

**2001 DRAFTING REQUEST**

**Bill**

Received: **10/08/2001**

Received By: **shoveme**

Wanted: **As time permits**

Identical to LRB:

For: **Terry Musser (608) 266-7461**

By/Representing: **Kathy**

This file may be shown to any legislator: **NO**

Drafter: **shoveme**

May Contact:

Addl. Drafters:

Subject: **Tax - individual income**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.Musser@legis.state.wi.us**

Carbon copy (CC:) to:

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Individual income tax exemption, interest and penalty abatement for Operation Enduring Freedom participants

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**Instructions:**

See Attached. Based on LRB -3946, but only bill sections 2 through 5 -- the parts that necessitate sending the bill to tax exemptions.

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	shoveme 10/08/2001	wjackson 10/08/2001		_____		<i>Per MUS</i>	State Tax
/1			rschluet 10/08/2001	_____	lrb_docadmin 10/08/2001		State Tax

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/2	shoveme 10/10/2001	hhagen 10/10/2001	pgreensl 10/10/2001	_____	lrb_docadmin 10/10/2001	lrb_docadmin 10/10/2001	

FE Sent For: 10/09/2001. → (11")

at intro 10/11/01  
↳ (12") <END>

**2001 DRAFTING REQUEST**

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Wanted: **As time permits**

Identical to LRB:

For: **Terry Musser (608) 266-7461**

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Addl. Drafters:

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Extra Copies: *MES 1 extra*

Submit via email: **YES**

Requester's email: **Rep.Musser@legis.state.wi.us**

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**Pre Topic:**

No specific pre topic given

**Topic:**

Individual income tax exemption, interest and penalty abatement for Operation Enduring Freedom participants

**Instructions:**

See Attached. Based on LRB -3946, but only bill sections 2 through 5 -- the parts that necessitate sending the bill to tax exemptions.

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/?	shoveme 10/08/2001	wjackson 10/08/2001					State Tax
/1			rschluet 10/08/2001	<i>19/10</i>	lrb_docadmin 10/08/2001		

FE Sent For: <sup>11</sup>10/09/2001.

*by Martene 12hmt 10/10/01*

*19/10 P8 P8/dh*  
**<END>**

*jacket for Assembly*

**2001 DRAFTING REQUEST**

**Bill**

Received: 10/08/2001

Received By: **shoveme**

Wanted: **As time permits**

Identical to I.R.B.:

For: **Terry Musser (608) 266-7461**

By/Representing: **Kathy**

This file may be shown to any legislator: **NO**

Drafter: **shoveme**

May Contact:

Addl. Drafters:

Subject: **Tax - individual income**

Extra Copies:

Submit via email: **NO**

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Individual income tax exemption, interest and penalty abatement for Operation Enduring Freedom participants

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**Instructions:**

See Attached. Based on LRB -3946, but only bill sections 2 through 5 -- the parts that necessitate sending the bill to tax exemptions.

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<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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1?	shoveme	1/1 WLJ 10/8					
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11MES 10/8/01

10-8-01

FE Sent For:

<END>

PMNR

2001 BILL

P. Note

WANTED today

gem

1 AN ACT to create 71.03 (7) (c), 71.05 (6) (b) 34., 71.05 (6) (b) 35. and 71.85 (3) (b)  
 2 of the statutes; relating to: creating an individual income tax exemption for  
 3 pay received from the federal government by members of the armed forces  
 4 participating in Operation Enduring Freedom and abating interest or penalties  
 5 due on income tax returns for members of the armed forces who are  
 6 participating in that operation.

*Analysis by the Legislative Reference Bureau*

This bill creates an individual income tax exemption for pay received from the federal government by members of the armed forces participating in Operation Enduring Freedom. The exemption applies to active duty personnel who are assigned to the Operation Enduring Freedom theater of operations and to members of a reserve component of the armed forces who are activated for Operation Enduring Freedom. The exemption applies to any amount of military pay received by the person from the federal government if he or she is below the grade of commissioned officer, and up to \$500 per month of military pay received by the person if he or she is a commissioned officer.

