submit on each October 1 an annual report to the legislature under s. 13.172
15 (2) and to the governor regarding its activities and including any recommendations
16 of the health care committee under s. 260.40 (1) (d).

17 **(3) CONTRACTS AND HIRING.** (a) The corporation may contract with other
18 organizations, entities, or individuals for the performance of any of its functions.
19 With respect to contracts under this subsection, the corporation shall do all of the
20 following:

21 1. Use generally accepted procedures, which shall be in writing and open to
22 public inspection, for soliciting bids or proposals and for awarding contracts to the
23 lowest-bidding, qualified person or to the most qualified person submitting a
24 proposal.

1 2. Make open to public inspection all of its requests for bids or proposals, all of
2 its analyses of bids or proposals received, and all of its final decisions on bids or
3 proposals received.

4 (b) The corporation shall use generally accepted hiring practices, which shall
5 be in writing and open to public inspection, for hiring any staff.

6 (4) AUDITS. At least once every 2 years, the legislative audit bureau shall
7 conduct a financial audit of the corporation and a performance evaluation audit of
8 the health insurance purchasing arrangement under this chapter that includes an
9 audit of the corporation's policies and management practices. The legislative audit
10 bureau shall distribute a copy of each audit report under this subsection to the
11 legislature under s. 13.172 (2) and to the governor. The corporation shall reimburse
12 the legislative audit bureau for the cost of the audits and reports required under this
13 subsection.

14 **260.10 Health insurance purchasing accounts.** (1) ESTABLISHMENT AND
15 FUNDING. (a) Beginning in January 2008, the corporation shall establish a private
16 health insurance purchasing account for each eligible resident. Beginning in 2009,
17 the corporation annually shall credit to each account the dollar amount that is the
18 full premium, as determined by the corporation under s. 260.15 (2) (b), for a Tier 1
19 health ^{care} benefit plan in the county in which the eligible resident resides and that has
20 been actuarially adjusted for the eligible resident based on age, sex, and other
21 appropriate risk factors determined by the board. Subject to sub. (2) and s. 260.20
22 (3), the corporation shall pay the amount credited under this paragraph to the health
23 ^{care} benefit plan selected by the eligible resident, or to which the eligible resident has
24 been assigned, under s. 260.15 (3).

1 (b) 1. The health insurance purchasing account of an eligible resident who is
 2 at least 18 years of age shall also include a health savings account, as described in
 3 26 USC 223. For an eligible resident who is under 18 years of age when his or her
 4 health insurance purchasing account is established, his or her health insurance
 5 purchasing account shall include a health savings account beginning in the year in
 6 which the eligible resident is 18 years of age on January 1.

7 2. Beginning in 2009, the corporation annually shall deposit an amount into
 8 each health savings account. In 2009, the amount deposited shall be \$500. The
 9 amount deposited in each year thereafter shall be adjusted to reflect the annual
 10 percentage change in the U.S. consumer price index for all urban consumers, U.S.
 11 city average, as determined by the U.S. department of labor, for the 12-month period
 12 ending on December 31 of the preceding year.

13 3. If the corporation estimates that revenues will exceed costs in a year, the
 14 corporation may deposit into each health savings account an amount in addition to
 15 the amount deposited under subd. 2.

16 4. In addition to any amounts deposited under subds. 2. and 3., the corporation
 17 may deposit into the health savings account of an eligible resident who successfully
 18 follows a healthy lifestyle protocol established by the corporation under s. 260.40 (2)

19 (a), an amount determined by the corporation ^{to be} that is equal to the average reduction
 20 in health care costs ~~resulting from the adoption of a~~ healthy lifestyle protocol ^{by all}
 21 ~~eligible residents who do so.~~ ^{per eligible resident who adopts a}

22 5. Notwithstanding subds. 2., 3., and 4., the total amount deposited in an
 23 eligible resident's health savings account may not exceed the maximum amount
 24 allowed under federal law.

[Handwritten scribbles and annotations on the left margin, including a large vertical scribble and arrows pointing to lines 19 and 21.]

(2) ADDITIONAL PAYMENT FOR DISPROPORTIONATE RISK. The corporation may retain a percentage of the amounts credited under sub. (1) (a) to pay to health benefit plans that have incurred disproportionate risk not fully compensated for by the actuarial adjustment in the amount credited to each account under sub. (1) (a). Any payment to a health benefit plan under this subsection shall reflect the disproportionate risk incurred by the health benefit plan.

