

Fiscal Estimate Narratives

DOR 3/28/2019

LRB Number	19-2429/1	Introduction Number	AB-0133	Estimate Type	Original
Description creating an individual income tax exemption for military income received by certain members of the U.S. armed forces and sunsetting the armed forces member tax credit					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, an individual may claim the armed forces member tax credit. This is a nonrefundable individual income tax credit for up to \$300 in military income received from the federal government by an individual who is on active duty in the U.S. armed forces and who is stationed outside of the United States. Moreover, members of the reserve component of the U.S. armed forces who are called into active federal service or special state service, are allowed an income tax exemption for pay received for the period of time during which they are on active duty.

Effective in tax year 2019, this bill repeals the current armed forces member tax credit and creates an exemption from income for all military income received from the federal government each year by an individual who is on active duty in the U.S. armed forces.

According to personnel data from the Defense Manpower Data Center there were 1,028 active duty personnel located in Wisconsin in December 2018 out of 1,166,375 located in the United States and 1,339,049 located worldwide (172,674 personnel overseas). However, based on federal law, states tax active duty personnel not on their duty location, but on their residency. Moreover residency at the time of enlistment does not change solely because individuals are ordered to a duty location in another state or country. Thus, not all 1,028 active duty personnel located in Wisconsin are residents who pay Wisconsin income tax on their active duty pay. Conversely, Wisconsin residents on active duty may be located in any state.

DOR used armed forces member credit claims and W-2s with taxable active duty military wage income reported on Wisconsin tax returns in order to simulate the effect of the bill. Based on this analysis about 19,000 individuals would qualify for the exclusion and DOR expects the bill to reduce revenue by approximately \$24.7 million annually.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description creating an individual income tax exemption for military income received by certain members of the U.S. armed forces and sunseting the armed forces member tax credit			
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, ets.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$-24,700,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-24,700,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-24,700,000	\$
Agency/Prepared By		Authorized Signature	Date
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