

**2007 DRAFTING REQUEST**

**Bill**

Received: **11/14/2006**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget 6-7597**

By/Representing: **Easton**

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

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Tax, Individual - dedct/sbtrct**

Extra Copies:

Submit via email: **NO**

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**Pre Topic:**

DOA:.....Easton, BB0156 -

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**Topic:**

Individual income tax subtraction for health insurance premiums paid by employees who pay part of their premiums

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**Instructions:**

See Attached

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**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>
/?	mshovers 11/14/2006	kfollett 11/15/2006		_____			State Tax
/1			rschluet 11/15/2006	_____	lparisi 11/15/2006		State Tax
/2	mshovers 01/10/2007	kfollett 01/11/2007	rschluet 01/11/2007	_____	sbasford 01/11/2007		State Tax
/3	mshovers 02/04/2007	csicilia 02/04/2007	jfrantze 02/05/2007	_____	sbasford 02/05/2007		

FE Sent For:

**<END>**

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/?	mshovers 11/14/2006	kfollett 11/15/2006		_____			State Tax
/1			rschluet 11/15/2006	_____	lparisi 11/15/2006		State Tax
/2	mshovers 01/10/2007	kfollett 01/11/2007	rschluet 01/11/2007	_____	sbasford 01/11/2007		

FE Sent For:

13 2/4/07 13 js 2/4 2/15 2/15  
[Handwritten signatures and notes]

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/?	mshovers 11/14/2006	kfollett 11/15/2006		_____			State Tax
/1		12/gf 11/15/2006	rschluet 11/15/2006	_____	lparisi 11/15/2006		

FE Sent For:

*12/gf*  
*11/15/2006*  
*rschluet*  
*lparisi*  
*11/15/2006*  
*11/17*  
**<END>**

**2007 DRAFTING REQUEST**

**Bill**

Received: 11/14/2006

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Wanted: **As time permits**

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For: **Administration-Budget 6-7597**

By/Representing: **Easton**

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

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Tax, Individual - dedct/sbtrct**

Extra Copies:

Submit via email: **NO**

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**Pre Topic:**

DOA:.....Easton, BB <sup>0156</sup>~~366~~ -

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**Topic:**

Individual income tax subtraction for health insurance premiums paid by employees who pay part of their premiums

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**Instructions:**

See Attached

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<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers	11/15 JF	SS				
11 MES	11/14/06	11/15		11/15 b			

FE Sent For:

<END>

## 2007-09 Budget Bill Statutory Language Drafting Request

- Topic: Health Insurance Deduction
- Tracking Code: BB0156
- SBO team: Tax and Local Government
- SBO analyst: Easton
  - Phone: 6-7597
  - Email: Darren.easton@wisconsin.gov
- Agency acronym: DOR
- Agency number: 566
- Priority (Low, Medium, High): High

September 22, 2006

**TITLE: INCOME SUBTRACTION FOR THE EMPLOYEE SHARE OF HEALTH INSURANCE PREMIUMS WHEN EMPLOYERS PROVIDE COVERAGE, BUT REQUIRE AN EMPLOYEE CONTRIBUTION**

**DESCRIPTION OF CURRENT LAW AND PROBLEM**

Current law allows for 100% of health insurance premiums paid by the self-employed to be subtracted from income when calculating Wisconsin individual income tax. Similarly, a deduction is allowed for the premiums paid by employees whose employers do not contribute to health insurance coverage. In 2007 and 2008 a subtraction for health insurance premiums will be phased in for individuals with no self-employment income and no employer. In 2009 the full amount of premiums paid by those individuals will be deductible.

In 2009 the only remaining individuals who receive no deduction will be employees whose employer contributes to the cost of health insurance, but requires the employees to pay for a portion of the premiums. Consistent tax treatment requires that a subtraction from income be created for all health insurance premiums paid by individuals, whether or not their employers provide health insurance coverage.

**RECOMMENDATION FOR ACTION**

Create a subtraction from income for health insurance premiums paid by employees whose employers provide health insurance, but require an employee contribution.

**ADMINISTRATIVE IMPACT**

Minimal

**FAIRNESS/TAX EQUITY**

Provides consistent treatment for all health insurance premiums paid by individuals.

**IMPACT ON ECONOMIC DEVELOPMENT**

Minimal

**FISCAL EFFECT**

The deduction is expected to cost \$118 million in FY 2009 and affect 480,000 tax filers. The estimates are based on the proration of a similar deduction in Iowa adjusted for population size and differences in law.