~~Under current law, any extension of time granted by law or by the internal revenue service for a taxpayer to file his or her federal return extends the time for filing under state law, although the taxes that are due are subject to interest at a rate of 12% per year during the period of the extension. Under this bill, that 12% interest~~

**BILL**

~~rate does not apply to persons who served in support of Operation Enduring Freedom, or a successor operation, in the United States or, for persons who qualify for a federal extension, to persons who served outside of the United States because of their participation in Operation Enduring Freedom or a successor operation in the Enduring Freedom theater of operations.~~

In addition, under the bill, if a person who is eligible for the income tax exemption created in this bill is subject to any penalties or interest related to income taxes, those penalties or interest may not continue to accrue while the taxpayer is in the Operation Enduring Freedom theater of operations and for 180 days after the taxpayer leaves the theater of operations.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this 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. 71.03 (7) (c) of the statutes is created to read:~~

~~71.03 (7) (c) For taxable years beginning after December 31, 2000, and before January 1, 2003, for persons who served in support of Operation Enduring Freedom or an operation that is a successor to Operation Enduring Freedom in the United States, or for persons who qualify for a federal extension of time to file under 26 USC 7508, who served outside the United States because of their participation in Operation Enduring Freedom or an operation that is a successor to Operation Enduring Freedom in the Enduring Freedom theater of operations.~~

SECTION 2. 71.05 (6) (b) 34. of the statutes is created to read:

71.05 (6) (b) 34. Any amount of basic, special, and incentive pay income or compensation, as those terms are used in 37 USC chapters 3 and 5, received from the federal government by a person who is a member of the U.S. armed forces, as defined in 26 USC 7701 (a) (15), and is below the grade of commissioned officer, for services performed for Operation Enduring Freedom. In this subdivision, "services

**BILL**

1 performed for Operation Enduring Freedom” means service in a unit of the U.S.  
2 armed forces if all of the following apply:

3 a. The person is assigned to duty in that theater of operations or the person is  
4 activated for Operation Enduring Freedom.

5 b. The service occurs during the period that there is in effect a designation by  
6 the president of the United States that the service is part of Operation Enduring  
7 Freedom.

8 **SECTION 3.** 71.05 (6) (b) 35. of the statutes is created to read:

9 71.05 (6) (b) 35. Up to \$500 per month of basic, special, and incentive pay  
10 income or compensation, as those terms are used in 37 USC chapters 3 and 5,  
11 received from the federal government by a person who is a member of the U.S. armed  
12 forces, as defined in 26 USC 7701 (a) (15), and is a commissioned officer, for services  
13 performed for Operation Enduring Freedom. In this subdivision, “services  
14 performed for Operation Enduring Freedom” means service in a unit of the U.S.  
15 armed forces if all of the following apply:

16 a. The person is assigned to duty in that theater of operations or the person is  
17 activated for Operation Enduring Freedom.

18 b. The service occurs during the period that there is in effect a designation by  
19 the president of the United States that the service is part of Operation Enduring  
20 Freedom.

21 **SECTION 4.** 71.85 (3) (b) of the statutes is created to read:

22 71.85 (3) (b) Section 71.05 (6) (b) 34. or 35. may continue to accrue while the  
23 taxpayer is in the Operation Enduring Freedom theater of operations and for 180  
24 days after the taxpayer leaves the Operation Enduring Freedom theater of  
25 operations.





**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

-3988 / 1  
LRB-3946/Tdn  
MES:wlj:ja

October 8, 2001

Representative Musser:

This bill is drafted according to your instructions in that it first applies to taxable years beginning on January 1, 2001. This initial applicability provision may cause administrative problems for the Department of Revenue because their tax forms and instructions are already printed for tax year 2001, and they obviously do not provide for the changes contained in this bill. Please let me know if you want any changes made to the bill.

Basically, this bill contains provisions that are similar to the provisions that applied to Operation Desert Shield and Operation Desert Storm, although the tax exemption in this bill also applies to active duty personnel who are assigned to the Operation Enduring Freedom theater of operations and not just to members of a reserve component of the armed forces who are activated for the operation.

