



## Legislative Fiscal Bureau

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February 17, 2020

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Summary of Assembly Bill 875: Medical Care Insurance Deduction for Self-Employed Individuals

Assembly Bill 875 was introduced on February 10, 2020. The bill is scheduled for public hearing and executive session in the Assembly Committee on Agriculture on February 11, 2020.

### **BACKGROUND**

An individual income tax deduction is provided under current law for medical care insurance premiums paid by self-employed individuals. The deduction amount is limited to an individual's aggregate net earnings from a trade or business that are subject to Wisconsin tax. Self-employed nonresidents or part-year residents of Wisconsin are required to reduce the amount of the deduction according to the proportion of their total net earnings from a trade or business which are taxable in Wisconsin.

### **SUMMARY OF AB 875**

Beginning in tax year 2020, the bill would direct that the deduction amount be expanded to potentially offset the individual's total wages, salary, tips, unearned income, and net trade or business earnings that are taxable in Wisconsin. The bill would similarly modify the proration calculation for self-employed nonresidents and part-year residents (described above) to provide that the deduction be reduced according to the percentage of the person's total wages, salary, tips, unearned income, and net trade or business earnings that are subject to Wisconsin tax.

### **FISCAL EFFECT**

DOR estimates that this provision would decrease individual income tax revenues by \$9,500,000 in 2020-21, and by \$9,100,000 in 2021-22 and annually thereafter.

Under s. 16.518(3) of the statutes, if actual tax collections exceed the amounts estimated in the state's biennial budget act, one-half of such excess is deposited into the budget stabilization fund. On January 23, 2020, this office prepared a memorandum projecting general fund tax revenues for the remainder of the 2019-21 biennium, and estimated that the amounts in the budget stabilization fund would total \$845.0 million at the end of 2019-20 and \$1,080.0 million at the end of 2020-21. The estimated effect of the bill on the budget stabilization fund would be a decrease in the estimated stabilization transfer of \$4,750,000 in 2020-21. As a result, these amounts would remain in the general fund.

It should be noted that the provisions described above are also included in Assembly Substitute Amendment 1 (as amended by Assembly Amendment 1) to AB 754, and Senate Substitute Amendment 1 (as amended by Senate Amendment 1) to SB 720.

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