

## **2011 Wisconsin Act 49: Wisconsin Tax Law Amended to Conform with Federal Adult Child Coverage Requirements**

Nov 10 2011

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Practice Area: Compensation and Benefits/ERISA

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As expected, Governor Scott Walker has signed legislation to conform the exclusion under Wisconsin state income tax law for health coverage provided to an employee's adult child to the exclusion provided for that coverage under federal income tax law. If an employer's health plan extends coverage to an employee's adult child, then, through the end of the tax year in which the child attains age 26, the employee will not be subject to either federal or Wisconsin state income tax on the value of that coverage. This is the case regardless of whether the child otherwise qualifies as the employee's tax dependent. This change in Wisconsin law is effective for tax years beginning on or after January 1, 2011.

If employer health plan coverage is provided to an employee's adult child after the tax year in which the child attains age 26, then, as under current law, the employee will be subject to federal and Wisconsin state income tax on the value of that coverage unless the child qualifies as the employee's tax dependent for health plan purposes.

Governor Walker signed 2011 Wisconsin Act 49 (the "Act"), which amends Wisconsin tax law to conform the state income tax exclusion for coverage provided to an employee's adult child to the federal income tax exclusion, on November 4, 2011.

For more information about the adult child coverage mandates under federal law and Wisconsin law and the tax issues that arose prior to the enactment of the Act, please see our October 2011 Compensation & Benefits Law Update entitled "Wisconsin Insurance Law Amended to Conform with Federal Adult Child Coverage Requirements—State Tax Law Expected to be Amended Soon."

Please contact the attorneys in our Compensation and Benefits Group if you have questions or concerns regarding adult child coverage under Wisconsin or federal law.

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