260.15 Health benefit plans. (1) PARTICIPATION OF INSURERS. (a) The corporation shall solicit bids from, and enter into contracts with, insurers for offering coverage to eligible residents. Any insurer that is authorized to do business in this state in one or more lines of insurance that includes health insurance is eligible to submit a bid.

(b) In determining which insurers qualify to offer coverage, the corporation shall use financial, coverage, and disclosure standards that are comparable to those that the department of employee trust funds has used in qualifying insurers for offering coverage under the state employee health plan under s. 40.51 (6).

(2) TIER ASSIGNMENT AND PREMIUM DETERMINATION. (a) The corporation shall rank the health benefit plans offered in each county and assign each health benefit plan to one of 3 tiers, on a countywide basis, based on the health benefit plan's quality and cost. The corporation shall assign to "Tier 1" health benefit plans that it determines provide high quality care at a low risk-adjusted cost, assign to "Tier 2" health benefit plans that it determines provide care at a higher risk-adjusted cost, and assign to "Tier 3" health benefit plans that it determines provide care at the highest risk-adjusted cost.

(b) The corporation shall determine the monthly premium amount for coverage under each health benefit plan, with Tier 1 health benefit plans having the lowest

1 premiums, Tier 2 health benefit plans having higher premiums than Tier 1 health
 2 benefit plans, and Tier 3 health benefit plans having higher premiums than Tier 2
 3 health benefit plans. The premium differences shall be based on the actual
 4 differences in costs between Tier 1 and Tier 2 health benefit plans, and between Tier
 5 2 and Tier 3 health benefit plans.

6 (3) PLAN SELECTION. Beginning in 2008, the corporation shall offer an annual
 7 open enrollment period during which each eligible resident may select a health
 8 benefit plan from among those offered. Coverage under the health benefit plan that
 9 an eligible resident selects during an annual open enrollment period shall be
 10 effective on the following January 1. An eligible resident who does not select a health
 11 benefit plan will be assigned to a Tier 1 health benefit plan.

***NOTE: Do you want to specify to which plan a person is assigned if they do not
 select a plan? The language I have included above comes from a version of the previous
 draft that I was working on before receiving new, revised instructions, which did not
 include the tiers.

12 **260.20 Benefits. (1) GENERALLY.** Coverage under this chapter shall begin on
 13 January 1, 2009, and shall include medical and hospital care coverage, prescription
 14 drug coverage, and limited dental care coverage.

15 (2) BENEFITS WITHOUT CERTAIN COST SHARING. Notwithstanding s. 260.25 (2) and
 16 (3), deductibles, coinsurance, and copayments shall not apply to coverage of any of
 17 the following:

- 18 (a) Emergency care, as defined by the corporation.
- 19 (b) Prenatal care for pregnant women.
- 20 (c) Well-baby care.
- 21 (d) Annual medical examinations for children up to 18 years of age.
- 22 (e) Medically indicated immunizations.
- 23 (f) Annual gynecological examinations for older girls and women.

- 1 (g) Medically indicated Papanicolaou tests and mammograms.
- 2 (h) Annual medical examinations for older men.
- 3 (i) Medically indicated colonoscopies.
- 4 (j) Limited dental care, as determined by the corporation under sub. (4).
- 5 ~~(k)~~ Other preventive services or procedures, as determined by the corporation,
- 6 for which there is evidence that exemption from cost-sharing is likely to reduce
- 7 health care costs or avoid health risks.

****NOTE: I specified that deductibles, coinsurance, and copayments do not apply.
Is this what you intended?

8 **(3) PHARMACY BENEFIT.** (a) Except as provided in par. (b), the corporation shall
9 assume the risk for, and pay for, prescription drugs provided to eligible residents.
10 For this purpose, the corporation shall retain the portion of the amount credited
11 under s. 260.10 (1) (a) that is actuarially allocated for prescription drug coverage.

12 (b) If the corporation determines that the method of providing prescription
13 drug coverage under par. (a) is not cost-effective, the corporation may require the
14 health ~~benefit~~ ^{care} plans to provide prescription drug coverage to eligible residents and
15 shall pay the portion of the amount credited under s. 260.10 (1) (a) that is actuarially
16 allocated for prescription drug coverage to the eligible residents' health ~~benefit~~ ^{care}
17 plans.

