



8/12/11 COLUMN:

By State Representative Steve Doyle

In talking with one of my constituents, I was told that she was paying taxes on the value of the health insurance that her adult child was receiving. After some research, it was discovered that Wisconsin is one of the few states that collects taxes for this health coverage from parents for employer-provided health benefits for non-dependent adult children under the age of 27.

Currently there is confusion among employers in Wisconsin as to whether they need to determine the value of this portion of health insurance provided and how to determine just that specific value for tax purposes. Employees do not have to pay taxes on the value of their health insurance for themselves or younger children, so it is difficult to determine the value for only adult children.

I introduced Assembly Bill 213 which will exempt employees from this tax as is the case in most states. The federal government already provides this exemption from federal taxes. But since the tax code in Wisconsin has not been updated like the federal provision, a parent who carries an adult child on family health insurance who is not considered a tax dependent for health insurance purposes will be assessed the fair market value of coverage for that child in their taxable state income and will be taxed accordingly. Clearly, this was an unintended consequence for Wisconsin taxpayers as a result of the federal Patient Protection and Affordable Care Act.

My bill would require Wisconsin to follow the federal law for state income tax purposes. Some states automatically follow the federal income tax laws as the starting point for determining taxable income. Wisconsin, however, must pass legislation to make this change. In this time of economic uncertainty, it is unfortunate that parents are put into this difficult situation of paying additional taxes to make sure their adult children are covered by health insurance.

This legislation will clean up the confusion and make this part of the Wisconsin tax code easier to understand for employers and their employees. There is bi-partisan support for this proposal, and hopefully it will receive quick consideration in the State Assembly.