



## Fiscal Estimate Narratives

DOR 2/14/2007

LRB Number	07-0279/1	Introduction Number	AB-0028	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.

In tax year 2008 this bill would provide an income tax credit based on taxpayers' marginal tax rates multiplied by up to \$2,500 of income received from a qualified retirement plan if that income is taxable. The maximum allowable retirement income for the purpose of calculating the credit would increase from \$2,500 to \$5,000 in 2009, \$10,000 in 2010, \$15,000 in 2011, and \$20,000 in 2012 and thereafter.

Using the 2005 Individual Income Tax Model, inflated for 2008 income levels and law, an exemption of up to \$2,500 for each person with retirement income would reduce taxes on approximately 405,000 returns. State income tax revenues would decrease by \$54 million to \$83 million for tax year 2008. A range, rather than a specific amount, is given because tax returns do not include information about the source of pension distributions for married couples. The lower bound assumes that all pension income is attributed to one spouse, while the upper bound assumes that the pension income is divided evenly between both spouses.

Apportioning the tax year effect to fiscal years, the fiscal year 2008 revenue impact would be \$24 million to \$37 million.

### Long-Range Fiscal Implications

Similar simulations using the 2005 Individual Income Tax Model, inflated for tax years 2009 through 2012 were completed to estimate the costs during the remainder of the phase-in period of the bill. State income tax revenue is estimated to decrease by \$101 million to \$149 million in tax year 2009, \$180 million to \$258 million in tax year 2010, \$249 million to \$345 million in tax year 2011, and \$310 million to \$415 million in tax year 2012.

Translating these tax year effects to fiscal year effects, the estimated decrease in revenue is \$75 million to \$113 million for fiscal year 2009, \$136 million to \$198 million for fiscal year 2010, \$211 million to \$297 million for fiscal year 2011, and \$276 million to \$376 million for fiscal year 2012.

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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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>			
<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		\$SeeText	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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