18 **(4) DENTAL BENEFIT.** Every health ~~benefit~~ ^{care} plan shall provide coverage of dental
19 examinations and the application of coatings and sealants, as determined by the
20 corporation, for eligible residents who are at least 2 years of age but not more than
21 16 years of age.

22 **(5) BENEFIT REDUCTION.** (a) If the corporation determines, based on information
23 and recommendations received from its actuaries, that the assessment under s.

1 260.50 will not generate sufficient moneys for providing the health care benefits
2 under subs. (1) to (4), the corporation shall inform the governor and the legislature
3 of all of the following:

4 1. That the assessment is insufficient.

5 2. What increase in the assessment would be required to maintain the current
6 benefit level.

7 3. Alternative benefit reductions that would be appropriate to avoid an increase
8 in the assessment.

9 4. The benefit reductions that the corporation prefers.

10 (b) Unless legislation is enacted that implements a different solution, the
11 corporation shall implement the benefit reductions under par. (a) 4.

12 **260.25 Cost sharing. (1) PREMIUMS.** (a) An eligible resident with coverage
13 under a Tier 1 health ~~benefit~~^{care} plan shall pay no premium in addition to the amount
14 paid by the corporation under s. 260.10 (1) ^(a) to the eligible resident's health ~~benefit~~^{care}
15 plan.

16 (b) An eligible resident with coverage under a Tier 2 or Tier 3 health ~~benefit~~
17 plan shall be required to pay the amount by which the full risk-adjusted premium
18 for the health ~~benefit~~^{care} plan selected by the eligible resident exceeds the amount paid
19 by the corporation under s. 260.10 (1) ^(a) to the eligible resident's health ~~benefit~~^{care} plan.

20 **(2) DEDUCTIBLES.** Subject to sub. (4), in a year, an eligible resident shall pay the
21 following annual deductible amount:

22 (a) For an eligible resident who is 18 years of age or older on January 1 of that
23 year, \$1,200.

24 (b) For an eligible resident who is under 18 years of age on January 1 of that
25 year, \$100.

1 (3) COINSURANCE AND COPAYMENTS. Subject to sub. (4), in a year, after the
2 deductible under sub. (2) has been satisfied, an eligible resident shall pay all of the
3 following:

4 (a) ~~1~~ Coinsurance that is equal to at least 10 percent but not more than 20 percent
5 of medical, hospital, and generic drug costs, as determined by the corporation.

6 (b) ~~2~~ For each prescription of a brand-name drug that is on the preferred list
7 determined by the corporation under s. 260.20 (3) (a) or by the eligible resident's
8 health ~~benefit~~ ^{care} plan under s. 260.20 (3) (b), either coinsurance of at least 10 percent
9 but not more than 20 percent or a copayment of \$15, as determined by the
10 corporation.

11 (c) ~~3~~ For each prescription of a brand-name drug that is not on the preferred list
12 determined by the corporation, under s. 260.20 (3) (a) or by the eligible resident's
13 health ~~benefit~~ ^{care} plan under s. 260.20 (3) (b), either coinsurance of at least 20 percent
14 but not more than 40 percent or a copayment of \$35, as determined by the
15 corporation.

16 (4) MAXIMUM AMOUNTS. (a) Subject to par. (c), an eligible resident under sub.
17 (2) (a) may not be required to pay more than \$2,000 per year in total cost sharing
18 under subs. (2) and (3).

19 (b) Subject to par. (c), an eligible resident under sub. (2) (b) may not be required
20 to pay more than \$500 per year in total cost sharing under subs. (2) and (3).

21 (c) A family consisting of 2 or more eligible residents may not be required to pay
22 more than \$3,000 per year in total cost ~~sharing~~ ^{sharing} under subs. (2) and (3).

****NOTE: Should the maximum out-of-pocket amounts include additional premium paid by persons with coverage under Tier 2 or 3 plans? As drafted, this subsection does not include premium in maximum out-of-pocket amounts.

eligible residents

1 (5) ADJUSTMENTS. (a) Notwithstanding subs. (2) to (4), the corporation shall
 2 reduce the deductible, coinsurance, copayment, and maximum cost-sharing
 3 amounts for low-income ~~persons~~, as determined by the corporation, to ensure that
 4 the cost sharing required does not deter low-income eligible residents from seeking
 5 and using appropriate health care services.