**DRAFTING INSTRUCTIONS**

Create a new section within statute 71.05(b)(6)35 to read as follows:

For taxable years beginning after December 31, 2007, an amount paid by an individual who is the employee of another person if the individual's employer contributes a share of the cost of the individual's medical care insurance, for medical care insurance for the individual, his or her spouse, and the individual's dependents, calculated as follows:

a. One hundred percent of the amount paid by the individual for medical care insurance. In this subdivision, "medical care insurance" means a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents and provides surgical, medical, hospital, major medical, or other health service coverage, and includes payments made for medical care benefits under a self-insured plan, but "medical care insurance" does not include hospital indemnity policies or policies with ancillary benefits such as accident benefits or benefits for loss of income resulting from a total or partial inability to work because of illness, sickness, or injury.

b. From the amount calculated under the subd. a, subtract the amounts deducted from gross income for medical care insurance in the calculation of federal adjusted gross income.

c. For an individual who is a nonresident or part-year resident of this state, multiply the amount calculated subd. a or b, by a fraction the numerator of which is the individual's wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual's total wages, salary, tips, unearned income, and net earnings from a trade or business. In this subd. c., for married persons filing separately "wages, salary, tips, unearned income, and net earnings from a trade or business" means the separate wages, salary, tips, unearned income, and net earnings from a trade or business of each spouse, and for married persons filing jointly "wages, salary, tips, unearned income, and net earnings from a trade or business" means the total wages, salary, tips, unearned income, and net earnings from a trade or business of both spouses.

d. Reduce the amount calculated under subd. 35. a., b., or c. to the individual's aggregate wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by this state.

#### **EFFECTIVE DATE AND/OR INITIAL APPLICABILITY**

Individual income tax returns filed for taxable years beginning on or after January 1, 2008

#### **INTERESTED/AFFECTED PARTIES**

Employees whose employers provide health insurance, but require the employees to pay a portion of their premiums

#### **DOR CONTACT PERSON**

Brad Caruth, (608) 261-8984  
bradley.caruth@dor.state.wi.us





State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-0759?

MES... Kgf

*FMNR*

*UPS. FIX request sheet pls.*

DOA:.....Easton, BB566<sup>20156</sup> - Individual income tax subtraction for health insurance premiums paid by employees who pay part of their premiums

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

*Do Not*  
*→ gen*

- 1 AN ACT ...; relating to: creating the individual income tax subtract modification
- 2 for medical care insurance costs paid by certain individuals who are employed
- 3 by other persons.

Ⓢ

*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

X Under current law, there is an individual income tax deduction for 100% of the amount paid by a person for a medical care insurance policy that covers the person, his or her spouse, and the person's dependents if the person's employer pays no amount of money toward the person's medical care insurance. Also under current law, a similar deduction exists for 100% of such amounts paid for a medical care insurance policy by a self-employed person. A similar deduction also exists under current law for approximately 33 percent of such amounts paid for a medical care insurance policy by a person who has no employer and no self-employment income, although this percentage will increase to 100 percent for taxable years beginning after December 31, 2008.

X This bill creates an individual income tax deduction for 100% of the amount paid by an individual for a medical care insurance policy that covers the individual,

*for taxable years beginning after December 31, 2007*

*percent*

*percent*

*pays a portion of the cost of the individual's medical care insurance*

his or her spouse, and the individual's dependents if the individual's employer pays a portion of the cost of the individual's policy

*TAXES  
FES*

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

SECTION 1. <sup>CR</sup> 71.05 (6) (b) ~~38~~ <sup>39</sup> of the statutes is amended to read:

71.05 (6) (b) ~~38~~ <sup>39</sup>. For taxable years beginning after December 31, ~~2008~~ <sup>2007</sup> an amount paid by an individual, other than a person to whom subd. 19<sup>1</sup> applies, who *is the employee of another person, if the individual's employer has no employer and no self-employment income*, for medical care insurance for the individual, his or her spouse, and the individual's dependents, calculated as follows:

a. One hundred percent of the amount paid by the individual for medical care insurance. In this subdivision, "medical care insurance" means a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents and provides surgical, medical, hospital, major medical, or other health service coverage, and includes payments made for medical care benefits under a self-insured plan, but "medical care insurance" does not include hospital indemnity policies or policies with ancillary benefits such as accident benefits or benefits for loss of income resulting from a total or partial inability to work because of illness, sickness, or injury.

b. From the amount calculated under subd. ~~38~~ <sup>39</sup> a., subtract the amounts deducted from gross income for medical care insurance in the calculation of federal adjusted gross income.

c. For an individual who is a nonresident or part-year resident of this state, multiply the amount calculated under subd. ~~38~~ <sup>39</sup> a. or b., by a fraction the numerator of which is the individual's wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by this state and the denominator of which

1 is the individual's total wages, salary, tips, unearned income, and net earnings from  
2 a trade or business. In this subd. ~~38~~<sup>39</sup> c., for married persons filing separately "wages,  
3 salary, tips, unearned income, and net earnings from a trade or business" means the  
4 separate wages, salary, tips, unearned income, and net earnings from a trade or  
5 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
6 unearned income, and net earnings from a trade or business" means the total wages,  
7 salary, tips, unearned income, and net earnings from a trade or business of both  
8 spouses.

9 d. Reduce the amount calculated under subd. ~~38~~<sup>39</sup> a., b., or c. to the individual's  
10 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
11 business that are taxable by this state.

**History:** 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; s. 13.93 (2) (c).

(END)

**Shovers, Marc**

---

**From:** Easton, Darren - DOA  
**Sent:** Tuesday, January 09, 2007 1:14 PM  
**To:** Shovers, Marc  
**Subject:** FW: LRB Draft: 07-0759/1 Individual income tax subtraction for health insurance premiums paid by employees who pay part of their premiums  
**Attachments:** 07-0759/1

Hello Marc,

This deduction is to be phased-in over 4 years. Filers will be able to deduct 10% of their premium payments in TY08, 30% in TY09, 60% in TY10, and 100% in TY11.

