



**Fiscal Estimate Narratives**  
**DOR 5/31/01**

LRB Number <b>01-2467/1</b>	Introduction Number <b>AB-411</b>	Estimate Type <b>Original</b>
<b>Subject</b> Individual income tax exemption for certain military pay		

**Assumptions Used in Arriving at Fiscal Estimate**

Under current law, all military income is taxable by the state of legal residence. However, beginning in tax year 2000, active duty members of the U.S. armed forces can receive a Wisconsin armed forces member tax credit of up to \$200 in military income received while the claimant is stationed outside of the United States. This bill creates an exemption for all military income received from the federal government by an individual who is on active duty in the United States armed forces and who is stationed outside of Wisconsin. The bill also repeals the armed forces member tax credit. Both the exemption and the repeal of the credit would apply for taxable years beginning after December 31, 2000.

According to the U.S. Defense Manpower Data Center (DMDC), approximately 10,700 active duty military personnel currently claim legal residence in Wisconsin but are stationed outside of the state. Data from the U.S. Department of Defense Statistical Information Analysis Division indicates the average pay received by active duty military personnel was \$36,900 in federal FY99. Assuming an average tax rate of 4%, providing an exemption as outlined above would result in a revenue loss of \$15.8 million (10,700 x \$36,900 x 4%).

According to the DMDC, there are currently about 1,800 active duty military personnel claiming legal residence in Wisconsin but who are stationed outside of the U.S. and are thereby eligible to claim the armed forces member tax credit. Assuming each of these filers claims the full \$200 credit, repealing this credit would result in a revenue gain of \$360,000 (1,800 x \$200).

Combining these two effects, this bill would reduce revenues by \$15.4 million annually.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

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<b>Subject</b>		
Individual income tax exemption for certain military pay		
<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	\$	\$-15,400,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-15,400,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-15,400,000	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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