

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-1030/1	Introduction Number AB-0221
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Description
 exempting from taxation the pension benefits of certain retired federal employees

Fiscal Effect

State:

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

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	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 0 <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

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 DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Oakleaf (608) 261-5173	Date 5/22/2019
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Fiscal Estimate Narratives

DOR 5/22/2019

LRB Number	19-1030/1	Introduction Number	AB-0221	Estimate Type	Original
Description exempting from taxation the pension benefits of certain retired federal employees					

Assumptions Used in Arriving at Fiscal Estimate

Under current state law, social security benefits are exempt from Wisconsin income tax. Moreover, pensions received by persons who were members of or retired from Milwaukee City and county retirement funds, the state teachers' retirement fund, and the federal civil service retirement system (CSRS) prior to January 1, 1964 are exempt from Wisconsin income tax. In addition, veterans' pensions are exempt from Wisconsin income tax.

Wisconsin also exempts up to \$5,000 of payments or distributions from a qualified retirement plan or individual retirement account (IRA) if the claimant is at least 65 years of age and the claimant has federal adjusted gross income of less than \$15,000 in the year to which the claim relates (\$30,000 for married joint filers).

Under federal law, until 1984, employment by the federal government was covered under CSRS and not by social security. In 1984, the federal government created the Federal Employees Retirement System (FERS). Federal employees who began working for the federal government in 1984 or later are covered by FERS instead of CSRS. Some federal employees who had been covered by CSRS switched to FERS, and some stayed in CSRS. Work under FERS is covered by social security. Federal employees who remained in CSRS after 1983 are not covered by social security.

This bill provides a new exemption for payments received from CSRS, to the extent that such payments are not already exempt. The exemption is limited to no more than \$8,000 for 2019, and \$16,000 for 2020 and thereafter.

According to a February 2018 Congressional Research Service report on the federal employees' retirement system, Wisconsin had 28,441 annuitants in FY16. Moreover, about 71.5% of annuitants were covered by CSRS, suggesting about 20,335 CSRS annuitants. Based on a simulation of individuals with federal civil service retirement income, adjusted for existing exclusions and FERS members, the bill will reduce revenue by approximately \$7.9 million in fiscal year 2020 and \$12.2 million annually beginning in fiscal year 2021.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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Description exempting from taxation the pension benefits of certain retired federal employees			
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		\$	\$-12,200,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-12,200,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-12,200,000	\$
Agency/Prepared By		Authorized Signature	Date
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