Darren.  
6-7597

---

**From:** Schlueter, Ron [mailto:Ron.Schlueter@legis.wisconsin.gov]  
**Sent:** Wednesday, November 15, 2006 10:41 AM  
**To:** Easton, Darren - DOA  
**Cc:** Koskinen, John - DOA; Hanaman, Cathlene; Palchik, Laurie A - DOA  
**Subject:** LRB Draft: 07-0759/1 Individual income tax subtraction for health insurance premiums paid by employees who pay part of their premiums

*Following is the PDF version of draft 07-0759/1.*



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-0759/1

MES:kjf

2  
fmk

DOA:.....Easton, BB0156 - Individual income tax subtraction for health insurance premiums paid by employees who pay part of their premiums

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

no more gen

1 AN ACT ...; relating to: creating <sup>an</sup> individual income tax subtract modification  
2 for medical care insurance costs paid by certain individuals who are employed  
3 by other persons.

*Analysis by the Legislative Reference Bureau*

TAXATION

INCOME TAXATION

Under current law, there is an individual income tax deduction for 100 percent of the amount paid by a person for a medical care insurance policy that covers the person, his or her spouse, and the person's dependents if the person's employer pays no amount of money toward the person's medical care insurance. Also under current law, a similar deduction exists for 100 percent of such amounts paid for a medical care insurance policy by a self-employed person. A similar deduction also exists under current law for approximately 33 percent of such amounts paid for a medical care insurance policy by a person who has no employer and no self-employment income, although this percentage will increase to 100 percent for taxable years beginning after December 31, 2008.

This bill creates an individual income tax deduction, <sup>which is phased in over four</sup> for taxable years beginning after December 31, 2007, for <sup>a certain percentage</sup> 100 percent of the amount paid by an <sup>that is</sup>

a certain percentage

that is

*For taxable year 2008, 10 percent of the amount paid for such a policy may be claimed. For taxable year 2009, 30 percent may be claimed; 60 percent may be claimed in taxable year 2010; and 100 percent may be claimed in 2011 and thereafter.*

individual for a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents if the individual's employer pays a portion of the cost of the individual's policy.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the 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) (b) 39. of the statutes is created to read:

*and before January 1, 2009,*

2 71.05 (6) (b) 39. For taxable years beginning after December 31, 2007, an  
 3 amount paid by an individual who is the employee of another person, if the  
 4 individual's employer pays a portion of the cost of the individual's medical care  
 5 insurance, for medical care insurance for the individual, his or her spouse, and the  
 6 individual's dependents, calculated as follows:

7 a. *One hundred Ten* percent of the amount paid by the individual for medical care  
 8 insurance. In this subdivision, "medical care insurance" means a medical care  
 9 insurance policy that covers the individual, his or her spouse, and the individual's  
 10 dependents and provides surgical, medical, hospital, major medical, or other health  
 11 service coverage, and includes payments made for medical care benefits under a  
 12 self-insured plan, but "medical care insurance" does not include hospital indemnity  
 13 policies or policies with ancillary benefits such as accident benefits or benefits for loss  
 14 of income resulting from a total or partial inability to work because of illness,  
 15 sickness, or injury.

16 b. From the amount calculated under subd. 39. a., subtract the amounts  
 17 deducted from gross income for medical care insurance in the calculation of federal  
 18 adjusted gross income.

1           c. For an individual who is a nonresident or part-year resident of this state,  
2 multiply the amount calculated under subd. 39. a. or b., by a fraction the numerator  
3 of which is the individual's wages, salary, tips, unearned income, and net earnings  
4 from a trade or business that are taxable by this state and the denominator of which  
5 is the individual's total wages, salary, tips, unearned income, and net earnings from  
6 a trade or business. In this subd. 39. c., for married persons filing separately "wages,  
7 salary, tips, unearned income, and net earnings from a trade or business" means the  
8 separate wages, salary, tips, unearned income, and net earnings from a trade or  
9 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
10 unearned income, and net earnings from a trade or business" means the total wages,  
11 salary, tips, unearned income, and net earnings from a trade or business of both  
12 spouses.

13           d. Reduce the amount calculated under subd. 39. a., b., or c. to the individual's  
14 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
15 business that are taxable by this state.

16           ~~END~~



individual for a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents if the individual's employer pays a portion of the cost of the individual's policy.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the 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:*

SECTION ~~71.05~~ <sup>40</sup> (6) (b) ~~89~~ <sup>40</sup> of the statutes is created to read:

*2008, and before  
January 1, 2010*

71.05 (6) (b) ~~89~~ <sup>40</sup>. For taxable years beginning after December 31, ~~2007~~ <sup>2008</sup> an amount paid by an individual who is the employee of another person, if the individual's employer pays a portion of the cost of the individual's medical care insurance, for medical care insurance for the individual, his or her spouse, and the individual's dependents, calculated as follows:

a. ~~One hundred~~ <sup>Thirty</sup> percent of the amount paid by the individual for medical care insurance. In this subdivision, "medical care insurance" means a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents and provides surgical, medical, hospital, major medical, or other health service coverage, and includes payments made for medical care benefits under a self-insured plan, but "medical care insurance" does not include hospital indemnity policies or policies with ancillary benefits such as accident benefits or benefits for loss of income resulting from a total or partial inability to work because of illness, sickness, or injury.

b. From the amount calculated under subd. ~~89~~ <sup>40</sup> a., subtract the amounts deducted from gross income for medical care insurance in the calculation of federal adjusted gross income.



