

# Wisconsin Signs on to Federal Tax Law on Health Insurance Benefits



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By Michael Burzynski, CPA

Wisconsin tax law adopted almost all federal tax legislation for decades; however, our state experienced challenging financial times in 2010. As a result, Wisconsin has not adopted much of the favorable federal tax legislation for the past ten years. This has included additional depreciation incentives, income exemptions, accelerated deductions, and some tax deductions.



Wisconsin legislators removed one state/federal tax difference in February 2011 when it made Health Savings Account contributions deductible. They also recently passed legislation removing taxability of health insurance coverage for adult children up to age 27.

## **Background**

Effective January 1, 2010, Wisconsin law required employers that offer health insurance to offer coverage for the unmarried adult children (up to age 27) of employees. Soon afterward, the federal [Affordable Care Act](#) required employers in all states to offer health insurance for employee's children up to age 27, effective March 30, 2010.

There was a unique challenge we wrote about in late 2010 in that Wisconsin required employers to report the value of the health insurance as taxable in Wisconsin while the federal government specifically exempted it. [\(View article\)](#) We are pleased to announce that Wisconsin lawmakers removed this complication retroactively to January 1, 2011 with legislation signed on November 4, 2011. This change comes many months after Wisconsin lawmakers also married Wisconsin and federal law regarding the tax deductibility of health savings accounts. [\(View article\)](#)

## **Guidance for Employers**

While this is a welcome change that removes a burdensome requirement for employers, the law may facilitate the need for employers to adjust 2011 Wisconsin reporting. We recommend that all Wisconsin employers review their prior payroll reporting to determine if you were adding the Wisconsin adjustment earlier in the year. If so, you should post a reversal prior to 2011 year-end. For those of you who use payroll services, we recommend you confirm that your payroll service will not report any Wisconsin adjustment in 2011.

If you have questions regarding the 2011 Wisconsin tax changes or any other tax issues, please do not hesitate to contact any of the highly skilled tax department members below.

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