



## Fiscal Estimate Narratives

DOR 10/16/01

LRB Number	<b>01-4015/1</b>	Introduction Number	<b>SB-282</b>	Estimate Type	<b>Original</b>
<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 for at least 90 days 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

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<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>
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