1 c. For an individual who is a nonresident or part-year resident of this state,  
 2 multiply the amount calculated under subd. ~~30~~<sup>40</sup> a. or b., by a fraction the numerator  
 3 of which is the individual's wages, salary, tips, unearned income, and net earnings  
 4 from a trade or business that are taxable by this state and the denominator of which  
 5 is the individual's total wages, salary, tips, unearned income, and net earnings from  
 6 a trade or business. In this subd. ~~30~~<sup>40</sup> c., for married persons filing separately "wages,  
 7 salary, tips, unearned income, and net earnings from a trade or business" means the  
 8 separate wages, salary, tips, unearned income, and net earnings from a trade or  
 9 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
 10 unearned income, and net earnings from a trade or business" means the total wages,  
 11 salary, tips, unearned income, and net earnings from a trade or business of both  
 12 spouses.

13 d. Reduce the amount calculated under subd. ~~30~~<sup>40</sup> a., b., or c. to the individual's  
 14 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
 15 business that are taxable by this state.

(END)



individual for a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents if the individual's employer pays a portion of the cost of the individual's policy.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the 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:*

SECTION ~~4~~. 71.05 (6) (b) ~~39~~ <sup>41</sup> of the statutes is created to read:

2009, and before  
January 6, 2011

71.05 (6) (b) ~~39~~ <sup>41</sup>. For taxable years beginning after December 31, ~~2007~~, an amount paid by an individual who is the employee of another person, if the individual's employer pays a portion of the cost of the individual's medical care insurance, for medical care insurance for the individual, his or her spouse, and the individual's dependents, calculated as follows:

a. ~~One hundred~~ <sup>21 x 51</sup> percent of the amount paid by the individual for medical care insurance. In this subdivision, "medical care insurance" means a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents and provides surgical, medical, hospital, major medical, or other health service coverage, and includes payments made for medical care benefits under a self-insured plan, but "medical care insurance" does not include hospital indemnity policies or policies with ancillary benefits such as accident benefits or benefits for loss of income resulting from a total or partial inability to work because of illness, sickness, or injury.

b. From the amount calculated under subd. ~~39~~ <sup>41</sup> a., subtract the amounts deducted from gross income for medical care insurance in the calculation of federal adjusted gross income.

1 c. For an individual who is a nonresident or part-year resident of this state,  
2 multiply the amount calculated under subd. ~~30~~<sup>41</sup> a. or b., by a fraction the numerator  
3 of which is the individual's wages, salary, tips, unearned income, and net earnings  
4 from a trade or business that are taxable by this state and the denominator of which  
5 is the individual's total wages, salary, tips, unearned income, and net earnings from  
6 a trade or business. In this subd. ~~30~~<sup>41</sup> c., for married persons filing separately "wages,  
7 salary, tips, unearned income, and net earnings from a trade or business" means the  
8 separate wages, salary, tips, unearned income, and net earnings from a trade or  
9 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
10 unearned income, and net earnings from a trade or business" means the total wages,  
11 salary, tips, unearned income, and net earnings from a trade or business of both  
12 spouses.

13 d. Reduce the amount calculated under subd. ~~30~~<sup>41</sup> a., b., or c. to the individual's  
14 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
15 business that are taxable by this state.

16 (END)



individual for a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents if the individual's employer pays a portion of the cost of the individual's policy.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the 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 ~~71.05~~ <sup>42</sup> (6) (b) ~~40%~~ of the statutes is created to read: ✓ 2010

2 71.05 (6) (b) ~~39~~ <sup>42</sup>. For taxable years beginning after December 31, ~~2007~~, an  
3 amount paid by an individual who is the employee of another person, if the  
4 individual's employer pays a portion of the cost of the individual's medical care  
5 insurance, for medical care insurance for the individual, his or her spouse, and the  
6 individual's dependents, calculated as follows:

7 a. One hundred percent of the amount paid by the individual for medical care  
8 insurance. In this subdivision, "medical care insurance" means a medical care  
9 insurance policy that covers the individual, his or her spouse, and the individual's  
10 dependents and provides surgical, medical, hospital, major medical, or other health  
11 service coverage, and includes payments made for medical care benefits under a  
12 self-insured plan, but "medical care insurance" does not include hospital indemnity  
13 policies or policies with ancillary benefits such as accident benefits or benefits for loss  
14 of income resulting from a total or partial inability to work because of illness,  
15 sickness, or injury.

16 b. From the amount calculated under subd. ~~40%~~ <sup>42</sup> a., subtract the amounts  
17 deducted from gross income for medical care insurance in the calculation of federal  
18 adjusted gross income.

