

Fiscal Estimate Narratives

DOR 2/22/2005

LRB Number	05-1704/1	Introduction Number	AB-104	Estimate Type	Original
Subject					
Exempt from taxation all social security benefits					

Assumptions Used in Arriving at Fiscal Estimate

Under current Wisconsin law, up to 50% of social security benefits are taxable when the recipient's income reaches \$34,000 for a single individual or \$44,000 for a married couple filing jointly. This bill would gradually exempt all social security benefits from Wisconsin income tax by increasing the 50% exemption to 60% in 2006, 70% in 2007, 80% in 2008, 90% in 2009, and 100% in 2010.

According to a simulation using the 2003 Wisconsin Individual Income Tax Model, adjusted to reflect current law and the growth in social security benefits from 2003 to the years affected, this bill would reduce state revenues by approximately \$380 million from tax year 2006 through tax year 2010. Assuming the revenue loss is partly experienced through estimated payments, the fiscal year revenue losses would be as follows: \$9.5 million in FY2006, \$31.8 million in FY2007, \$57.2 million in FY2008, \$86 million in FY2009, \$119 million in FY2010, and \$139 million in FY2011 and thereafter.

Long-Range Fiscal Implications

If this bill is adopted, it will reduce state tax revenues annually by \$139 million in FY2011 and thereafter because social security benefits will be 100% exempt from taxation beginning in tax year 2010.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject		
Exempt from taxation all social security benefits		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
-\$9.5 million in FY2006, -\$31.8 million in FY2007, -\$57.2 million in FY2008, and -\$86 million in FY2009 and -\$119.2 million in FY2010.		
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		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
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, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-139,000,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-139,000,000
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-\$139,000,000FY2011	\$
Agency/Prepared By		
Authorized Signature		Date
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		2/22/2005