State of Wisconsin
2007 - 2008 LEGISLATURE

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2007 ASSEMBLY BILL 60

February 13, 2007 – Introduced by Representatives TRAVIS, ZIEGELBAUER, F. LASEE, SHERIDAN, BERCEAU, ALBERS, HEBL, HUBLER, TURNER, MUSSER, BOYLE and HAHN, cosponsored by Senators PLALE and LASSA. Referred to Joint Survey Committee on Tax Exemptions.

AN ACT ***to amend*** 71.05 (1) (am), 71.05 (1) (an), 71.05 (6) (b) 4. and 71.83 (1) (a) 6.; and ***to create*** 71.05 (1) (ae) of the statutes; **relating to:** exempting from taxation retirement plan income 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.

This bill exempts from taxation certain amounts of payments or distributions received each year by an individual, who is at least 62 years old, from a traditional individual retirement account (IRA), a Roth IRA or a qualified retirement plan under the Internal Revenue Code (IRC), if such payments are not already exempt from taxation. Under the IRC, "qualified" plans include certain pension plans, profit–sharing plans, money purchase plans, stock bonus plans, annuity plans, 401 (k) plans, Keogh plans, SIMPLE plans, government or 457 plans, and IRAs.

The bill first applies to taxable year 2008, and the maximum allowable exemption is $2,500. The exemption amount increases $2,500 each year for eight years so that, in 2015 and thereafter, the maximum exemption is $20,000.

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:

SECTION 1. 71.05 (1) (ae) of the statutes is created to read:

71.05 **(1)** (ae) *Pension, individual retirement income.* Except for a payment that is exempt under par. (a), (am), or (an), or that is exempt as a railroad retirement benefit, one of the following amounts of payments or distributions received each year by an individual, who is at least 62 years of age before the close of the taxable year to which the exemption claim relates, from a qualified retirement plan under the Internal Revenue Code or from an individual retirement account established under 26 USC 408 or 26 USC 408A:

1. For taxable years beginning after December 31, 2007, and before January 1, 2009, $2,500.

2. For taxable years beginning after December 31, 2008, and before January 1, 2010, $5,000.

3. For taxable years beginning after December 31, 2009, and before January 1, 2011, $7,500.

4. For taxable years beginning after December 31, 2010, and before January 1, 2012, $10,000.

5. For taxable years beginning after December 31, 2011, and before January 1, 2013, $12,500.

6. For taxable years beginning after December 31, 2012, and before January 1, 2014, $15,000.

7. For taxable years beginning after December 31, 2013, and before January 1, 2015, $17,500.

8. For taxable years beginning after December 31, 2014, $20,000.

SECTION 2. 71.05 (1) (am) of the statutes is amended to read:

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

SECTION 3. 71.05 (1) (an) of the statutes is amended to read:

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

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

71.05 **(6)** (b) 4. Disability payments other than disability payments that are paid from a retirement plan, the payments from which are exempt under sub. (1) (ae), (am), and (an), if the individual either is single or is married and files a joint return, to the extent those payments are excludable under section 105 (d) of the ~~internal revenue code~~ Internal Revenue Code as it existed immediately prior to its repeal in 1983 by section 122 (b) of P.L. 98–21, except that if an individual is divorced during the taxable year that individual may subtract an amount only if that person is disabled and the amount that may be subtracted then is $100 for each week that payments are received or the amount of disability pay reported as income, whichever is less. If the exclusion under this subdivision is claimed on a joint return and only one of the spouses is disabled, the maximum exclusion is $100 for each week that payments are received or the amount of disability pay reported as income, whichever is less.

SECTION 5. 71.83 (1) (a) 6. of the statutes is amended to read:

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

SECTION 6. Initial applicability.

(1) This act first applies to taxable years beginning on January 1, 2008.

(END)