1 c. For an individual who is a nonresident or part-year resident of this state,  
2 multiply the amount calculated under subd. ~~39~~<sup>42</sup> a. or b., by a fraction the numerator  
3 of which is the individual's wages, salary, tips, unearned income, and net earnings  
4 from a trade or business that are taxable by this state and the denominator of which  
5 is the individual's total wages, salary, tips, unearned income, and net earnings from  
6 a trade or business. In this subd. ~~39~~<sup>42</sup> c., for married persons filing separately "wages,  
7 salary, tips, unearned income, and net earnings from a trade or business" means the  
8 separate wages, salary, tips, unearned income, and net earnings from a trade or  
9 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
10 unearned income, and net earnings from a trade or business" means the total wages,  
11 salary, tips, unearned income, and net earnings from a trade or business of both  
12 spouses.

13 d. Reduce the amount calculated under subd. ~~39~~<sup>42</sup> a., b., or c. to the individual's  
14 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
15 business that are taxable by this state.

16 (END)

**Shovers, Marc**

---

**From:** Koskinen, John - DOA  
**Sent:** Saturday, February 03, 2007 4:37 PM  
**To:** Shovers, Marc; Hanaman, Cathlene  
**Cc:** Easton, Darren - DOA  
**Subject:** LRB Draft: 07-0759/2 Individual income tax subtraction for health insurance premiums paid by employees who pay part of their premiums  
**Attachments:** 07-0759/2

Marc

Two changes

The percentage for tax year 2009 should be changed to 25% instead of 30% [page 4, line 1].

The percentage for tax year 2010 should be change to 45% instead of 60% [page 5, line 10].

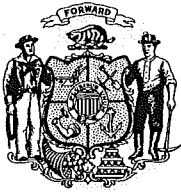
Thanks

John K

---

**From:** Schlueter, Ron [mailto:Ron.Schlueter@legis.wisconsin.gov]  
**Sent:** Thursday, January 11, 2007 3:13 PM  
**To:** Easton, Darren - DOA  
**Cc:** Koskinen, John - DOA; Hanaman, Cathlene - LEGIS; Palchik, Laurie A - DOA  
**Subject:** LRB Draft: 07-0759/2 Individual income tax subtraction for health insurance premiums paid by employees who pay part of their premiums

*Following is the PDF version of draft 07-0759/2.*



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-0759/2<sup>3</sup>  
MES:kjf:rs  
RMR

&cs

DOA:.....Easton, BB0156 - Individual income tax subtraction for health insurance premiums paid by employees who pay part of their premiums

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

Do NOT Gen

- 1 AN ACT...; relating to: creating an individual income tax subtract modification
- 2 for medical care insurance costs paid by certain individuals who are employed
- 3 by other persons.

*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

Under current law, there is an individual income tax deduction for 100 percent of the amount paid by a person for a medical care insurance policy that covers the person, his or her spouse, and the person's dependents if the person's employer pays no amount of money toward the person's medical care insurance. Also under current law, a similar deduction exists for 100 percent of such amounts paid for a medical care insurance policy by a self-employed person. A similar deduction also exists under current law for approximately 33 percent of such amounts paid for a medical care insurance policy by a person who has no employer and no self-employment income, although this percentage will increase to 100 percent for taxable years beginning after December 31, 2008.

This bill creates an individual income tax deduction, which is phased in over four years, for a certain percentage of the amount that is paid by an individual for

25  
a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents if the individual's employer pays a portion of the cost of the individual's policy. For taxable year 2008, 10 percent of the amount paid for such a policy may be claimed. For taxable year 2009, ~~80~~ percent may be claimed; ~~60~~ percent 45  
may be claimed in taxable year 2010; and 100 percent may be claimed in 2011 and thereafter.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the 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) (b) 39. of the statutes is created to read:

2           71.05 (6) (b) 39. For taxable years beginning after December 31, 2007, and  
3 before January 1, 2009, an amount paid by an individual who is the employee of  
4 another person, if the individual's employer pays a portion of the cost of the  
5 individual's medical care insurance, for medical care insurance for the individual, his  
6 or her spouse, and the individual's dependents, calculated as follows:

7           a. Ten percent of the amount paid by the individual for medical care insurance.

8 In this subdivision, "medical care insurance" means a medical care insurance policy  
9 that covers the individual, his or her spouse, and the individual's dependents and  
10 provides surgical, medical, hospital, major medical, or other health service coverage,  
11 and includes payments made for medical care benefits under a self-insured plan, but  
12 "medical care insurance" does not include hospital indemnity policies or policies with  
13 ancillary benefits such as accident benefits or benefits for loss of income resulting  
14 from a total or partial inability to work because of illness, sickness, or injury.



1           b. From the amount calculated under subd. 39. a., subtract the amounts  
2 deducted from gross income for medical care insurance in the calculation of federal  
3 adjusted gross income.

4           c. For an individual who is a nonresident or part-year resident of this state,  
5 multiply the amount calculated under subd. 39. a. or b., by a fraction the numerator  
6 of which is the individual's wages, salary, tips, unearned income, and net earnings  
7 from a trade or business that are taxable by this state and the denominator of which  
8 is the individual's total wages, salary, tips, unearned income, and net earnings from  
9 a trade or business. In this subd. 39. c., for married persons filing separately "wages,  
10 salary, tips, unearned income, and net earnings from a trade or business" means the  
11 separate wages, salary, tips, unearned income, and net earnings from a trade or  
12 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
13 unearned income, and net earnings from a trade or business" means the total wages,  
14 salary, tips, unearned income, and net earnings from a trade or business of both  
15 spouses.

