



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

March 7, 2007

MEMORANDUM

To: Representative Hahn

From: Marc E. Shovers, Sr. Legislative Attorney, (608) 266-0129

Subject: Technical Memorandum to **2007 AB 107** (LRB 07-1603/1) by **DOR**

We received the attached technical memorandum relating to your bill. This copy is for your information and your file.

If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

March 7, 2007

TO: Marc Shovers
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on Assembly Bill 107: Credit for Medical Care Insurance

The Department has the following concerns related to the bill:

This bill allows a credit for the amount paid for medical care insurance by an employee whose employer pays a portion of the cost of the insurance. Self-employed persons and persons whose employer pays no part of the cost of medical care insurance are only allowed a subtraction from income for the cost of their medical care insurance.

This will undoubtedly be seen as unfair by self-employed persons and persons whose employer pays no part of the cost of medical care insurance. The credit is worth much more than the subtraction. For example, assume there is a person whose employer pays no part of the medical care insurance premium and there is a person whose employer pays part of the premium. Each person pays \$5,000 (after any employer contribution) for medical care insurance during the year. The person whose employer pays part of the cost of his/her insurance will receive a credit worth \$5,000. At the same time, the person whose employer does not pay any portion of the cost of the insurance will be allowed a \$5,000 subtraction, which, assuming a 6.5% tax rate, is only worth \$325.

This bill may have the effect of discouraging employers from providing health insurance coverage. By not providing coverage, the state will be paying for the insurance by providing the credit equal to the amount paid (assuming the person has tax equal to or more than the premium).

If you have any questions regarding this technical memorandum, please contact Brad Caruth at (608) 261-8984 or bradley.caruth@dor.state.wi.us.

cc: Representative Hahn