

**FISCAL ESTIMATE FORM**

**2001 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB # 01-1368/1

INTRODUCTION # SB 36

Admin. Rule #

**Subject**

**Income Tax Exemption for Certain Amounts of Pension Income Received by an Individual**

**Fiscal Effect**

State:  No State Fiscal Effect  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation     Increase Existing Revenues  
 Decrease Existing Appropriation     Decrease Existing Revenues  
 Create New Appropriation

- Increase Costs - May be Possible to Absorb Within Agency's Budget  Yes  No  
 Decrease Costs

Local:  No Local Government Costs

1.  Increase Costs  
 Permissive  Mandatory  
 2.  Decrease Costs  
 Permissive  Mandatory

3.  Increase Revenues  
 Permissive  Mandatory  
 4.  Decrease Revenues  
 Permissive  Mandatory

5. Types of Local Governmental Units Affected:  
 Towns  Villages  Cities  
 Counties  Others \_\_\_\_\_  
 School Districts  WTCS Districts

**Fund Sources Affected**

- GPR  FED  PRO  PRS  SEG  SEG-S

**Affected Ch. 20 Appropriations**

20.566 (1)(a)

**Assumptions Used in Arriving at Fiscal Estimate:**

This bill creates an individual income tax exemption for the first \$5,000 of pension payments received by an individual each year, provided that the filer's pension income is not already exempt from taxation.

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 a portion of previously non-exempt pension income for all retirees, public and private.

Based on a simulation using the 1999 Wisconsin Individual Income Tax Model, allowing a \$5,000 exemption for each filer will affect 279,000 retirees and reduce income tax revenues by at least \$68.5 million annually. If the bill is interpreted to allow married joint filers to take a maximum exemption of \$10,000, the bill would reduce income tax revenues by as much as \$98 million annually. Because the current tax form does not consider separately the pension payments received by each spouse, the actual effect of this bill is assumed to fall somewhere between these two values.

The Department would incur on-going administrative costs of \$10,400 for data collection, adjustment activity and supporting expenses

**Long-Range Fiscal Implications:**

Agency/Prepared by: (Name & Phone No.)

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Date

4/6/01

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

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**I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect).**

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe (FTE Position Changes)	\$	\$ -
	( FTE)	(- FTE)
State Operations-Other Costs	10,400	-
Local Assistance		-
Aids to Individuals or Organizations		-
<b>TOTAL State Costs by Category</b>	<b>\$ 10,400</b>	<b>\$ -</b>
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ see text
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ see text</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ +10,400	\$
NET CHANGE IN REVENUES	\$ see text	\$

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