6 (b) Notwithstanding subs. (2) to (4), beginning in 2010, the corporation
 7 annually shall adjust the deductible, coinsurance, copayment, and maximum
 8 cost-sharing amounts to reflect the annual percentage change in the U.S. consumer
 9 price index for all urban consumers, U.S. city average, as determined by the U.S.
 10 department of labor, for the 12-month period ending on December 31 of the
 11 preceding year.

12 **260.30 Preexisting condition exclusion. (1) TO WHOM APPLICABLE.** Subject
 13 to sub. (2), a health ~~benefit~~ ^{care} plan may not provide coverage for any preexisting
 14 condition, as defined by the corporation, of an eligible resident who, at any time
 15 during the 18-month period before becoming an eligible resident, resided outside of
 16 Wisconsin and who did not have health insurance coverage that was substantially
 17 similar to the coverage provided under this chapter, as determined by the
 18 corporation.

19 (2) LENGTH OF EXCLUSION. A preexisting condition exclusion under sub. (1) may
 20 not extend beyond 18 months after the eligible resident obtains coverage, and
 21 remains covered, under this chapter.

***NOTE: If you don't want the coverage to be continuous, perhaps this subsection should say something along the lines of: "A preexisting condition exclusion under sub. (1) may not extend beyond the date on which the eligible resident has been covered under this chapter for a total of 18 months."

22 **260.40 Health care advisory committee; health care policies. (1)**
 23 ESTABLISHMENT OF COMMITTEE. (a) The corporation shall establish a health care

1 advisory committee to advise it on all matters related to promoting healthier
2 lifestyles; promoting health care quality; increasing the transparency of health care
3 cost and quality information; preventive care; disease management; the appropriate
4 use of primary care, medical specialists, prescription drugs, and hospital emergency
5 rooms; confidentiality of medical information; the appropriate use of technology;
6 benefit design; the availability of physicians, hospitals, and other providers; and
7 reducing health care costs.

8 (b) The committee shall consist of the following:

- 9 1. Three members designated by the Wisconsin Medical Society.
- 10 2. Three members designated by the Wisconsin Hospital Association.
- 11 3. One member designated by the dean of the University of Wisconsin School
12 of Medicine and Public Health.
- 13 4. One member designated by the president of the Medical College of
14 Wisconsin.
- 15 5. One member designated by the Wisconsin Nurses Association.
- 16 6. One member designated by the Wisconsin Chiropractic Association.
- 17 7. One member designated by the Wisconsin Dental Association.

****NOTE: This “committee” does not fit the mold. Normally committees are short-term, advisory bodies that may be created by an entity to assist the entity with a particular issue or problem. It seems as though this committee will have a perpetual existence and advise the board indefinitely. In that case, it probably should be a council in, or attached to, a state agency. You could also simply require the corporation to establish an advisory committee on a short-term basis each time it addresses a specific issue and not specify the membership, or require the corporation to establish advisory committees composed of individuals recommended or designated by the entities you list. In any case, for the committee as drafted, do you want term lengths or are the individuals designated the permanent members?

18 (c) The committee members shall elect a chairperson from among the members.
19 The chairperson, or his or her designee, shall attend every meeting of the board to
20 communicate to the corporation the advice and recommendations of the committee.

1 The chairperson, or his or her designee, shall communicate to the committee any
2 questions on which the corporation is seeking the committee's advice or
3 recommendations.

4 (d) Annually, on or before September 1, the committee shall submit to the
5 corporation its recommendations for improving the health insurance purchasing
6 arrangement under this chapter. The corporation shall include those
7 recommendations in its annual report under s. 260.05 (2) (f).

8 **(2) ADOPTION OF HEALTH CARE POLICIES.** The corporation shall do all of the
9 following:

10 (a) In consultation with the health care advisory committee and experts on
11 creating effective incentives for individuals and employers to adopt healthier
12 lifestyles, adopt evidence-based policies that create incentives for eligible residents
13 to adopt healthier lifestyles and for employers to institute work-based programs
14 that have been shown to improve the health status of employees and their families.
15 These policies may include increasing the amount deposited in an eligible resident's
16 health savings account as a reward for adopting a healthier lifestyle and reducing
17 the assessment paid by an employer that institutes a work-based program shown
18 to improve the health status of employees and their families.

