



ROB HUTTON

STATE SENATOR | 5th DISTRICT

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August 23, 2023

TO: Senate Committee on Universities and Revenue

FR: Senator Rob Hutton

RE: Senate Bill 364—adopting federal tax law changes regarding contributions to a health savings account and telehealth services

Thank you for holding a hearing on Senate Bill 364. This bill adopts a federal tax law change that promotes the use of telehealth while expanding the ability of tax filers to deduct contributions to a health savings account (HSA) from state income taxes.

In order to claim a tax deduction for contributions to an HSA, a person must also have a high deductible health plan (HDHP), as defined under federal law. A plan must meet certain criteria to be considered a HDHP, which includes deductible requirements for telehealth services.

However, as a response to increased use of telehealth during the pandemic, the federal CARES Act of 2020 included an exception to those HDHP requirements for telehealth. The law allowed an individual to deduct the amount of his or her HSA contribution from federal income taxes, even if their health insurance plan did not meet HDHP requirements for telehealth deductibles.

These exceptions were also included in the federal Consolidated Appropriations Act (CAA) of 2022, but by the time the CAA became law, the Wisconsin Legislature was no longer in session. Therefore, while Wisconsin adopted the exceptions made in 2020-21, we have not yet adopted them for 2022-23.

As a result, some tax filers who were eligible for an HSA deduction on their 2022 federal tax return were ineligible at the state level. This bill adopts the federal exceptions for Wisconsin for 2022 and 2023, allowing people who were affected by the discrepancy to amend their 2022 state tax returns.

Senate Amendment 1 simply ensures that if the federal government extends this policy again in the future, then state tax law will automatically adjust so another bill wouldn't be required.

Again, thank you for your time and consideration of this bill. I respectfully ask for your support.

AMANDA NEDWESKI

STATE REPRESENTATIVE • 61ST ASSEMBLY DISTRICT

August 23, 2023

Senate Committee on Universities and Revenue
Testimony on Senate Bill 364

Good morning Chairman Hutton and Committee Members,

Thank you to Chairman Hutton for holding a public hearing on Senate Bill 364, and thank you to you and your staff for your cooperation in working on this bill together. SB 364 adopts federal changes to the definition of a High Deductible Health Plan as they relate to income tax deductions allowable for Health Savings Accounts.

Earlier this year, in mid-March, a constituent reached out to our office stating that his disabled sons' tax refund was roughly \$400 dollars lower than the previous year. His research led him to discover that there is a discrepancy between Wisconsin State tax code and Federal tax code related to Health Savings Account income tax deductions.

When Congress passed the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020, an exception to High Deductible Health Plan (HDHP) qualification criteria was made to allow patients to use telehealth services during the COVID-19 pandemic. The exceptions made in CARES were then later extended in the Consolidated Appropriations Act (CAA) of 2022. While Wisconsin adopted the exceptions made in CARES for tax years 2020-2021, we did not adopt the extensions made in the CAA as it became law on March 15, 2022 after the state legislature's session had concluded.

As a result, some tax filers who were eligible for a Health Savings Account deduction on their federal tax return could NOT take that deduction on their state income tax return for 2022. This bill adopts the extensions made in CAA for Wisconsin for 2022 and 2023, allowing people who were affected by the discrepancy to amend their 2022 state tax returns.

Senate Amendment 1 ensures that if there are more changes made to a HDHP definition at the federal level, Wisconsin tax code will automatically adopt those changes ensuring Wisconsin tax code is in conformity with federal tax code going forward.

This bill will ensure that Wisconsin tax code mirrors the federal Internal Revenue Code and will help all Wisconsinites enjoy the benefits of their Health Savings Accounts.

Thank you for your support on this bill. I am happy to answer any questions.