



State of Wisconsin
2005 - 2006 LEGISLATURE

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**SENATE SUBSTITUTE AMENDMENT 1,
TO 2005 SENATE BILL 37**

March 23, 2005 - Offered by Senator LEIBHAM.

1 **AN ACT to amend** 71.05 (6) (b) 20. (intro.) and 71.07 (5) (a) 15.; and **to create**
2 71.05 (6) (b) 35., 71.05 (6) (b) 36., 71.05 (6) (b) 37. and 71.05 (6) (b) 38. of the
3 statutes; **relating to:** creating an individual income tax subtract modification
4 for amounts spent on medical insurance premiums by certain individuals.

Analysis by the Legislative Reference Bureau

Under current law, there is an individual income tax deduction for 50 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. Under this substitute amendment, the deduction for such persons is increased to 100 percent, starting in taxable year 2005.

This substitute amendment also creates an individual income tax deduction, that is phased in over three years, for 33.4 percent in 2006, 66.7 percent in 2007, and 100 percent in 2008 and thereafter, of the amount 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, other than a self-employed person, has no employer.

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

1 **SECTION 1.** 71.05 (6) (b) 20. (intro.) of the statutes is amended to read:

2 71.05 **(6)** (b) 20. (intro.) For taxable years beginning on or after January 1,
3 1995, and before January 1, 2005, an amount paid by a person who is the employee
4 of another person if the person's employer pays no amount of money toward the
5 person's medical care insurance, for medical care insurance for the person, his or her
6 spouse and the person's dependents, calculated as follows:

7 **SECTION 2.** 71.05 (6) (b) 35. of the statutes is created to read:

8 71.05 **(6)** (b) 35. For taxable years beginning after December 31, 2004, an
9 amount paid by an individual who is the employee of another person if the
10 individual's employer pays no amount of money toward the individual's medical care
11 insurance, for medical care insurance for the individual, his or her spouse, and the
12 individual's dependents, calculated as follows:

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

1 b. From the amount calculated under subd. 35. 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. 35. 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. 35. 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. 35. 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 3.** 71.05 (6) (b) 36. of the statutes is created to read:

20 71.05 (6) (b) 36. For taxable years beginning after December 31, 2005, and
21 before January 1, 2007, an amount paid by an individual, other than a person to
22 whom subd. 19. applies, who has no employer, for medical care insurance for the
23 individual, his or her spouse, and the individual's dependents, calculated as follows:

24 a. Thirty-three and four-tenths percent of the amount paid by the individual
25 for medical care insurance. In this subdivision, "medical care insurance" means a

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

8 b. From the amount calculated under subd. 36. a., subtract the amounts
9 deducted from gross income for medical care insurance in the calculation of federal
10 adjusted gross income.

11 c. For an individual who is a nonresident or part-year resident of this state,
12 multiply the amount calculated under subd. 36. a. or b., by a fraction the numerator
13 of which is the individual’s wages, salary, tips, unearned income, and net earnings
14 from a trade or business that are taxable by this state and the denominator of which
15 is the individual’s total wages, salary, tips, unearned income, and net earnings from
16 a trade or business. In this subd. 36. c., for married persons filing separately “wages,
17 salary, tips, unearned income, and net earnings from a trade or business” means the
18 separate wages, salary, tips, unearned income, and net earnings from a trade or
19 business of each spouse, and for married persons filing jointly “wages, salary, tips,
20 unearned income, and net earnings from a trade or business” means the total wages,
21 salary, tips, unearned income, and net earnings from a trade or business of both
22 spouses.

23 d. Reduce the amount calculated under subd. 36. a., b., or c. to the individual’s
24 aggregate wages, salary, tips, unearned income, and net earnings from a trade or
25 business that are taxable by this state.

1 **SECTION 4.** 71.05 (6) (b) 37. of the statutes is created to read:

2 71.05 (6) (b) 37. For taxable years beginning after December 31, 2006, and
3 before January 1, 2008, an amount paid by an individual, other than a person to
4 whom subd. 19. applies, who has no employer, for medical care insurance for the
5 individual, his or her spouse, and the individual's dependents, calculated as follows:

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

15 b. From the amount calculated under subd. 37. a., subtract the amounts
16 deducted from gross income for medical care insurance in the calculation of federal
17 adjusted gross income.

18 c. For an individual who is a nonresident or part-year resident of this state,
19 multiply the amount calculated under subd. 37. a. or b., by a fraction the numerator
20 of which is the individual's wages, salary, tips, unearned income, and net earnings
21 from a trade or business that are taxable by this state and the denominator of which
22 is the individual's total wages, salary, tips, unearned income, and net earnings from
23 a trade or business. In this subd. 37. c., for married persons filing separately "wages,
24 salary, tips, unearned income, and net earnings from a trade or business" means the
25 separate wages, salary, tips, unearned income, and net earnings from a trade or

1 business of each spouse, and for married persons filing jointly “wages, salary, tips,
2 unearned income, and net earnings from a trade or business” means the total wages,
3 salary, tips, unearned income, and net earnings from a trade or business of both
4 spouses.

5 d. Reduce the amount calculated under subd. 37. a., b., or c. to the individual’s
6 aggregate wages, salary, tips, unearned income, and net earnings from a trade or
7 business that are taxable by this state.

8 **SECTION 5.** 71.05 (6) (b) 38. of the statutes is created to read:

9 71.05 (6) (b) 38. For taxable years beginning after December 31, 2007, an
10 amount paid by an individual, other than a person to whom subd. 19. applies, who
11 has no employer, for medical care insurance for the individual, his or her spouse, and
12 the individual’s dependents, calculated as follows:

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

22 b. From the amount calculated under subd. 38. a., subtract the amounts
23 deducted from gross income for medical care insurance in the calculation of federal
24 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. 38. 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. 38. 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. 38. 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 **SECTION 6.** 71.07 (5) (a) 15. of the statutes is amended to read:

17 71.07 (5) (a) 15. The amount claimed as a deduction for medical care insurance
18 under section 213 of the Internal Revenue Code that is exempt from taxation under
19 s. 71.05 (6) (b) 17. to 20., 35., 36., 37., and 38. and the amount claimed as a deduction
20 for a long-term care insurance policy under section 213 (d) (1) (D) of the Internal
21 Revenue Code, as defined in section 7702B (b) of the Internal Revenue Code that is
22 exempt from taxation under s. 71.05 (6) (b) 26.

23 **SECTION 7. Initial applicability.**