19 (b) In consultation with the health care advisory committee and experts on
20 increasing the transparency of health care cost and quality information, and in
21 collaboration with the health care advisory committee and health care plans and
22 health care providers, adopt policies that provide eligible residents with current,
23 comprehensive, easily accessible, and easily understandable information about the
24 cost and quality of the care provided by Wisconsin health care providers and by any
25 physicians, clinics, or hospitals outside of Wisconsin that are included in a network

1 of a health ~~benefit~~ ^{care} plan offered under the health insurance purchasing arrangement
2 under this chapter.

3 (c) In consultation with the health care advisory committee, the Wisconsin
4 Health Information Organization, the Wisconsin Collaborative for Health Care
5 Quality, and other medical and nonmedical experts on health care quality, promote
6 evidence-based improvements in the quality of health care delivery in the
7 Wisconsin.

8 **260.50 Assessments, individuals and businesses. (1) DEFINITIONS.** In this
9 section:

10 (a) “Department” means the department of revenue.

11 (b) “Employer” means a person who is required under the Internal Revenue
12 Code to file form 941.

13 (d) ~~(c)~~ ^{Social security} “Medicare wages” means:

14 1. For purposes of sub. (2), the amount of net earnings from self-employment,
15 as defined in section 1402 (a) of the Internal Revenue Code, received by an individual
16 in a taxable year.

17 2. For purposes of sub. (3), the amount of wages, as defined in section 3121 (a)
18 of the Internal Revenue Code, paid by an employer in a taxable year with respect to
19 employment, as defined in section 3121 (b) of the Internal Revenue Code.

20 (c) ~~(d)~~ “Self-employed individual” means an individual who is required under the
21 Internal Revenue Code to file schedule SE.

22 (e) “Wisconsin earnings” means wage, salary, or tip income earned by an
23 individual in a taxable year that is paid by, or earned while working for, a person who
24 is domiciled in this state.

more. switch

(2) INDIVIDUALS. (a) A self-employed individual shall pay one of the following amounts, as provided in sub. (4):

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- 1. ~~Eight percent of the first \$100,000 of medicare wages.~~
- 2. ~~Nine percent of the 2nd \$100,000 of medicare wages.~~
- 3. ~~Ten percent of the 3rd \$100,000 of medicare wages.~~
- 4. ~~Eleven percent of the 4th \$100,000 of medicare wages.~~
- 5. ~~Twelve percent of all remaining medicare wages.~~

(b) If an individual has an employer and Wisconsin earnings of less than \$10,000, or less than \$20,000 if married and filing jointly, and whose federal adjusted gross income is more than \$20,000, or more than \$40,000 if married and filing jointly, the individual shall pay the lesser of the following amounts, as provided in sub. (4):

- 1. Ten percent of the difference between adjusted gross income and Wisconsin earnings.
- 2. If the individual is single, or married and filing separately, \$2,000.
- 3. If the individual is married and filing jointly, \$4,000.

(3) BUSINESSES. (a) Except as provided in par. (b), an employer shall pay one of the following amounts, as provided in sub. (4):

- 1. ~~Eight percent of the first \$100,000 of medicare wages.~~
- 2. ~~Nine percent of the 2nd \$100,000 of medicare wages.~~
- 3. ~~Ten percent of the 3rd \$100,000 of medicare wages.~~
- 4. ~~Eleven percent of the 4th \$100,000 of medicare wages.~~
- 5. ~~Twelve percent of all remaining medicare wages.~~

(b) An employer who, on January 1, 2007, provides health care coverage to employees pursuant to a collective bargaining agreement entered into with a union may exclude from the amount of medicare wages subject to the assessment under

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social security

social security

1 par. (a) the amount of ~~medicare~~ wages of any employee who receives health care
2 coverage under the agreement.

3 (4) COLLECTION OF ASSESSMENTS. (a) The department shall collect the amounts
4 that an individual is required to pay under sub. (2), either through an assessment
5 that is collected as part of the income tax under subch. I of ch. 71, or through another
6 method devised by the department. The department shall collect the amounts that
7 an employer is required to pay under sub. (3), either through an assessment that is
8 collected as part of the tax under subch. IV of ch. 71, or through another method
9 devised by the department. Section 71.80 (1) (c), as it applies to ch. 71, applies to the
10 department's collection of amounts under this section.