Marc E. Shovers  
Senior Legislative Attorney  
Phone: (608) 266-0129  
E-mail: marc.shovers@legis.state.wi.us

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-3988/1dn  
MES:wlj:rs

October 8, 2001

Representative Musser:

This bill is drafted according to your instructions in that it first applies to taxable years beginning on January 1, 2001. This initial applicability provision may cause administrative problems for the Department of Revenue because their tax forms and instructions are already printed for tax year 2001, and they obviously do not provide for the changes contained in this bill. Please let me know if you want any changes made to the bill.

Basically, this bill contains provisions that are similar to the provisions that applied to Operation Desert Shield and Operation Desert Storm, although the tax exemption in this bill also applies to active duty personnel who are assigned to the Operation Enduring Freedom theater of operations and not just to members of a reserve component of the armed forces who are activated for the operation.

Marc E. Shovers  
Senior Legislative Attorney  
Phone: (608) 266-0129  
E-mail: [marc.shovers@legis.state.wi.us](mailto:marc.shovers@legis.state.wi.us)

# Memo

To: Rep. Musser

(The Bill's Requestor)

Attached is a fiscal estimate prepared for your 2001 draft that has not yet been introduced.

LRB Number: LRB -3988

Version: "/ 1 "

Entered In Computer And Copy Sent To Requestor Via E-Mail: 10 / 11 / 2001

Fiscal Estimate Prepared By: (agency abbr.) DOR

If you have questions about the attached fiscal estimate, you may contact the agency/ individual who prepared the fiscal estimate. If you disagree with the enclosed fiscal estimate, please contact the LRB drafter of your proposal to discuss your options under the fiscal estimate procedure.

\* \* \* \* \*

To: LRB – Legal Section PA's

Subject: Fiscal Estimate Received For A Un-Introduced Draft

- If this is **re-drafted** to a new version please attach this early fiscal estimate to the back of the draft's file between the old version and the new version.
- If this draft gets **introduced** ... and the version of the attached fiscal estimate is correct ... please write the drafts intro. number below and give this fiscal estimate to Mike (or Lynn) to process.

**THIS DRAFT WAS INTRODUCED AS: 2001** \_\_\_\_\_

- If this draft gets **introduced** ... and the version of the attached fiscal estimate is for a previous version ... please attach this early fiscal estimate to the back of the draft's file between the old version and the new version. Have Mike (or Lynn) get the ball rolling on getting a fiscal estimate prepared for the introduced version.

## Emery, Lynn

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**From:** Emery, Lynn  
**Sent:** Thursday, October 11, 2001 9:56 AM  
**To:** Rep.Musser  
**Subject:** LRB-3988/1 (FE by DOR-attached-for your review)



FE\_Musser.pdf

FE\_Musser.pdf

*old version*

*"1/2" became AB-559*

**Fiscal Estimate - 2001 Session**

- Original       Updated       Corrected       Supplemental

LRB Number **01-3988/1**      Introduction Number

**Subject**  
 Individual income tax exemption, interest and penalty abatement for Operation Enduring Freedom participants

**Fiscal Effect**

**State:**

- No State Fiscal Effect  
 Indeterminate  
 Increase Existing Appropriations       Increase Existing Revenues       Increase Costs - May be possible to absorb within agency's budget  
 Decrease Existing Appropriations       Decrease Existing Revenues       Yes       No  
 Create New Appropriations       Decrease Costs

**Local:**

- No Local Government Costs  
 Indeterminate  
 1.  Increase Costs      3.  Increase Revenue  
 Permissive  Mandatory       Permissive  Mandatory  
 2.  Decrease Costs      4.  Decrease Revenue  
 Permissive  Mandatory       Permissive  Mandatory  
 5. Types of Local Government Units Affected  
 Towns       Village       Cities  
 Counties       Others  
 School Districts       WTCS Districts

**Fund Sources Affected**

**Affected Ch. 20 Appropriations**

- GPR     FED     PRO     PRS     SEG     SEGS

<b>Agency/Prepared By</b> DOR/ Meredith Krejny (608) 261-8984	<b>Authorized Signature</b> Brian Pahnke (608) 266-2700	<b>Date</b> 10/9/01
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## Fiscal Estimate Narratives

