STATE OF WISCONSIN
Senate Journal
Extraordinary Session

WEDNESDAY, June 2, 2004

The Chief Clerk makes the following entries under the above date.

PETITIONS AND COMMUNICATIONS

State of Wisconsin
Office of the Secretary of State

To the Honorable, the Senate:

Bill, Joint Resolution or Resolution Number	Act Number or Enrolled Number	Publication Date
Senate Bill 567	Wisconsin Act 318	June 1, 2004

Sincerely,
DOUGLAS LA FOLLETTE
Secretary of State

State of Wisconsin
Office of the Governor

May 27, 2004

The Honorable, The Senate:

I am vetoing **Senate Bill 568**.

Senate Bill 568 adopts the Health Savings Account provisions of federal law for Wisconsin income taxes. This change would be effective January 1, 2005, one year after federal law authorizes these changes. As with Individual Retirement Accounts, contributions to Health Savings Accounts would be deducted in determining Wisconsin adjusted gross income.

I am vetoing the bill for three reasons.

First, Health Savings Accounts are inextricably linked to high deductible medical insurance and therefore could decrease employer sponsored insurance coverage. To qualify for the tax deduction under Health Savings Accounts, annual deductibles must be at least $1,000 for single coverage and $2,000 for family coverage, with annual out−of−pocket costs of up to $5,000 for an individual and $10,000 for a family. The state tax code should not be used as an incentive for employers to reduce their current level of coverage and offer only policies with high deductibles which will burden middle income families.

Second, Health Savings Accounts are only viable for persons with higher incomes. Of those Wisconsin residents using Medical Savings Accounts (MSA) in 2001 (MSA's are the predecessors to Health Savings Accounts), 60% of all contributions were made by persons with annual adjusted gross income over $50,000. Only a handful of low−income individuals used these accounts, suggesting that the tax benefits are mostly received by individuals with high incomes. Moreover, given the likely decrease in employer sponsored coverage, this legislation could increase the number of uninsured individuals and families. This problem will be further exacerbated by this legislation because it will encourage higher income and healthy individuals to opt out of insurance pools, leaving behind the most vulnerable populations to face the consequences.

Third, tax cuts should not be adopted as an advance budget commitment without clear and demonstrated economic benefit for the state as a whole. The Legislative Fiscal Bureau estimates the GPR cost of this provision over the next 8 years at $38.7 million. At a time of continuing fiscal challenges, it is irresponsible for the Legislature to propose nearly $40 million in new spending on tax breaks with no demonstrable benefits.

Sincerely,

JIM DOYLE
Governor

CHIEF CLERK'S REPORT

The Chief Clerk records:

Senate Bill 568

Presented to the Governor on May 26, 2004.