



State of Wisconsin  
2021 - 2022 LEGISLATURE

LRB-1404/1  
EKL:kjf

## 2021 ASSEMBLY BILL 40

February 10, 2021 - Introduced by Representatives PRONSCHINSKE, LOUDENBECK, HORLACHER, KUGLITSCH, MOSES, PETRYK, SKOWRONSKI, TAUCHEN and ZIMMERMAN, cosponsored by Senators JACQUE and FEYEN. Referred to Committee on Ways and Means.

\*\*\*AUTHORS SUBJECT TO CHANGE\*\*\*

1     **AN ACT to amend** 71.05 (6) (b) 19. c. and 71.05 (6) (b) 19. d.; and **to create** 71.05  
2           (6) (b) 19. cm. and 71.05 (6) (b) 19. dm. of the statutes; **relating to:** modifying  
3           the medical care insurance deduction for self-employed individuals.

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### *Analysis by the Legislative Reference Bureau*

This bill modifies the income tax subtraction for amounts paid for medical care insurance by self-employed individuals. Under current law, the subtraction may not exceed the individual's net earnings from a trade or business that are taxable by Wisconsin. Under the bill, the subtraction may not exceed the individual's wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by Wisconsin.

The bill similarly modifies the provision under current law that prorates the subtraction for self-employed nonresidents and part-year residents based on the percentage of the individual's net earnings from a trade or business taxable by Wisconsin to total net earnings from a trade or business. Under the bill, the subtraction is prorated based on the percentage of the individual's wages, salary, tips, unearned income, and net earnings from a trade or business that are taxable by Wisconsin to total wages, salary, tips, unearned income, and net earnings from a trade or business.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

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

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

1           **SECTION 1.** 71.05 (6) (b) 19. c. of the statutes is amended to read:

2           71.05 (6) (b) 19. c. For taxable years beginning before January 1, 2021, for a  
3 person who is a nonresident or a part-year resident of this state, modify the amount  
4 calculated under subd. 19. b. by multiplying the amount by a fraction the numerator  
5 of which is the person's net earnings from a trade or business that are taxable by this  
6 state and the denominator of which is the person's total net earnings from a trade  
7 or business.

8           **SECTION 2.** 71.05 (6) (b) 19. cm. of the statutes is created to read:

9           71.05 (6) (b) 19. cm. For taxable years beginning after December 31, 2020, for  
10 a person who is a nonresident or a part-year resident of this state, modify the amount  
11 calculated under subd. 19. b. by multiplying the amount by a fraction the numerator  
12 of which is the person's wages, salary, tips, unearned income, and net earnings from  
13 a trade or business that are taxable by this state and the denominator of which is the  
14 person's total wages, salary, tips, unearned income, and net earnings from a trade  
15 or business. In this subd. 19. cm., for married persons filing separately "wages,  
16 salary, tips, unearned income, and net earnings from a trade or business" means the  
17 separate wages, salary, tips, unearned income, and net earnings from a trade or  
18 business of each spouse, and for married persons filing jointly "wages, salary, tips,  
19 unearned income, and net earnings from a trade or business" means the total wages,  
20 salary, tips, unearned income, and net earnings from a trade or business of both  
21 spouses.

