

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-1776/1	Introduction Number SB-0031
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Description
 creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry or from providing psychiatric or mental health services

Fiscal Effect

State:

- | | | |
|---|---|---|
| <input type="checkbox"/> No State Fiscal Effect
<input type="checkbox"/> Indeterminate
<input type="checkbox"/> Increase Existing Appropriations
<input type="checkbox"/> Decrease Existing Appropriations
<input type="checkbox"/> Create New Appropriations | <input type="checkbox"/> Increase Existing Revenues
<input checked="" type="checkbox"/> Decrease Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Decrease Costs |
|---|---|---|

Local:

- | | | |
|--|--|---|
| <input type="checkbox"/> No Local Government Costs
<input type="checkbox"/> Indeterminate
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Government Units Affected
<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Counties <input type="checkbox"/> Others
<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
|--|--|---|

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Oakleaf (608) 261-5173	Date 2/10/2023
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Fiscal Estimate Narratives

DOR 2/10/2023

LRB Number	23-1776/1	Introduction Number	SB-0031	Estimate Type	Original
Description creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry or from providing psychiatric or mental health services					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates an individual income tax subtraction for income earned in Wisconsin by a psychiatrist or psychiatric or mental health nurse practitioner. The deduction is limited to \$100,000 for claimants who do not practice in a medically underserved area or \$200,000 for individuals who do practice in a medically underserved area. The deduction may not be claimed for more than five years, beginning once the claimant first claims the deduction. In addition, the deduction must be claimed initially within the first two years that an individual begins to practice in this state, or within the first two years that they return to this state after practicing in another state for at least one year.

If an individual begins to claim the deduction but is unable to claim it for five consecutive years because he or she leaves the state, the individual must add to his or her tax that is due for the year in which he or she leaves the state the total gross tax that would have been due if the subtraction was not claimed for any year minus the amount of gross tax actually due for those years.

The federal Bureau of Labor Statistics estimates that there are 360 psychiatrists in Wisconsin, excluding self-employed psychiatrists. Moreover, the average annual wage is \$263,370. According to a survey by the American Medical Association, approximately 47.9% of psychiatrists are employees, implying a total count of Wisconsin psychiatrists of 752.

BLS also estimates that there are 4,770 nurse practitioners in the state with an average annual wage of \$116,990. The American Association of Nurse Practitioners reports that about 6.5% of nurse practitioners have a primary certification in psychiatric care or mental health, so that suggests a count of approximately 310 psychiatric or mental health nurse practitioners in Wisconsin. The share of self-employed nurse practitioners is lower than the share of self-employed psychiatrists, but if 5% are self-employed, that suggests a total count of 326.

Based on simulation results using a \$200,000 subtraction maximum, the deduction would reduce tax by approximately \$8,090 per claimant on average. Using a \$100,000 subtraction maximum implies an average tax reduction of \$4,800 per claimant. It is not clear how many of the claimants would qualify at each subtraction level. For illustration purposes, if they are equally split between the two categories, the average tax reduction would be approximately, \$6,445 per claimant.

The bill limits the subtraction to new and returning practitioners. If psychiatrists and psychiatric or mental health nurse practitioner are roughly equally allocated across forty-year careers, approximately 5% (2 out of 40) of the individuals would be eligible for the subtraction in the first year it is available (tax year 2023). Additionally, 2.5% would become eligible each year for the next four years. Under these conditions the bill could reduce revenue by approximately \$350,000 in fiscal year 2024, \$520,000 in fiscal year 2025, \$690,000 in fiscal year 2026, \$870,000 in fiscal year 2027, and \$1,040,000 in fiscal year 2028. Beginning in fiscal year 2029, the provision would reduce revenue by approximately \$870,000 annually thereafter.

If a larger (smaller) share of claimants are eligible for the \$200,000 subtraction maximum, the fiscal effect of the bill would be larger (smaller). To the extent that the deduction encourages additional psychiatrists and psychiatric or mental health nurse practitioners to practice in Wisconsin, the fiscal effect of the bill would increase. To the extent that claimants leave the state, the additional tax add back would reduce the fiscal effect of the bill.

Because this bill reduces tax revenue, it may impact the state's maintenance of effort requirement under the American Rescue Plan Act. The Dept of Administration should review this bill for this specific purpose

to provide further clarity on the matter.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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Description creating an individual income tax deduction for certain income earned by an individual from the practice of psychiatry or from providing psychiatric or mental health services		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By		
Authorized Signature		Date
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