



2007 ASSEMBLY BILL 28

January 24, 2007 - Introduced by Representatives LOTHIAN, OWENS, NASS, J. FITZGERALD, ZIEGELBAUER, JESKEWITZ, KERKMAN, GUNDRUM, PRIDEMORE, GUNDERSON, HAHN, MUSSER, NERISON, HINES, VUKMIR, SUDER, CULLEN, VAN ROY, ZIPPERER, DAVIS, VOS, LEMAHIEU, NYGREN, ALBERS, BALLWEG, PETROWSKI, TOWNSEND, BIES, OTT, TAUCHEN, ROTH, KRAMER, MURTHA, PETERSEN and M. WILLIAMS, cosponsored by Senators KEDZIE, ROESSLER, DARLING, HARSDORF, SCHULTZ, KANAVAS, A. LASEE and LAZICH. Referred to Committee on Ways and Means.

1 **AN ACT to create** 71.07 (6f) and 71.10 (4) (cf) of the statutes; **relating to:** creating
2 an individual income tax credit for retirement plan income received by an
3 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 creates a nonrefundable individual income tax credit that is calculated by multiplying the claimant's marginal tax rate by the amount of pension income received by the claimant each year from a qualified retirement plan under the Internal Revenue Code, except that the credit may not be based on pension income that is already exempt from taxation. The bill first applies to taxable year 2008, and

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limits the maximum amount of pension income on which the credit may be calculated. For taxable year 2008, the maximum allowable pension income is \$2,500. The maximum amount of pension income increases each year from \$2,500 to \$5,000 in 2009, \$10,000 in 2010, \$15,000 in 2011, and \$20,000 in 2012 and thereafter.

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.** 71.07 (6f) of the statutes is created to read:

2 71.07 **(6f)** PENSION INCOME TAX CREDIT. (a) *Definitions.* In this subsection:

3 1. “Claimant” means an individual who claims a credit under this subsection.

4 2. “Pension income” means any amount of payment or distribution received by
5 a claimant, in the year to which the claim relates, from a qualified retirement plan
6 under the Internal Revenue Code, other than a payment that is exempt under s.
7 71.05 (1) (a), (am), or (an), or that is exempt as a railroad retirement benefit.

8 (b) *Filing claims.* Subject to the limitations provided in this subsection, a
9 claimant may claim as a credit against the tax imposed under s. 71.02 or 71.08, up
10 to the amount of those taxes, the amount of pension income received by the claimant,
11 multiplied by the claimant’s marginal tax rate.

12 (c) *Limitations.* 1. The maximum amount of pension income that a claimant
13 may use in calculating the claimant’s credit under par. (b) is one of the following
14 amounts:

15 a. For taxable years beginning after December 31, 2007, and before January
16 1, 2009, \$2,500.

17 b. For taxable years beginning after December 31, 2008, and before January
18 1, 2010, \$5,000.

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1 c. For taxable years beginning after December 31, 2009, and before January
2 1, 2011, \$10,000.

3 d. For taxable years beginning after December 31, 2010 and before January 1,
4 2012, \$15,000.

5 e. For taxable years beginning after December 31, 2011, \$20,000.

6 2. No credit may be allowed under this subsection unless it is claimed within
7 the time period under s. 71.75 (2).

8 3. For a claimant who is a nonresident or part-year resident of this state and
9 who is a single person, multiply the credit for which the claimant is eligible under
10 par. (b) by a fraction, the numerator of which is the individual's Wisconsin adjusted
11 gross income and the denominator of which is the individual's federal adjusted gross
12 income. If a claimant is married and files a joint return, and if the claimant or the
13 claimant's spouse, or both, are nonresidents or part-year residents of this state,
14 multiply the credit for which the claimant is eligible under par. (b) by a fraction, the
15 numerator of which is the couple's joint Wisconsin adjusted gross income and the
16 denominator of which is the couple's joint federal adjusted gross income.

17 (d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit
18 under that subsection, applies to the credit under this subsection.

19 **SECTION 2.** 71.10 (4) (cf) of the statutes is created to read:

20 71.10 (4) (cf) The pension income tax credit under s. 71.07 (6f).

21 (END)