



1997 ASSEMBLY BILL 854

March 2, 1998 - Introduced by Representatives GROTHMAN, AINSWORTH, BRANDEMUEHL, DUFF, GRONEMUS, HANSON, HUTCHISON, F. LASEE, MURAT, MUSSER, NASS, OWENS, PORTER, R. POTTER, REYNOLDS, ROBSON, SCHAFER, STASKUNAS and TRAVIS, cosponsored by Senators FARROW and SCHULTZ. Referred to Committee on Ways and Means.

1 **AN ACT to amend** 71.83 (1) (a) 6. of the statutes; **relating to:** eliminating the
2 penalty for early withdrawals from individual retirement accounts.

Analysis by the Legislative Reference Bureau

Under current federal law, individuals may set up individual retirement accounts (IRAs), which are domestic trusts organized for the exclusive benefit of an individual or his or her beneficiaries. Subject to limited exceptions such as hardship, an individual who makes a withdrawal from his or her IRA before reaching age 59 1/2, is liable for a 10% nondeductible excise tax. Under current Wisconsin law, an individual who is subject to such a federal penalty for an early withdrawal from an IRA is also subject to a penalty that is equal to 33% of the federal penalty.

This bill repeals the Wisconsin penalty for an early withdrawal from an IRA that is equal to 33% of the federal penalty.

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:

3 **SECTION 1.** 71.83 (1) (a) 6. of the statutes is amended to read:
4 71.83 (1) (a) 6. 'Retirement plans.' Any natural person who is liable for a
5 penalty for federal income tax purposes under section 72 (m) (5), (q), (t) and (v), 4973,

ASSEMBLY BILL 854**SECTION 1**

1 4974, 4975 or 4980A of the ~~internal revenue code~~ Internal Revenue Code is liable for
2 33% of the federal penalty unless the income received is exempt from taxation under
3 s. 71.05 (1) (a) or unless the income received is from an individual retirement account
4 under section 4974 (c) (4) of the Internal Revenue Code and relates to an early
5 distribution that is described under section 72 (t) of the Internal Revenue Code. The
6 penalties provided under this subdivision shall be assessed, levied and collected in
7 the same manner as income or franchise taxes.

8 **SECTION 2. Initial applicability.**

9 (1) This act first applies to a penalty that is imposed under the Internal
10 Revenue Code on the effective date of this subsection.

11 (END)