

Fiscal Estimate - 2025 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 25-1642/1	Introduction Number AB-0076
Description creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry or from providing psychiatric or mental health services	
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs</div></div> Local: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;">5.Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts</div><div style="width: 33%;"><input type="checkbox"/> Village <input type="checkbox"/> Others 0 <input type="checkbox"/> WTCS Districts</div><div style="width: 33%;"><input type="checkbox"/> Cities</div></div></div></div>	

Fund Sources Affected
☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Fiscal Estimate Narratives

DOR 3/6/2025

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Assumptions Used in Arriving at Fiscal Estimate

For tax year 2025 through 2029, this bill creates an individual income tax subtraction for income earned in Wisconsin by a psychiatrist or psychiatric or mental health nurse practitioner. The deduction is limited to \$100,000 for claimants who do not practice in a medically underserved area or \$200,000 for individuals who do practice in a medically underserved area. The deduction may not be claimed for more than five years, beginning once the claimant first claims the deduction. In addition, the deduction must be claimed initially within the first two years that an individual begins to practice in this state, or within the first two years that they return to this state after practicing in another state for at least one year.

If an individual begins to claim the deduction but is unable to claim it for five consecutive years because he or she leaves the state, the individual must add to his or her tax that is due for the year in which he or she leaves the state the total gross tax that would have been due if the subtraction was not claimed for any year minus the amount of gross tax actually due for those years.

The federal Bureau of Labor Statistics estimates that there are 530 psychiatrists in Wisconsin, excluding self-employed psychiatrists. Moreover, the average annual wage is \$252,100. According to a survey by the American Medical Association, approximately 47.9% of psychiatrists are employees, implying a total count of Wisconsin psychiatrists of 1,106.

BLS also estimates that there are 5,210 nurse practitioners in the state with an average annual wage of \$128,330. The American Association of Nurse Practitioners reports that about 6.5% of nurse practitioners have a primary certification in psychiatric care or mental health, so that suggests a count of approximately 339 psychiatric or mental health nurse practitioners in Wisconsin. The share of self-employed nurse practitioners is lower than the share of self-employed psychiatrists, but if 5% are self-employed, that suggests a total count of 356.

Based on simulation results using a \$200,000 subtraction maximum, the deduction would reduce tax by approximately \$9,312 per claimant on average. Using a \$100,000 subtraction maximum implies an average tax reduction of \$5,335 per claimant. It is not clear how many of the claimants would qualify at each subtraction level. For illustration purposes, if they are equally split between the two categories, the average tax reduction would be approximately, \$7,323 per claimant.

The bill limits the subtraction to new and returning practitioners. If psychiatrists and psychiatric or mental health nurse practitioner are roughly equally allocated across forty-year careers, approximately 5% (2 out of 40) of the individuals would be eligible for the subtraction in the first year it is available (tax year 2025). Additionally, 2.5% would become eligible each year for the next four years. Under these conditions the bill could reduce revenue by approximately \$540,000 in fiscal year 2026, \$800,000 in fiscal year 2027, \$1,070,000 in fiscal year 2028, \$1,340,000 in fiscal year 2029, and \$1,610,000 in fiscal year 2030.

If a larger (smaller) share of claimants is eligible for the \$200,000 subtraction maximum, the fiscal effect of the bill would be larger (smaller). To the extent that the deduction encourages additional psychiatrists and psychiatric or mental health nurse practitioners to practice in Wisconsin, the fiscal effect of the bill would increase. To the extent that claimants leave the state, the additional tax add back would reduce the fiscal effect of the bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2025 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By	Authorized Signature	Date
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