State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-3369/3
MES&RAC:kmg:jf

2001 ASSEMBLY BILL 454

June 26, 2001 - Introduced by Representatives KEDZIE, KRAWCZYK, WALKER, MONTGOMERY, SUDER, J. FITZGERALD, JENSEN, HUEBSCH, GUNDRUM, KREIBICH, STARZYK, JESKEWITZ, MUSSER, PLALE, TOWNSEND, WADE, LADWIG, OWENS, KESTELL, LASSA, RHOADES, SYKORA, HOVEN, KREUSER, URBAN, GRONEMUS and FREESE, cosponsored by Senators ROESSLER and LAZICH. Referred to Committee on Ways and Means. Referred to Joint survey committee on Tax Exemptions.

AN ACT ***to create*** 71.05 (1) (am) of the statutes; **relating to:** exempting from taxation retirement plan income received by an individual.

Analysis by the Legislative Reference Bureau

Under current law, the pension benefits of certain public employees are exempt from state taxation. The pensions that are exempt include payments received from the U.S. civil service retirement system, the U.S. military employee retirement system, the Milwaukee city and county retirement systems, the police officer's annuity and benefit fund of Milwaukee, the Milwaukee public school teachers' retirement fund, the Wisconsin state teachers' retirement fund and the sheriff's annuity and benefit fund of Milwaukee County. For all of these pension plans, the exemption applies only to persons who were members of or retired from the plans as of December 31, 1963.

This bill exempts from taxation any amount of payments received each year by an individual from a retirement plan, if such payments are not already exempt from taxation. The exemption in the bill includes all qualified pension, profit-sharing, and stock bonus plans under the Internal Revenue Code (IRC), deferred compensation plans offered by state and local governments and tax-exempt organizations under the IRC, self-employed plans, tax-sheltered annuities, plans that are not qualified under the IRC, and individual retirement accounts. The exemption in the bill also applies to a distribution from a retirement plan that is used for certain medical expenses, first-time home buyer expenses, certain higher education expenses, and amounts needed to prevent eviction from a principal residence or mortgage foreclosure.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 71.05 (1) (am) of the statutes is created to read:

71.05 **(1)** (am) *Pension income.* Except for a payment that is exempt under par. (a) or that is exempt as a railroad retirement benefit, any amount of payments received each year by an individual from a retirement plan, including a plan that is included in sections 401 to 409 or section 457 of the Internal Revenue Code and any amount that is withdrawn from a retirement plan for one or more of the following reasons:

1. The payment of medical expenses of the plan's participant, his or her spouse, or his or her dependent who is claimed under section 151 (c) of the Internal Revenue Code, to the extent that the payments exceed 7.5% of the participant's federal adjusted gross income.

2. Amounts used to pay for first–time home buyer expenses, up to $10,000, if the distribution is used within 120 days to pay the costs of acquiring, constructing, or reconstructing the first–time home buyer's principal residence.

3. Qualified higher education expenses, as that term is used in section 72 (t) (7) of the Internal Revenue Code, for the plan's participant, his or her spouse, or his or her dependent who is claimed under section 151 (c) of the Internal Revenue Code.

4. Amounts that are necessary to prevent eviction from the participant's principle residence or mortgage foreclosure.

SECTION 2. Initial applicability.

(1) This act first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31 this act first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

(END)