



1997 SENATE BILL 116

March 13, 1997 - Introduced by Senators MOEN and ROSENZWEIG, cosponsored by Representatives LADWIG, RYBA, GOETSCH, F. LASEE, GROTHMAN and TURNER. Referred to Joint survey committee on Tax Exemptions.

1 **AN ACT to amend** 71.07 (5) (a) 15.; and **to create** 71.05 (6) (b) 25. of the statutes;
2 **relating to:** an individual income tax exemption for payments for medical care
3 insurance.

Analysis by the Legislative Reference Bureau

Under current law, and subject to some limitations, 100% of the amount paid by a self-employed individual for medical care insurance for the individual, his or her spouse and the individual's dependents, are exempt from income taxation. The limitations are based on amounts the person has already deducted from federal adjusted gross income and the amount of the person's taxable net earnings from a trade or business. Subject to the same limitations, this exemption may also be claimed by certain persons who are the employes of another person, up to 50% of the amount paid by the individual, for medical care insurance for the individual, his or her spouse and the individual's dependents.

Under this bill, for persons who do not claim either of these exemptions, 100% of the amount paid by an individual for medical care insurance for the individual, his or her spouse and the individual's dependents, are exempt from income taxation if the person pays for the insurance with unearned income and the person has no wages or net earnings from a trade or business that are taxable by this state. The exemption is subject to some limitations based on amounts the person has already deducted from federal adjusted gross income and the amount of the person's unearned income.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

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For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

1 **SECTION 1.** 71.05 (6) (b) 25. of the statutes is created to read:

2 71.05 **(6)** (b) 25. For taxable years beginning after December 31, 1997, an
3 amount paid by a person who does not have any aggregate wages or net earnings
4 from a trade or business that are taxable by this state and who does not claim an
5 exemption under subds. 17. to 20. for medical care insurance for the person, his or
6 her spouse and the person's dependents, calculated as follows:

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

16 b. From the amount calculated under subd. 25. a., subtract the amounts
17 deducted from gross income for medical care insurance in the calculation of federal
18 adjusted gross income.

19 c. For a person who is a nonresident or a part-year resident of this state, modify
20 the amount calculated under subd. 25. b. by multiplying the amount by a fraction the

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1 numerator of which is the person's unearned income that is taxable by this state and
2 the denominator of which is the person's total unearned income.

3 d. Reduce the amount calculated under subd. 25. b. or c. to the person's
4 aggregate unearned income that is taxable by this state.

5 **SECTION 2.** 71.07 (5) (a) 15. of the statutes is amended to read:

6 71.07 (5) (a) 15. The amount claimed as a deduction for medical care insurance
7 under section 213 of the internal revenue code that is exempt from taxation under
8 s. 71.05 (6) (b) 17. to 20. or 25.

9 **SECTION 3. Initial applicability.**

10 (1) This act first applies to taxable years beginning on January 1, 1998.

11 (END)