

2013 DRAFTING REQUEST

Bill

Received: 2/20/2013 Received By: mshovers
 Wanted: As time permits Same as LRB:
 For: Tyler August (608) 266-1190 By/Representing: Luke
 May Contact: Drafter: mshovers
 Subject: Tax, Individual - dedct/sbtret Addl. Drafters:
 Extra Copies:

Submit via email: YES
 Requester's email: Rep.August@legis.wisconsin.gov
 Carbon copy (CC) to:

Pre Topic:

No specific pre topic given

Topic:

Expand and increase the tax exemption for individual retirement plan and IRA income

Instructions:

Draft an Assembly companion for LRB -1175/1, which is a redraft of 2011 SB 29 (LRB -00182/2)

Drafting History:

Vers.	Drafted	Reviewed	Typed	Proofed	Submitted	Jacketed	Required
/?	mshovers 2/20/2013	evinz 2/21/2013	rschluet 2/21/2013	_____			
/1				_____	sbasford 2/21/2013	rosrose 2/25/2013	State Tax

FE Sent For:

*at intro
3/26*

<END>

2013 DRAFTING REQUEST

Bill

Received: **2/20/2013** Received By: **mshovers**
 Wanted: **As time permits** Same as LRB:
 For: **Tyler August (608) 266-1190** By/Representing: **Luke**
 May Contact: Drafter: **mshovers**
 Subject: **Tax, Individual - dedct/sbtrct** Addl. Drafters:
 Extra Copies:

Submit via email: **YES**
 Requester's email: **Rep.August@legis.wisconsin.gov**
 Carbon copy (CC) to:

Pre Topic:

No specific pre topic given

Topic:

Expand and increase the tax exemption for individual retirement plan and IRA income

Instructions:

Draft an Assembly companion for LRB -1175/1, which is a redraft of 2011 SB 29 (LRB -00182/2)

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mshovers 2/20/2013	evinz 2/21/2013	rschlue 2/21/2013	_____			
/1				_____	sbasford 2/21/2013		State Tax

FE Sent For:

<END>

2013 DRAFTING REQUEST

Bill

Received: 2/20/2013 Received By: mshovers
Wanted: As time permits Same as LRB:
For: Tyler August (608) 266-1190 By/Representing: Luke
May Contact: Drafter: mshovers
Subject: Tax, Individual - dedct/sbtrct Adl. Drafters:
Extra Copies:

Submit via email: YES
Requester's email: Rep.August@legis.wisconsin.gov
Carbon copy (CC) to:

Pre Topic:

No specific pre topic given

Topic:

Expand and increase the tax exemption for individual retirement plan and IRA income

Instructions:

Draft an Assembly companion for LRB -1175/1, which is a redraft of 2011 SB 29 (LRB -00182/2)

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
--------------	----------------	-----------------	--------------	----------------	------------------	-----------------	-----------------

/? mshovers

1/1/12 2/20/12

FE Sent For:

1 cev 2/21/12

<END>

Shovers, Marc

From: Bacher, Luke
Sent: Wednesday, February 20, 2013 1:44 PM
To: Shovers, Marc
Cc: Bacher, Luke
Subject: FW: Co-Sponsorship of LRB 1175/1: Tax Exemption for Retirement Plan Income

Could you please draft an Assembly companion of LRB 1175/1 for Rep August?

Thanks.

Luke Bacher
Legislative Assistant
State Representative Tyler August
608-266-1190
luke.bacher@legis.wi.gov
<http://repaugust.com>

From: Sen.Kedzie
Sent: Wednesday, February 20, 2013 1:37 PM
To: *Legislative Senate Republicans; *Legislative Senate Democrats; *Legislative Assembly Republicans; *Legislative Assembly Democrats
Subject: Co-Sponsorship of LRB 1175/1: Tax Exemption for Retirement Plan Income

TO: All Wisconsin Legislators

FROM: State Senator Neal Kedzie
State Representative Tyler August
State Representative Steve Nass

DATE: February 20, 2013

RE: **Co-Sponsorship of LRB 1175/1: expanding and increasing the tax exemption for retirement plan income received by an individual**

Frequently citing concerns about high taxes, senior citizens and retirees have been leaving Wisconsin for more tax-friendly states, taking their resources, years of experience, and knowledge with them.

To address this issue, we are re-introducing legislation to revise Wisconsin's tax code in order to provide significant tax relief for Wisconsin retirees and senior citizens.

Under current law, the first \$5,000 of an individual's retirement income is exempt from taxation, but only if the individual is 65 years or older and their adjusted gross income is \$15,000 (\$30,000 if married) or less.

Under this bill, the current exemption would remain in place through tax year 2014. Beginning in tax year 2015 and thereafter, the exemption would no longer discriminate based on age or income. In tax year 2016, the exemption amount would increase from \$5,000 to \$10,000. In tax year 2017, the exemption amount

would increase to \$15,000. When fully implemented in 2018, this bill would exempt the first \$20,000 of an individual's retirement income from taxation.

A draft of the proposed bill is attached.

All cosponsors of the Senate bill will be added as cosponsors of the Assembly companion bill unless otherwise requested. Thank you.

If you would like to cosponsor this legislation, please reply to this message, or contact either Senator Kedzie's office (266-2635) or the office of Representative August (266-1190), by Monday, March 4, 2013.

All cosponsors of the Senate bill will be added as cosponsors of the Assembly companion bill unless otherwise requested. Thank you.



13-1175_1.pdf



State of Wisconsin
2013 - 2014 LEGISLATURE

-1691/1
LRB: 11/75/1
MES:eev:ph
PMNR
Stays

2013 BILL

1 AN ACT *to amend* 71.05 (1) (ae) (intro.), 71.05 (1) (am), 71.05 (1) (an), 71.05 (6)
2 (b) 4. and 71.83 (1) (a) 6.; and *to create* 71.05 (1) (af) of the statutes; **relating**
3 **to:** expanding and increasing the tax exemption for retirement plan income
4 received by an individual.

