

Fiscal Estimate - 2005 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-0724/1	Introduction Number SB-31
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Subject
 Exempt from taxation all social security benefits

Fiscal Effect

State:

- | | | |
|---|---|---|
| <input type="checkbox"/> No State Fiscal Effect
<input type="checkbox"/> Indeterminate
<input type="checkbox"/> Increase Existing Appropriations
<input type="checkbox"/> Decrease Existing Appropriations
<input type="checkbox"/> Create New Appropriations | <input type="checkbox"/> Increase Existing Revenues
<input checked="" type="checkbox"/> Decrease Existing Revenues | <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Decrease Costs |
|---|---|---|

Local:

- | | | |
|--|--|--|
| <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
<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 |
|--|--|--|

Fund Sources Affected	Affected Ch. 20 Appropriations
<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	

Agency/Prepared By	Authorized Signature	Date
DOR/ Kirstin Nelson (608) 261-8984	Rebecca Boldt (608) 266-6785	2/7/2005

Fiscal Estimate Narratives

DOR 2/8/2005

LRB Number 05-0724/1	Introduction Number SB-31	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

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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, etc.)			
		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		-\$-139,000,000 FY2011	\$
Agency/Prepared By		Authorized Signature	Date
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