16           d. Reduce the amount calculated under subd. 39. a., b., or c. to the individual's  
17 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
18 business that are taxable by this state.

19           **SECTION 2.** 71.05 (6) (b) 40. of the statutes is created to read:

20           71.05 (6) (b) 40. For taxable years beginning after December 31, 2008, and  
21 before January 1, 2010, an amount paid by an individual who is the employee of  
22 another person, if the individual's employer pays a portion of the cost of the  
23 individual's medical care insurance, for medical care insurance for the individual, his  
24 or her spouse, and the individual's dependents, calculated as follows:

- (1) a. ~~Twenty~~ <sup>Twenty-five</sup> percent of the amount paid by the individual for medical care insurance. In this subdivision, "medical care insurance" means a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents and provides surgical, medical, hospital, major medical, or other health service coverage, and includes payments made for medical care benefits under a self-insured plan, but "medical care insurance" does not include hospital indemnity policies or policies with ancillary benefits such as accident benefits or benefits for loss of income resulting from a total or partial inability to work because of illness, sickness, or injury.
- b. From the amount calculated under subd. 40. a., subtract the amounts deducted from gross income for medical care insurance in the calculation of federal adjusted gross income.
- c. For an individual who is a nonresident or part-year resident of this state, multiply the amount calculated under subd. 40. a. or b., by a fraction the numerator of which is the individual's wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by this state and the denominator of which is the individual's total wages, salary, tips, unearned income, and net earnings from a trade or business. In this subd. 40. c., for married persons filing separately "wages, salary, tips, unearned income, and net earnings from a trade or business" means the separate wages, salary, tips, unearned income, and net earnings from a trade or business of each spouse, and for married persons filing jointly "wages, salary, tips, unearned income, and net earnings from a trade or business" means the total wages, salary, tips, unearned income, and net earnings from a trade or business of both spouses.

1 d. Reduce the amount calculated under subd. 40. a., b., or c. to the individual's  
2 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
3 business that are taxable by this state.

4 **SECTION 3.** 71.05 (6) (b) 41. of the statutes is created to read:

5 71.05 (6) (b) 41. For taxable years beginning after December 31, 2009, and  
6 before January 1, 2011, an amount paid by an individual who is the employee of  
7 another person, if the individual's employer pays a portion of the cost of the  
8 individual's medical care insurance, for medical care insurance for the individual, his  
9 or her spouse, and the individual's dependents, calculated as follows:

10 a. ~~Twenty~~ <sup>Forty-five</sup> percent of the amount paid by the individual for medical care  
11 insurance. In this subdivision, "medical care insurance" means a medical care  
12 insurance policy that covers the individual, his or her spouse, and the individual's  
13 dependents and provides surgical, medical, hospital, major medical, or other health  
14 service coverage, and includes payments made for medical care benefits under a  
15 self-insured plan, but "medical care insurance" does not include hospital indemnity  
16 policies or policies with ancillary benefits such as accident benefits or benefits for loss  
17 of income resulting from a total or partial inability to work because of illness,  
18 sickness, or injury.

19 b. From the amount calculated under subd. 41. a., subtract the amounts  
20 deducted from gross income for medical care insurance in the calculation of federal  
21 adjusted gross income.

22 c. For an individual who is a nonresident or part-year resident of this state,  
23 multiply the amount calculated under subd. 41. a. or b., by a fraction the numerator  
24 of which is the individual's wages, salary, tips, unearned income, and net earnings  
25 from a trade or business that are taxable by this state and the denominator of which

1 is the individual's total wages, salary, tips, unearned income, and net earnings from  
2 a trade or business. In this subd. 41. c., for married persons filing separately "wages,  
3 salary, tips, unearned income, and net earnings from a trade or business" means the  
4 separate wages, salary, tips, unearned income, and net earnings from a trade or  
5 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
6 unearned income, and net earnings from a trade or business" means the total wages,  
7 salary, tips, unearned income, and net earnings from a trade or business of both  
8 spouses.

9 d. Reduce the amount calculated under subd. 41. a., b., or c. to the individual's  
10 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
11 business that are taxable by this state.

12 **SECTION 4.** 71.05 (6) (b) 42. of the statutes is created to read:

13 71.05 (6) (b) 42. For taxable years beginning after December 31, 2010, an  
14 amount paid by an individual who is the employee of another person, if the  
15 individual's employer pays a portion of the cost of the individual's medical care  
16 insurance, for medical care insurance for the individual, his or her spouse, and the  
17 individual's dependents, calculated as follows:

18 a. One hundred percent of the amount paid by the individual for medical care  
19 insurance. In this subdivision, "medical care insurance" means a medical care  
20 insurance policy that covers the individual, his or her spouse, and the individual's  
21 dependents and provides surgical, medical, hospital, major medical, or other health  
22 service coverage, and includes payments made for medical care benefits under a  
23 self-insured plan, but "medical care insurance" does not include hospital indemnity  
24 policies or policies with ancillary benefits such as accident benefits or benefits for loss

1 of income resulting from a total or partial inability to work because of illness,  
2 sickness, or injury.

3 b. From the amount calculated under subd. 42. a., subtract the amounts  
4 deducted from gross income for medical care insurance in the calculation of federal  
5 adjusted gross income.