DOR 10/11/01

LRB Number	01-3988/1	Introduction Number	Estimate Type	Original
<b>Subject</b>				
Individual income tax exemption, interest and penalty abatement for Operation Enduring Freedom participants				

### Assumptions Used in Arriving at Fiscal Estimate

This bill would create an individual income tax exemption for pay received by certain members of the armed forces serving in Operation Enduring Freedom. The exemption applies to active duty personnel assigned to the theater of operations and to armed forces reserve members who are activated for service during the operation. For enlisted personnel, the amount of the exemption is equal to the amount of any basic, special or incentive income received from the federal government; the exemption is limited to \$500 per month for commissioned officers. The bill would also abate interest or penalties due on tax returns for these persons while the filer is serving in the theater of operations and for 180 days after the filer leaves the theater.

According to the Defense Manpower Data Center, approximately 11,000 active duty military personnel claim legal residence in Wisconsin; it is unknown how many are or will be serving in the theater of operations for Operation Enduring Freedom. The Wisconsin Department of Military Affairs indicates that about 500 members of the National Guard from Wisconsin have been activated as of October 9, 2001; at this time, it is not known how many additional reservists, if any, will be activated to serve during the operation. Based on basic pay information obtained from the Defense Finance and Accounting Service, it is assumed that active duty enlisted personnel receive average compensation of \$21,600 annually. The number of commissioned officers eligible for the exemption is not known.

Assuming that 500 active duty military enlisted personnel and 500 reservists would be eligible for the proposed exemption and assuming an effective marginal tax rate of 6.14%, this bill would reduce state revenues by approximately \$1.3 million annually for the duration of the operation ( $(500 + 500) \times 21,600 \times 0.0614$ ). If the number of eligible taxpayers were to double, the revenue loss associated with this bill would increase to \$2.6 million annually. The number of military personnel that would be subject to interest or penalties is assumed to be small. Thus, this provision of the bill would result in only a minimal revenue loss.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 01-3988/1		<b>Introduction Number</b>	
<b>Subject</b>			
Individual income tax exemption, interest and penalty abatement for Operation Enduring Freedom participants			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$		\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Meredith Krejny (608) 261-8984		Brian Pahnke (608) 266-2700	10/9/01





## Fiscal Estimate Narratives

DOR 10/16/01

LRB Number 01-3988/1	Introduction Number	Estimate Type	Updated
<b>Subject</b>			
Individual income tax exemption, interest and penalty abatement for Operation Enduring Freedom participants			

### Assumptions Used in Arriving at Fiscal Estimate

This bill would create an individual income tax exemption for pay received by armed forces reserve members who are activated for service during Operation Enduring Freedom. The exemption would also apply to active duty personnel assigned to the theater of operations, however, this pay is already excluded from income by provisions of the Internal Revenue Code that Wisconsin has adopted for state purposes. For enlisted personnel, the amount of the exemption is equal to the amount of any basic, special or incentive income received from the federal government; the exemption is limited to \$500 per month for commissioned officers. The bill would also abate interest or penalties due on tax returns for these persons while the filer is serving in the theater of operations and for 180 days after the filer leaves the theater.

The Wisconsin Department of Military Affairs indicates that about 500 members of the National Guard from Wisconsin have been activated as of October 9, 2001; at this time, it is not known how many additional reservists, if any, will be activated to serve during the operation. The number of commissioned officers eligible for the exemption is not known. Based on basic pay information obtained from the Defense Finance and Accounting Service, it is assumed that active duty enlisted personnel receive average compensation of \$21,600 annually; activated reservists receive the same compensation as active duty personnel.

For the 500 reservists currently activated, assuming an effective marginal tax rate of 6.14%, this bill would reduce state revenues by approximately \$0.7 million annually for the duration of the operation ( $500 \times 21,600 \times 0.0614$ ). The number of military personnel that would be subject to interest or penalties is assumed to be small. Thus, this provision of the bill would result in only a minimal revenue loss.

