



State of Wisconsin
2023 - 2024 LEGISLATURE

LRB-4180/1
KP:klm

2023 SENATE BILL 406

September 8, 2023 - Introduced by Senator BALLWEG, cosponsored by Representatives KRUG, BRANDTJEN, BROOKS, GUSTAFSON, MURSAU, ORTIZ-VELEZ, STEFFEN, SUBECK and TUSLER. Referred to Committee on Universities and Revenue.

- 1 **AN ACT to amend** 71.05 (1) (an) and 71.83 (1) (a) 6. of the statutes; **relating to:**
2 exempting from taxation certain pension payments received by an individual
3 for service in the U.S. Foreign Service.

Analysis by the Legislative Reference Bureau

This bill exempts from taxation all retirement payments received from the federal government that relate to service with the U.S. Foreign Service, provided that such payments are not already exempt from taxation. Currently, 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 Milwaukee public school teachers' retirement fund, the Wisconsin state teachers' retirement fund, and the sheriff's annuity and benefit fund of Milwaukee County. For most of these pension plans, the exemption applies only to persons who were members of or retired from the plans as of December 31, 1963, although this limitation does not apply to retirement payments received from the U.S. military employee retirement system or from payments received from the federal government that relate to service with the U.S. Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, or the commissioned corps of the U.S. Public Health Service. Similarly, the limitation does not apply to the exemption created in this bill for the Foreign Service Pension System.

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Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the 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:

1 **SECTION 1.** 71.05 (1) (an) of the statutes is amended to read:

2 71.05 (1) (an) *Uniformed services, foreign service, retirement benefits.* All
3 retirement payments received from the U.S. government that relate to service with
4 the coast guard, the commissioned corps of the national oceanic and atmospheric
5 administration, ~~or~~ the commissioned corps of the public health service, or the foreign
6 service, to the extent that such payments are not exempt under par. (a) or (am) or sub.
7 (6) (b) 54.

8 **SECTION 2.** 71.83 (1) (a) 6. of the statutes is amended to read:

9 71.83 (1) (a) 6. 'Retirement plans.' Any natural person who is liable for a
10 penalty for federal income tax purposes under section 72 (m) (5), (q), (t), and (v), 4973,
11 4974, 4975, or 4980A of the Internal Revenue Code is liable for 33 percent of the
12 federal penalty unless the income received is exempt from taxation under s. 71.05
13 (1) (a), (am), or (an) or (6) (b) 54. The penalties provided under this subdivision shall
14 be assessed, levied, and collected in the same manner as income or franchise taxes.

15 **SECTION 3. Initial applicability.**

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

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SECTION 3

1 July 31, this act first applies to taxable years beginning on January 1 of the year
2 following the year in which this subsection takes effect.

3 (END)