

Fiscal Estimate - 2003 Session

Original Updated Corrected Supplemental

LRB Number 03-2065/1		Introduction Number SB-160	
Subject Individual income tax exemption for all pension income, phased in			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Indeterminate		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs		5. Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate		<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities	
1. <input type="checkbox"/> Increase Costs		<input type="checkbox"/> Counties <input type="checkbox"/> Others	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
2. <input type="checkbox"/> Decrease Costs			
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory			
3. <input type="checkbox"/> Increase Revenue			
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory			
4. <input type="checkbox"/> Decrease Revenue			
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory			
Fund Sources Affected Affected Ch. 20 Appropriations			
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.566(1)(a)			
Agency/Prepared By		Authorized Signature	Date
DOR/ Karyn Kriz (608) 261-8984		Dennis Collier (608) 266-5773	6/2/2003

Fiscal Estimate Narratives

DOR 6/2/2003

LRB Number	03-2065/1	Introduction Number	SB-160	Estimate Type	Original
Subject					
Individual income tax exemption for all pension income, phased in					

Assumptions Used in Arriving at Fiscal Estimate

This bill would exempt from taxation up to \$2,500 of income received from a retirement plan in taxable year 2005 if the income is not already exempt from taxation. The maximum allowable exemption would increase from \$2,500 to \$5,000 in 2006, \$10,000 in 2007, \$15,000 in 2008, and \$20,000 in 2009 and thereafter.

Under current law, the pension benefits of certain public employees are exempt from state taxation. Pension plans that are exempt from taxation include the following: U.S. Civil Service or military, Milwaukee city and county, Milwaukee police officers and public school teachers, Wisconsin state teachers retirement fund, and the sheriff's annuity and benefit fund of Milwaukee county.

Based on a simulation using the 2001 Individual Income Tax model, adjusted for 2003 law, allowing an exemption up to \$2,500 for each person with retirement income would reduce taxes for 397,200 filers and decrease state income tax revenues between \$57 million and \$86 million. A range, rather than a specific amount, is estimated because it is not possible to tell from information reported in tax returns whether one or both spouses receive pension distributions when a couple reports such income. If it is assumed one spouse receives all the pension income, the revenue loss would be \$57 million; if both spouses receive pensions, the loss would be \$86 million.

In fiscal year 2006, the Department would incur one-time costs of \$32,000 for salaries and fringe benefits. Beginning in fiscal year 2006, the Department would incur annual costs of \$198,700 for salaries and fringe benefits, postage, printing, supplies, and training and infrastructure replacement.

Long-Range Fiscal Implications

Performing similar simulations for taxable years 2006-2009 allowing for the annual increase in the maximum allowable exemption, results in a decrease in state income tax revenues of \$100 million to \$144 million in 2006, \$163 million to \$222 million in 2007, \$209 million to \$271 million in 2008, and \$243 million to \$302 million annually in 2009 and thereafter.

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Individual income tax exemption for all pension income, phased in			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
+\$32,000 for salaries and fringe benefits.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$159,200	
(FTE Position Changes)		(3.5 FTE)	
State Operations - Other Costs		39,500	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$198,700	\$
B. State Costs by Source of Funds			
GPR		198,700	
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		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$198,700	\$
NET CHANGE IN REVENUE		\$SeeText	\$
Agency/Prepared By		Authorized Signature	Date
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