



State of Wisconsin  
2021 - 2022 LEGISLATURE

LRB-0600/P1  
JK:klm

DOA:.....Quinn, BB0183 - Medical Care Insurance Subtraction for  
Self-Employed Individuals

**FOR 2021-2023 BUDGET -- NOT READY FOR INTRODUCTION**

AN ACT ...; **relating to:** the budget.

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*Analysis by the Legislative Reference Bureau*

**TAXATION**

**INCOME TAXATION**

***Medical care insurance subtraction***

This bill modifies the income tax subtraction for amounts paid for medical care insurance by self-employed individuals. Under current law, the subtraction may not exceed the individual's net earnings from a trade or business that are taxable by Wisconsin. Under the bill, the subtraction may not exceed the individual's wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by Wisconsin.

The bill similarly modifies the provision under current law that prorates the subtraction for self-employed nonresidents and part-year residents based on the percentage of the individual's net earnings from a trade or business taxable by Wisconsin to total net earnings from a trade or business. Under the bill, the subtraction is prorated based on the percentage of the individual's wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by Wisconsin to total wages, salary, tips, unearned income, and net earnings from a trade or business. The bill also eliminates obsolete provisions related to the medical care insurance subtraction for self-employed individuals.

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.

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

**SECTION 1.** 71.05 (6) (b) 17. of the statutes is repealed.

**SECTION 2.** 71.05 (6) (b) 18. of the statutes is repealed.

**SECTION 3.** 71.05 (6) (b) 19. c. of the statutes is amended to read:

71.05 (6) (b) 19. c. For taxable years beginning before January 1, 2021, for a person who is a nonresident or a part-year resident of this state, modify the amount calculated under subd. 19. b. by multiplying the amount by a fraction the numerator of which is the person's net earnings from a trade or business that are taxable by this state and the denominator of which is the person's total net earnings from a trade or business.

**SECTION 4.** 71.05 (6) (b) 19. cm. of the statutes is created to read:

71.05 (6) (b) 19. cm. For taxable years beginning after December 31, 2020, for a person who is a nonresident or a part-year resident of this state, modify the amount calculated under subd. 19. b. by multiplying the amount by a fraction the numerator of which is the person'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 person's total wages, salary, tips, unearned income, and net earnings from a trade or business. In this subd. 19. cm., 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.

**SECTION 5.** 71.05 (6) (b) 19. d. of the statutes is amended to read:

71.05 (6) (b) 19. d. ~~Reduce~~ For taxable years beginning before January 1, 2021, reduce the amount calculated under subd. 19. b. or c. to the person’s aggregate net earnings from a trade or business that are taxable by this state.

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

71.05 (6) (b) 19. dm. For taxable years beginning after December 31, 2020, reduce the amount calculated under subd. 19.b. or cm. to the person’s aggregate wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by this state.

**SECTION 7.** 71.05 (6) (b) 20. of the statutes is repealed.

**SECTION 8.** 71.05 (6) (b) 36. of the statutes is repealed.

**SECTION 9.** 71.05 (6) (b) 37. of the statutes is repealed.

**SECTION 10.** 71.05 (6) (b) 39. of the statutes is repealed.

**SECTION 11.** 71.05 (6) (b) 40. of the statutes is repealed.

**SECTION 12.** 71.05 (6) (b) 41. of the statutes is repealed.

**SECTION 13.** 71.07 (5) (a) 15. of the statutes is amended to read:

71.07 (5) (a) 15. The amount claimed as a deduction for medical care insurance under section 213 of the Internal Revenue Code that is exempt from taxation under s. 71.05 (6) (b) ~~17. to 20~~ 19., 35., ~~36., 37., 38., 39., 40., 41.,~~ and 42. and the amount claimed as a deduction for a long-term care insurance policy under section 213 (d)

(1) (D) of the Internal Revenue Code, as defined in section [7702B](#) (b) of the Internal Revenue Code that is exempt from taxation under s. 71.05 (6) (b) 26.

**(END)**