11 (b) ~~From~~ the amounts that the department collects under par. (a), ~~98.5 percent~~
12 ~~of the amounts collected~~ shall be deposited into the health insurance purchasing
13 trust fund under s. 25.775 and 1.5 percent of the amounts collected shall be deposited
14 into the appropriation account under s. 20.566 (2) (j).

****NOTE: Is the percentage that DOR retains under this paragraph consistent with your intent?

15 **260.60 Including certain residents who are eligible for Medical**
16 **Assistance.** (1) PLAN. The corporation and the department of health and family
17 services shall jointly develop a plan for providing health care coverage under the
18 health insurance purchasing arrangement established under this chapter to
19 individuals who satisfy the criteria under s. 260.01 (3) (a) to (c) and who are eligible
20 for Medical Assistance under subch. IV of ch. 49 in the low-income families category,
21 as determined under 2005 Wisconsin Act ... (this act), section 7 (1) (b), or for health
22 care coverage under the Badger Care health care program under s. 49.665.

1 (2) WAIVER REQUEST. The department of health and family services shall, no
2 later than July 1, 2010, submit to the legislature under s. 13.172 (2) the plan
3 developed under sub. (1), together with its recommendations concerning the
4 desirability of requesting waivers from the secretary of the federal department of
5 health and human services for all of the following purposes:

6 (a) To implement the plan developed under sub. (1).

7 (b) To allow the use of federal financial participation to fund, to the maximum
8 extent possible, health care coverage under the arrangement established under this
9 chapter for individuals specified in sub. (1).

10 (3) PROPOSED LEGISLATION. If the legislature authorizes or requires the
11 department of health and family services to request the waivers specified in sub. (2)
12 and if the waivers are granted, the department of health and family services shall
13 submit to the appropriate standing committees under s. 13.172 (3) proposed
14 legislation that will implement the provisions approved under the waivers.

15 **SECTION 7. Nonstatutory provisions.**

16 (1) PROPOSED LEGISLATION ON ELIGIBILITY OF AND APPROPRIATIONS FOR MEDICAL
17 ASSISTANCE AND BADGER CARE RECIPIENTS.

18 (a) *Definition.* In this subsection, “department” means the department of
19 health and family services.

20 (b) *Eligibility categories for Medical Assistance.*

21 1. The department shall review the statutes and determine which statutory
22 provisions specify eligibility criteria for Medical Assistance by each of the following
23 categories of persons:

24 a. Low-income families.

25 b. Elderly or disabled persons.

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JK
19-14

1 2. No later than April 1, 2008, the department shall submit the findings of its
2 review under subdivision 1. to the appropriate standing committees of the
3 legislature in the manner provided under section 13.172 (3) of the statutes. If the
4 department determines that one or more statutory provisions provide eligibility
5 criteria that apply to both categories of persons under subdivision 1., along with its
6 findings the department shall submit proposed legislation specifying eligibility
7 criteria for Medical Assistance that clearly separates the 2 categories of persons
8 under subdivision 1. so that any single statutory unit applies to only one of the 2
9 categories.

10 (c) *Appropriations for Medical Assistance and Badger Care.*

11 1. The department and the legislative fiscal bureau shall review the following
12 Medical Assistance and Badger Care health care program appropriations to
13 determine what amount of each of the total amounts appropriated under each of the
14 appropriations is attributable to benefits provided to, or the administrative costs of
15 providing benefits to, Medical Assistance recipients in the category under paragraph

16 (b) 1. a. or Badger Care health care program recipients:

17 a. Section 20.435 (2) (gk) of the statutes.

18 b. Section 20.435 (4) (a), (b), (bc), (bm), (bn), (gp), (iL), (im), (in), (kt), (L), (vt),
19 (w), (wm), (wp), and (x) of the statutes.

20 c. Section 20.435 (6) (ga) and (k) of the statutes.

21 d. Section 20.435 (7) (b) of the statutes.

