



## Fiscal Estimate Narratives

DOR 05/16/2001

LRB Number <b>01-2624/1</b>	Introduction Number <b>AB-389</b>	Estimate Type <b>Original</b>
<b>Subject</b> Taxation of military pension payments		

### Assumptions Used in Arriving at Fiscal Estimate

This bill exempts from individual income tax all payments received from the U.S. military employment retirement system, to the extent that such payments are not currently exempt.

Under current law, the pension benefits of certain public employees are already exempt from state taxes, including individuals who were members of or retired from the following plans as of December 31, 1963: U.S. civil service or military, Milwaukee city and county, Milwaukee police officers and public school teachers, Wisconsin state teachers' retirement fund, and Milwaukee County sheriff's annuity and benefit fund. This bill effectively expands the current exemption to include members of the U.S. military who have joined the retirement system since 1963.

According to September, 2000 data provided by the U.S. Defense Manpower Data Center (DMDC), there were approximately 17,000 persons in Wisconsin receiving U.S. Department of Defense (DOD) military retirement or survivors' benefit payments totaling \$226.5 million. Because military retirees must have served 20 years prior to retirement, recipients of military pensions who retired before 1984 would have either retired from or been a member of the DOD retirement system prior to 1964, and their pension benefits (or those paid to their survivors) would be eligible for the exemption allowed under current law. According to data provided by DMDC, approximately 56%, or 9,500 of the current Wisconsin DOD pension recipients retired after 1984 and would be eligible for the new exemption.

Assuming yearly benefits average \$13,300 per recipient ( $\$226,500,000 / 17,000$ ) and an effective marginal tax rate of 6.14%, the revenue loss from the bill is estimated to be \$7.8 million ( $9,500 \times 13,300 \times .0614$ ).

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>01-2624/1</b>		Introduction Number <b>AB-389</b>	
<b>Subject</b>			
Taxation of military pension payments			
<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		\$	\$-7,800,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$-7,800,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-7,800,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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