

Fiscal Estimate Narratives
DOR 2/21/2005

LRB Number	05-1071/2	Introduction Number	SB-60	Estimate Type	Original
Subject					
Exempt from taxation the first \$10,000 of pension income					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, pension benefits received from the following sources by public employees who were members of or retired from these plans as of December 31, 1963 are exempt from taxation: the U.S. Civil Service Retirement System, the Milwaukee city and county retirement systems, the Police Officer's Annuity and Benefit Fund of Milwaukee, the Milwaukee Public School Teachers' Retirement Fund, the Wisconsin State Teachers' Retirement Fund and the Sheriff's Annuity and Benefit Fund of Milwaukee County. Current law also exempts pension payments received from the following sources to the extent that they are not currently exempt from taxation: the U.S. Military Employee Retirement System and all retirement payments received from the federal government related to service with the Coast Guard or the commissioned corps of either the National Oceanic and Atmospheric Administration or the Public Health Service.

This bill would exempt from taxation up to \$10,000 of pension income received each year, to the extent that it is not already exempt from taxation.

Under the bill, each spouse in a married couple would be allowed a \$10,000 exemption for pension income received, for a maximum exemption of \$20,000 for a couple filing jointly; however, data are not available to determine if only one or both spouses in a married couple filing jointly receive pension income. According to a simulation run on the 2003 Individual Income Tax Model, adjusted for current law, allowing up to a \$10,000 exemption for each eligible filer would affect about 294,000 filers and reduce income tax revenues by at least \$129.4 million annually. If both spouses of a married couple filing jointly each received pension income thereby allowing for a maximum exemption of \$20,000, the bill would reduce income tax revenues by as much as \$183.1 million annually. The actual effect of this bill is assumed to fall somewhere between these two values.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Exempt from taxation the first \$10,000 of pension income			
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			
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		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$SeeText	\$
Agency/Prepared By		Authorized Signature	
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		Date	
		2/21/2005	