22 2. No later than April 1, 2008, the department and the legislative fiscal bureau
23 shall submit the findings of the review under subdivision 1. to the appropriate
24 standing committees of the legislature in the manner provided under section 13.172
25 (3) of the statutes, along with proposed legislation that does all of the following:

2005 BILL

INS MES-X
2-20 p.1062

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

Analysis by the Legislative Reference Bureau

This bill adopts, for state income and franchise tax purposes, section 1201 of Public Law 108-173 as it relates to claiming a deduction for an amount that a person pays into a health savings account.

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:

4 SECTION 1. 71.83 (1) (ce) of the statutes is created to read:
5 71.83 (1) (ce) *Health savings accounts.* Any person who is liable for a penalty
6 for federal income tax purposes under section 223 (f) (4) of the Internal Revenue Code
7 is liable for a penalty equal to 33 percent of that penalty. The department of revenue

BILL

INS MES-X p. 2 of 2

SECTION 1

1 shall assess, levy, and collect the penalty under this paragraph as it assesses, levies,
2 and collects taxes under this chapter.

3 **SECTION 2.** Subchapter XVI of chapter 71 [precedes 71.98] of the statutes is
4 created to read:

5 **CHAPTER 71**

6 **SUBCHAPTER XVI**

7 **INTERNAL REVENUE CODE UPDATE**

8 **71.98 Internal Revenue Code update.** The following federal laws, to the
9 extent that they apply to the Internal Revenue Code, apply to this chapter:

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

12 **SECTION 3. Initial applicability**

13 **(1)** ~~This act~~ ^{HEALTH SAVINGS ACCOUNTS. (S)} first applies to taxable years beginning on January 1 of the year
14 in which this subsection takes effect, except that if this subsection takes effect after
15 July 31 this act first applies to taxable years beginning on January 1 of the year
16 following the year in which this subsection takes effect.

17 **(END)**

INS JK-2- (p 7 / p 3 ins JK) 2

The treatment of sections 71.83(1)(c) and subchapter XVI of chapter 71 of the statutes → 2008.

INS MES-X 21-15

**2005-2006 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-2922/P3ins
PJK:.....

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***NOTE: This appropriation is what DOR retains for its administrative expenses in collecting the assessments. Is this consistent with your intent? ✓

(END OF INSERT 2-2)

INSERT 2-14

***NOTE: It is not necessary to use the term "eligible resident" in the appropriation language because "eligible resident" is not a defined term in ch. 20. ✓

(END OF INSERT 2-14)

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JK-Z-

✓

1 SECTION ~~15~~ 79.096 of the statutes is created to read:

2 **79.096 State aid; personal property.** (1) DEFINITIONS. In this section:

3 (a) "Department" means the department of administration. ✓

4 (b) "Special purpose district" means a metropolitan sewerage district organized
5 under subch. II of ch. 200, a town sanitary district organized under subch. IX of ch.
6 60, a metropolitan sewerage district created under s. 200.05, or a public inland lake
7 protection and rehabilitation district organized under subch. IV of ch. 33.

8 (c) "Taxing jurisdiction" means a municipality, county, school district, special
9 purpose district, tax incremental district, or technical college district. ✓

10 (2) REPORTING. No later than April 1, 2009, each municipality shall report to
11 the department the amount of personal property taxes paid to each taxing
12 jurisdiction for which the municipality assesses property for the assessments as of
13 January 1, 2008. ✓

14 (3) PAYMENTS. Annually, beginning in 2009, each taxing jurisdiction shall
15 receive a payment in an amount that is equal to the sum of the amount of personal
16 property taxes that the taxing jurisdiction received for the assessments as of January
17 1, 2008, as reported under sub. (2), plus the amount of any state aid the taxing
18 jurisdiction received under s. 79.095, 2003 stats, in 2008. The department shall
19 make the payments under this section on or before the first Monday in May. ✓

set
end of insert JK-Z-

Insert 17 - 22

20 1. If social security wages do not exceed \$50,000, 3 percent of social security
21 wages.

22 2. If social security wages exceed \$50,000, but do not exceed \$500,000, an
23 amount calculated by multiplying all of the social security wages by the sum of 3

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1 percent plus the product of 0.02 percent multiplied by each increment of \$1,000 by
2 which social security wages exceed \$50,000, rounded up to the next highest whole
3 number increment.

4 3. If social security wages exceed \$500,000, an amount calculated by
5 multiplying all of the social security wages by 12 percent.