6 c. For an individual who is a nonresident or part-year resident of this state,  
7 multiply the amount calculated under subd. 42. a. or b., by a fraction the numerator  
8 of which is the individual's wages, salary, tips, unearned income, and net earnings  
9 from a trade or business that are taxable by this state and the denominator of which  
10 is the individual's total wages, salary, tips, unearned income, and net earnings from  
11 a trade or business. In this subd. 42. c., for married persons filing separately "wages,  
12 salary, tips, unearned income, and net earnings from a trade or business" means the  
13 separate wages, salary, tips, unearned income, and net earnings from a trade or  
14 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
15 unearned income, and net earnings from a trade or business" means the total wages,  
16 salary, tips, unearned income, and net earnings from a trade or business of both  
17 spouses.

18 d. Reduce the amount calculated under subd. 42. a., b., or c. to the individual's  
19 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
20 business that are taxable by this state.

21 (END)



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-0759/3  
MES:kjf&cs:jf

DOA:.....Easton, BB0156 - Individual income tax subtraction for health insurance premiums paid by employees who pay part of their premiums

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

- 1     **AN ACT ...; relating to:** creating an individual income tax subtract modification  
2             for medical care insurance costs paid by certain individuals who are employed  
3             by other persons.

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*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

Under current law, there is an individual income tax deduction for 100 percent of the amount paid by a person for a medical care insurance policy that covers the person, his or her spouse, and the person's dependents if the person's employer pays no amount of money toward the person's medical care insurance. Also under current law, a similar deduction exists for 100 percent of such amounts paid for a medical care insurance policy by a self-employed person. A similar deduction also exists under current law for approximately 33 percent of such amounts paid for a medical care insurance policy by a person who has no employer and no self-employment income, although this percentage will increase to 100 percent for taxable years beginning after December 31, 2008.

This bill creates an individual income tax deduction, which is phased in over four years, for a certain percentage of the amount that is paid by an individual for

a medical care insurance policy that covers the individual, his or her spouse, and the individual's dependents if the individual's employer pays a portion of the cost of the individual's policy. For taxable year 2008, 10 percent of the amount paid for such a policy may be claimed. For taxable year 2009, 25 percent may be claimed; 45 percent may be claimed in taxable year 2010; and 100 percent may be claimed in 2011 and thereafter.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the 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) (b) 39. of the statutes is created to read:

2           71.05 (6) (b) 39. For taxable years beginning after December 31, 2007, and  
3 before January 1, 2009, an amount paid by an individual who is the employee of  
4 another person, if the individual's employer pays a portion of the cost of the  
5 individual's medical care insurance, for medical care insurance for the individual, his  
6 or her spouse, and the individual's dependents, calculated as follows:

7           a. Ten percent of the amount paid by the individual for medical care insurance.

8           In this subdivision, "medical care insurance" means a medical care insurance policy  
9 that covers the individual, his or her spouse, and the individual's dependents and  
10 provides surgical, medical, hospital, major medical, or other health service coverage,  
11 and includes payments made for medical care benefits under a self-insured plan, but  
12 "medical care insurance" does not include hospital indemnity policies or policies with  
13 ancillary benefits such as accident benefits or benefits for loss of income resulting  
14 from a total or partial inability to work because of illness, sickness, or injury.

1           b. From the amount calculated under subd. 39. a., subtract the amounts  
2 deducted from gross income for medical care insurance in the calculation of federal  
3 adjusted gross income.

4           c. For an individual who is a nonresident or part-year resident of this state,  
5 multiply the amount calculated under subd. 39. a. or b., by a fraction the numerator  
6 of which is the individual's wages, salary, tips, unearned income, and net earnings  
7 from a trade or business that are taxable by this state and the denominator of which  
8 is the individual's total wages, salary, tips, unearned income, and net earnings from  
9 a trade or business. In this subd. 39. c., for married persons filing separately "wages,  
10 salary, tips, unearned income, and net earnings from a trade or business" means the  
11 separate wages, salary, tips, unearned income, and net earnings from a trade or  
12 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
13 unearned income, and net earnings from a trade or business" means the total wages,  
14 salary, tips, unearned income, and net earnings from a trade or business of both  
15 spouses.

16           d. Reduce the amount calculated under subd. 39. a., b., or c. to the individual's  
17 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
18 business that are taxable by this state.

19           **SECTION 2.** 71.05 (6) (b) 40. of the statutes is created to read:

20           71.05 (6) (b) 40. For taxable years beginning after December 31, 2008, and  
21 before January 1, 2010, an amount paid by an individual who is the employee of  
22 another person, if the individual's employer pays a portion of the cost of the  
23 individual's medical care insurance, for medical care insurance for the individual, his  
24 or her spouse, and the individual's dependents, calculated as follows:



1           a. Twenty-five percent of the amount paid by the individual for medical care  
2 insurance. In this subdivision, “medical care insurance” means a medical care  
3 insurance policy that covers the individual, his or her spouse, and the individual’s  
4 dependents and provides surgical, medical, hospital, major medical, or other health  
5 service coverage, and includes payments made for medical care benefits under a  
6 self-insured plan, but “medical care insurance” does not include hospital indemnity  
7 policies or policies with ancillary benefits such as accident benefits or benefits for loss  
8 of income resulting from a total or partial inability to work because of illness,  
9 sickness, or injury.