The Department would incur annual costs of \$29,500 to pull returns of tax filers qualifying for the exemption from the regular processing stream and to process them separately.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 01-3988/1		<b>Introduction Number</b>	
<b>Subject</b>			
Individual income tax exemption, interest and penalty abatement for Operation Enduring Freedom participants			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs	29,500		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$29,500</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	29,500		
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$-700,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-700,000</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$29,500	\$	
NET CHANGE IN REVENUE	\$-700,000	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Meredith Krejny (608) 261-8984		Brian Pahnke (608) 266-2700	10/16/01

2001 BILL

AB559

NOW

Jarvis for Assembly

repeal

1 AN ACT to create 71.05 (6) (b) 34., 71.05 (6) (b) 35. and 71.85 (3) (b) of the statutes;  
 2 relating to: creating an individual income tax exemption for pay received from  
 3 the federal government by members of the armed forces participating in  
 4 Operation Enduring Freedom and abating interest or penalties due on income  
 5 tax returns for members of the armed forces who are participating in that  
 6 operation.

for at least 90 days

**Analysis by the Legislative Reference Bureau**

This bill creates an individual income tax exemption for pay received from the federal government by members of the armed forces participating in Operation Enduring Freedom. The exemption applies to active duty personnel who are assigned to the Operation Enduring Freedom theater of operations and to members of a reserve component of the armed forces who are activated for Operation Enduring Freedom. The exemption applies to any amount of military pay received by the person from the federal government if he or she is below the grade of commissioned officer, and up to \$500 per month of military pay received by the person if he or she is a commissioned officer.

In addition, under the bill, if a person who is eligible for the income tax exemption created in this bill is subject to any penalties or interest related to income taxes, those penalties or interest may not continue to accrue while the taxpayer is in the Operation Enduring Freedom theater of operations and for 180 days after the taxpayer leaves the theater of operations.

**BILL**

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this 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:*

1           **SECTION 1.** 71.05 (6) (b) 34. of the statutes is created to read:

2           71.05 (6) (b) 34. Any amount of basic, special, and incentive pay income or  
3 compensation, as those terms are used in 37 USC chapters 3 and 5, received from the  
4 federal government by a person who is a member of the U.S. armed forces, as defined  
5 in 26 USC 7701 (a) (15), and is below the grade of commissioned officer, for services  
6 performed for Operation Enduring Freedom. In this subdivision, “services  
7 performed for Operation Enduring Freedom” means service in a unit of the U.S.  
8 armed forces if all of the following apply: *for at least 90 days*

9           a. The person is assigned to duty *in* that theater of operations or the person is  
10 activated for Operation Enduring Freedom.

11           b. The service occurs during the period that there is in effect a designation by  
12 the president of the United States that the service is part of Operation Enduring  
13 Freedom.

14           **SECTION 2.** 71.05 (6) (b) 35. of the statutes is created to read:

15           71.05 (6) (b) 35. Up to \$500 per month of basic, special, and incentive pay  
16 income or compensation, as those terms are used in 37 USC chapters 3 and 5,  
17 received from the federal government by a person who is a member of the U.S. armed  
18 forces, as defined in 26 USC 7701 (a) (15), and is a commissioned officer, for services  
19 performed for Operation Enduring Freedom. In this subdivision, “services

**BILL**

1 performed for Operation Enduring Freedom” means service in a unit of the U.S.  
2 armed forces if all of the following apply:

3 a. The person is assigned to duty <sup>for at least 90 days</sup> in that theater of operations or the person is  
4 activated for Operation Enduring Freedom.

5 b. The service occurs during the period that there is in effect a designation by  
6 the president of the United States that the service is part of Operation Enduring  
7 Freedom.

8 **SECTION 3.** 71.85 (3) (b) of the statutes is created to read:

9 71.85 (3) (b) Section 71.05 (6) (b) 34. or 35. may continue to accrue while the  
10 taxpayer is in the Operation Enduring Freedom theater of operations and for 180  
11 days after the taxpayer leaves the Operation Enduring Freedom theater of  
12 operations.

13 **SECTION 4. Initial applicability.**

14 (1) This act first applies to taxable years beginning on January 1, 2001.

15 (END)