

### Fiscal Estimate - 2005 Session

Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> <b>05-4855/1</b>		<b>Introduction Number</b> <b>AB-1159</b>	
<b>Description</b> Creating an individual income tax credit for retirement plan income received by an individual			
<b>Fiscal Effect</b>			
<b>State:</b>			
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriations <span style="float: right;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget  <input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No  <input type="checkbox"/> Decrease Costs             </span>			
<b>Local:</b>			
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected <span style="float: right;"> <input type="checkbox"/> Towns            <input type="checkbox"/> Village            <input type="checkbox"/> Cities  <input type="checkbox"/> Counties            <input type="checkbox"/> Others  <input type="checkbox"/> School Districts    <input type="checkbox"/> WTCS Districts             </span>			
<b>Fund Sources Affected</b>		<b>Affected Ch. 20 Appropriations</b>	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>	
DOR/ Rebecca Boldt (608) 266-6785	Paul Ziegler (608) 266-5773	4/4/2006	

## Fiscal Estimate Narratives

DOR 4/5/2006

LRB Number	05-4855/1	Introduction Number	AB-1159	Estimate Type	Original
<b>Description</b> Creating an individual income tax credit for retirement plan income received by an individual					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, the pension benefits of certain public employees are exempt from state taxation. Pension plans that are exempt from taxation include the following: U.S. Civil Service or military, Milwaukee city and county, Milwaukee police officers and public school teachers, Wisconsin state teachers retirement fund, and the sheriff's annuity and benefit fund of Milwaukee county.

The bill creates a nonrefundable tax credit equal to the tax filer's retirement income multiplied by his or her marginal tax rate. The credit would first apply to tax year 2007 and the maximum pension on which the credit would be based would be \$2,500; the maximum pension income on which the credit would be based would increase to \$5,000 in 2008, \$10,000 in 2009, \$15,000 in 2010 and \$20,000 in 2011 and thereafter.

For purposes of the credit, pension income would include any payment or distribution from a qualified retirement plan for federal tax purposes, profit-sharing plans, stock bonus plans, deferred compensation plans, self-employed plans, tax-sheltered annuities, and individual retirement accounts.

Based on a simulation using the 2003 Individual Income Tax model, adjusted for 2005 law, the bill would reduce taxes for about 354,000 filers and would decrease state income tax revenues between \$21 million and \$32 million for fiscal year 2007. A range, rather than a specific amount, is estimated because it is not possible to tell from information reported in tax returns whether one or both spouses receive pension distributions when a couple reports such income. If it is assumed one spouse receives all the pension income, the revenue loss would be \$21 million; if both spouses receive pensions, the loss would be \$32 million. Revenue losses have been converted to represent fiscal years, rather than taxable years, because of the use of estimated tax payments by some taxpayers.

### Long-Range Fiscal Implications

Performing similar simulations for fiscal years 2008-2012 allowing for the annual increase in the maximum allowable exemption, results in a decrease in state income tax revenues of \$66 million to \$100 million in 2008, \$114 million to \$165 million in 2009, \$164 million to \$225 million in 2010, \$203 million to \$263 million annually in 2011, and \$219 million to \$276 million in FY2012 and thereafter.

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> Creating an individual income tax credit for retirement plan income received by an individual			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  See text.			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$See text of fiscal note	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Rebecca Boldt (608) 266-6785		Paul Ziegler (608) 266-5773	
		<b>Date</b>	
		4/4/2006	