Analysis by the Legislative Reference Bureau

Under current law, the pension benefits of certain public employees are exempt from state taxation. The pensions that are exempt include payments received from the U.S. Civil Service Retirement System, the U.S. Military Employee 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. For most of these pension plans, the exemption applies only to persons who were members of or retired from the plans as of December 31, 1963, although this limitation does not apply to retirement payments received from the U.S. Military Employee Retirement System or from payments received from the U.S. government that relate to service with the U.S. Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, or the commissioned corps of the U.S. Public Health Service.

Also under current law, up to \$5,000 of payments or distributions received by certain individuals from a qualified retirement plan under the Internal Revenue Code, or from certain individual retirement accounts, are exempt from taxation. To

BILL

be eligible, the individual must be at least 65 years old and have federal adjusted gross income (FAGI) of less than \$15,000, or less than \$30,000 if married.

Under this bill, the \$5,000 exemption for certain individuals who are at least 65 years old and have limited FAGI applies only for taxable years 2009 to 2014. Beginning with taxable year 2015, the \$5,000 exemption for payments or distributions received from a qualified retirement plan or from certain individual retirement accounts may still be claimed, to the extent that such amounts are not already exempt from taxation, but the exemption is not limited to individuals who are at least 65 years old and have FAGI of less than \$15,000, or less than \$30,000 if married. Under the bill, the exemption amount increases from \$5,000 to \$10,000 in 2016, to \$15,000 in 2017, and to \$20,000 in 2018 and thereafter.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.05 (1) (ae) (intro.) of the statutes is amended to read:

2 71.05 (1) (ae) *Pension, individual retirement income.* (intro.) Except for a
3 payment that is exempt under par. (a), (am), or (an), or that is exempt as a railroad
4 retirement benefit, for taxable years beginning after December 31, 2008, and before
5 January 1, 2015, up to \$5,000 of payments or distributions received each year by an
6 individual from a qualified retirement plan under the Internal Revenue Code or from
7 an individual retirement account established under 26 USC 408, if all of the
8 following conditions apply:

9 **SECTION 2.** 71.05 (1) (af) of the statutes is created to read:

10 71.05 (1) (af) *Pension income.* Except for a payment that is exempt under par.
11 (a), (am), or (an), or that is exempt as a railroad retirement benefit, one of the
12 following amounts of payments or distributions received each year by an individual

BILL

1 from a qualified retirement plan under the Internal Revenue Code or from an
2 individual retirement account established under 26 USC 408:

3 1. For taxable years beginning after December 31, 2014, and before January
4 1, 2016, \$5,000.

5 2. For taxable years beginning after December 31, 2015, and before January
6 1, 2017, \$10,000.

7 3. For taxable years beginning after December 31, 2016, and before January
8 1, 2018, \$15,000.

9 4. For taxable years beginning after December 31, 2017, \$20,000.

10 **SECTION 3.** 71.05 (1) (am) of the statutes is amended to read:

11 71.05 (1) (am) *Military retirement systems.* All retirement payments received
12 from the U.S. military employee retirement system, to the extent that such payments
13 are not exempt under par. (a) ~~or~~, (ae), or (af).

14 **SECTION 4.** 71.05 (1) (an) of the statutes is amended to read:

15 71.05 (1) (an) *Uniformed services retirement benefits.* All retirement payments
16 received from the U.S. government that relate to service with the coast guard, the
17 commissioned corps of the national oceanic and atmospheric administration, or the
18 commissioned corps of the public health service, to the extent that such payments are
19 not exempt under par. (a), (ae), (af), or (am).

20 **SECTION 5.** 71.05 (6) (b) 4. of the statutes is amended to read:

21 71.05 (6) (b) 4. Disability payments other than disability payments that are
22 paid from a retirement plan, the payments from which are exempt under sub. (1) (ae),
23 (af), (am), and (an), if the individual either is single or is married and files a joint
24 return, to the extent those payments are excludable under section 105 (d) of the
25 Internal Revenue Code as it existed immediately prior to its repeal in 1983 by section

BILL

1 122 (b) of P.L. 98-21, except that if an individual is divorced during the taxable year
2 that individual may subtract an amount only if that person is disabled and the
3 amount that may be subtracted then is \$100 for each week that payments are
4 received or the amount of disability pay reported as income, whichever is less. If the
5 exclusion under this subdivision is claimed on a joint return and only one of the
6 spouses is disabled, the maximum exclusion is \$100 for each week that payments are
7 received or the amount of disability pay reported as income, whichever is less.

8 **SECTION 6.** 71.83 (1) (a) 6. of the statutes is amended to read:

9 71.83 (1) (a) 6. 'Retirement plans.' Any natural person who is liable for a
10 penalty for federal income tax purposes under section 72 (m) (5), (q), (t), and (v), 4973,
11 4974, 4975, or 4980A of the Internal Revenue Code is liable for 33% of the federal
12 penalty unless the income received is exempt from taxation under s. 71.05 (1) (a) ~~or~~,
13 (ae), or (af). The penalties provided under this subdivision shall be assessed, levied,
14 and collected in the same manner as income or franchise taxes.

15 (END)

Rose, Stefanie

From: Rep.August
Sent: Monday, February 25, 2013 10:06 AM
To: LRB.Legal
Subject: Draft Review: LRB -1691/1 Topic: Expand and increase the tax exemption for individual retirement plan and IRA income

Please Jacket LRB -1691/1 for the ASSEMBLY.