10           b. From the amount calculated under subd. 40. a., subtract the amounts  
11 deducted from gross income for medical care insurance in the calculation of federal  
12 adjusted gross income.

13           c. For an individual who is a nonresident or part-year resident of this state,  
14 multiply the amount calculated under subd. 40. a. or b., by a fraction the numerator  
15 of which is the individual’s wages, salary, tips, unearned income, and net earnings  
16 from a trade or business that are taxable by this state and the denominator of which  
17 is the individual’s total wages, salary, tips, unearned income, and net earnings from  
18 a trade or business. In this subd. 40. c., for married persons filing separately “wages,  
19 salary, tips, unearned income, and net earnings from a trade or business” means the  
20 separate wages, salary, tips, unearned income, and net earnings from a trade or  
21 business of each spouse, and for married persons filing jointly “wages, salary, tips,  
22 unearned income, and net earnings from a trade or business” means the total wages,  
23 salary, tips, unearned income, and net earnings from a trade or business of both  
24 spouses.

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2 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
3 business that are taxable by this state.

4 **SECTION 3.** 71.05 (6) (b) 41. of the statutes is created to read:

5 71.05 (6) (b) 41. For taxable years beginning after December 31, 2009, and  
6 before January 1, 2011, an amount paid by an individual who is the employee of  
7 another person, if the individual's employer pays a portion of the cost of the  
8 individual's medical care insurance, for medical care insurance for the individual, his  
9 or her spouse, and the individual's dependents, calculated as follows:

10 a. Forty-five percent of the amount paid by the individual for medical care  
11 insurance. In this subdivision, "medical care insurance" means a medical care  
12 insurance policy that covers the individual, his or her spouse, and the individual's  
13 dependents and provides surgical, medical, hospital, major medical, or other health  
14 service coverage, and includes payments made for medical care benefits under a  
15 self-insured plan, but "medical care insurance" does not include hospital indemnity  
16 policies or policies with ancillary benefits such as accident benefits or benefits for loss  
17 of income resulting from a total or partial inability to work because of illness,  
18 sickness, or injury.

19 b. From the amount calculated under subd. 41. a., subtract the amounts  
20 deducted from gross income for medical care insurance in the calculation of federal  
21 adjusted gross income.

22 c. For an individual who is a nonresident or part-year resident of this state,  
23 multiply the amount calculated under subd. 41. a. or b., by a fraction the numerator  
24 of which is the individual's wages, salary, tips, unearned income, and net earnings  
25 from a trade or business that are taxable by this state and the denominator of which

1 is the individual's total wages, salary, tips, unearned income, and net earnings from  
2 a trade or business. In this subd. 41. c., for married persons filing separately "wages,  
3 salary, tips, unearned income, and net earnings from a trade or business" means the  
4 separate wages, salary, tips, unearned income, and net earnings from a trade or  
5 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
6 unearned income, and net earnings from a trade or business" means the total wages,  
7 salary, tips, unearned income, and net earnings from a trade or business of both  
8 spouses.

9 d. Reduce the amount calculated under subd. 41. a., b., or c. to the individual's  
10 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
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12 **SECTION 4.** 71.05 (6) (b) 42. of the statutes is created to read:

13 71.05 (6) (b) 42. For taxable years beginning after December 31, 2010, an  
14 amount paid by an individual who is the employee of another person, if the  
15 individual's employer pays a portion of the cost of the individual's medical care  
16 insurance, for medical care insurance for the individual, his or her spouse, and the  
17 individual's dependents, calculated as follows:

18 a. One hundred percent of the amount paid by the individual for medical care  
19 insurance. In this subdivision, "medical care insurance" means a medical care  
20 insurance policy that covers the individual, his or her spouse, and the individual's  
21 dependents and provides surgical, medical, hospital, major medical, or other health  
22 service coverage, and includes payments made for medical care benefits under a  
23 self-insured plan, but "medical care insurance" does not include hospital indemnity  
24 policies or policies with ancillary benefits such as accident benefits or benefits for loss

1 of income resulting from a total or partial inability to work because of illness,  
2 sickness, or injury.

3 b. From the amount calculated under subd. 42. a., subtract the amounts  
4 deducted from gross income for medical care insurance in the calculation of federal  
5 adjusted gross income.

6 c. For an individual who is a nonresident or part-year resident of this state,  
7 multiply the amount calculated under subd. 42. a. or b., by a fraction the numerator  
8 of which is the individual's wages, salary, tips, unearned income, and net earnings  
9 from a trade or business that are taxable by this state and the denominator of which  
10 is the individual's total wages, salary, tips, unearned income, and net earnings from  
11 a trade or business. In this subd. 42. c., for married persons filing separately "wages,  
12 salary, tips, unearned income, and net earnings from a trade or business" means the  
13 separate wages, salary, tips, unearned income, and net earnings from a trade or  
14 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
15 unearned income, and net earnings from a trade or business" means the total wages,  
16 salary, tips, unearned income, and net earnings from a trade or business of both  
17 spouses.

18 d. Reduce the amount calculated under subd. 42. a., b., or c. to the individual's  
19 aggregate wages, salary, tips, unearned income, and net earnings from a trade or  
20 business that are taxable by this state.

21 (END)