

Fiscal Estimate Narratives

DOR 10/26/01

LRB Number 01-3945/2	Introduction Number SB-286	Estimate Type Original
Subject Individual income tax exemption for military pay, for reservists, national guard members, in Operation Enduring Freedom		

Assumptions Used in Arriving at Fiscal Estimate

This bill would create an individual income tax exemption for pay received by armed forces reserve members who are activated for service during Operation Enduring Freedom.

The Wisconsin Department of Military Affairs indicates that about 500 members of the National Guard from Wisconsin have been activated as of October 9, 2001; at this time, it is not known how many additional reservists, if any, will be activated to serve during the operation. Based on basic pay information obtained from the Defense Finance and Accounting Service, it is assumed that active duty enlisted personnel receive average compensation of \$21,600 annually; activated reservists receive the same compensation as active duty personnel.

For the 500 reservists currently activated, assuming an effective marginal tax rate of 6.14%, this bill would reduce state revenues by approximately \$0.7 million annually for the duration of the operation ($500 \times 21,600 \times 0.0614$).

The Department would incur annual costs of \$29,500 to pull returns of tax filers qualifying for the exemption from the regular processing stream and to process them separately.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Individual income tax exemption for military pay, for reservists, national guard members, in Operation Enduring Freedom			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		
(FTE Position Changes)			
State Operations - Other Costs	29,500		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$29,500		\$
B. State Costs by Source of Funds			
GPR	29,500		
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$-700,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$-700,000	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$29,500	\$	
NET CHANGE IN REVENUE	\$-700,000	\$	
Agency/Prepared By		Authorized Signature	
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		Date	
		10/26/01	