6 (b) Except as provided in par. (c), an employer shall deduct from the wages of
7 each of the employer's employees an amount that is equal to 2 percent of the social
8 security wages of each employee and shall remit that amount to the department at
9 the same time that the employer pays the amount described in par. (a).

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FROM THE
LEGISLATIVE REFERENCE BUREAU

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INSERT 2-20

SECTION 1. 71.07 (9e) (af) (intro.) of the statutes is amended to read:

71.07 (9e) (af) (intro.) For taxable years beginning after December 31, 1995, and before January 1, 2008, any natural person may credit against the tax imposed under s. 71.02 an amount equal to one of the following percentages of the federal basic earned income credit for which the person is eligible for the taxable year under section 32 (b) (1) (A) to (C) of the internal revenue code Internal Revenue Code:

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109; 2003 a. 72, 99, 135, 183, 255, 267, 326; 2005 a. 25, 49.

~~SECTION 2.~~ 71.07 (9e) (aj) of the statutes is created to read:

71.07 (9e) (aj) For taxable years beginning after December 31, 2007, any natural person may credit against the tax imposed under s. 71.02 an amount equal to one of the following percentages of the federal basic earned income credit for which the person is eligible for the taxable year under section 32 (b) (1) (A) to (C) of the Internal Revenue Code:

1. If the person has no qualifying children who have the same principal place of abode as the person, 100 percent. ✓
2. If the person has one qualifying child who has the same principal place of abode as the person, 25 percent. ✓
3. If the person has 2 qualifying children who have the same principal place of abode as the person, 40 percent. ✓
4. If the person has 3 or more qualifying children who have the same principal place of abode as the person, 65 percent. ✓

INSERT 1742

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17-2

1. If social security wages do not exceed \$50,000, ^{or 5} five percent of social security wages. ✓

2. If social security wages exceed \$50,000, but do not exceed \$500,000, an amount calculated by multiplying all of the social security wages by the sum of ^{or 5} five percent plus the product of 0.02 percent multiplied by each increment of \$1,000 by which social security wages exceed \$50,000, rounded up to the next highest whole number increment.

3. If social security wages exceed \$500,000, an amount calculated by multiplying all of the social security wages by 14 percent. ✓

END OF 17-2

BILL

SECTION 149

JK 9-14

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9-14

1 ~~property tax rolls of the city, village and town areas included in the district taxes, and~~
 2 ~~shall not be included within any limitation on county or municipality taxes. Such~~
 3 ~~moneys when collected shall be paid to the treasurer of such district.~~

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9-14

4 **SECTION 150.** 815.18 (3) (intro.) of the statutes is amended to read:

5 815.18 (3) EXEMPT PROPERTY. (intro.) The debtor's interest in or right to receive
 6 the following property is exempt, except as specifically provided in this section and
 7 ss. ~~70.20 (2), 71.91 (5m) and (6), 74.55 (2) and 102.28 (5):~~

8 **SECTION 151.** 978.05 (6) (a) of the statutes is amended to read:

9 978.05 (6) (a) Institute, commence or appear in all civil actions or special
 10 proceedings under and perform the duties set forth for the district attorney under ss.
 11 17.14, 30.03 (2), 48.09 (5), 59.55 (1), 59.64 (1), ~~70.36,~~ 103.50 (8), 103.92 (4), 109.09,
 12 343.305 (9) (a), 453.08, 806.05, 938.09, 938.18, 938.355 (6) (b) and (6g) (a), 946.86,
 13 946.87, 961.55 (5), 971.14 and 973.075 to 973.077, perform any duties in connection
 14 with court proceedings in a court assigned to exercise jurisdiction under chs. 48 and
 15 938 as the judge may request and perform all appropriate duties and appear if the
 16 district attorney is designated in specific statutes, including matters within chs. 782,
 17 976 and 979 and ss. 51.81 to 51.85. Nothing in this paragraph limits the authority
 18 of the county board to designate, under s. 48.09 (5), that the corporation counsel
 19 provide representation as specified in s. 48.09 (5) or to designate, under s. 48.09 (6)
 20 or 938.09 (6), the district attorney as an appropriate person to represent the interests
 21 of the public under s. 48.14 or 938.14. *end of insert*

22 **SECTION 152. Effective dates.** ~~This act takes effect on January 1, 2008, except~~
 23 ~~as follows:~~

JK 21-15

✓