

Wisconsin Passes HSA Tax Deduction Law and Proposes Business Incentives

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By Davoua Vang

On the heels of the major federal tax legislation passed on December 17, 2010, the State of Wisconsin has taken action on some tax incentives in the first session of the new state legislature. The first state tax law of 2011 is “Wisconsin Act 1,” which was approved and signed into law on January 24, 2011. The Act gives individuals a state tax deduction for Health Savings Account (HSA) contributions and is retroactively effective as of the beginning of 2011.



HSAs are savings accounts maintained by individuals and used in concurrence with a high-deductible health insurance policy to cover medical expenses such as prescriptions, over-the-counter medications, and preventive care. The federal HSA legislation and pre-tax deduction was put in place in 2003. However, Wisconsin was one of 4 states that did not allow for a state income tax deduction until Wisconsin Act 1 was passed.

2011 IRS HSA Limits		
	Single Plan	Family Plan
Minimum Deductible	\$ 1,200	\$ 2,400
Maximum Out-of-pocket	\$ 5,950	\$ 11,900
Maximum Contribution Limit	\$ 3,050	\$ 6,150
Catch-up Contribution (55+)	\$ 1,000	\$ 1,000

Other Proposed Employer Tax Incentives

In addition to the Wisconsin deduction for HSA’s, the state legislature has also addressed some other incentives targeted at job creation and economic incentives. This action, if passed, looks to take advantage of the extremely unpopular 67% Illinois business and individual tax increase passed into law early in 2011.

The State already signed a Business Relocation Incentive Act into law on January 31, 2011 ([Click Here to Read Article](#)). Another proposed incentive is the **Job Creations Tax Deduction**. The Wisconsin Assembly passed a bill January 25, 2011 that, if enacted into law, will provide a deduction under the personal, corporate, and franchise income taxes for job creation. This bill will be applicable to tax years beginning on or after January 1, 2011 allowing a business with gross receipts of \$5M or less in a taxable year to claim a deduction equal to \$4,000 for each new full-time-equivalent employee employed in Wisconsin and businesses with gross receipts over \$5M could claim a deduction equal to \$2,000 for each new full-time-equivalent employee.

This incentive is not signed into law, but the steps already taken appear to indicate that legislators are pursuing government incentives for job creation and employers moving jobs to Wisconsin. Please contact Senior Tax Manager Al Lopata at alopata@komisarbrady.com for information on how this and other Wisconsin tax legislation will affect you.