

**2003 DRAFTING REQUEST**

**Bill**

Received: 02/11/2004

Received By: rchampag

Wanted: Soon

Identical to LRB:

For: David Hansen (608) 266-5670

By/Representing: John

This file may be shown to any legislator: NO

Drafter: rchampag

May Contact:

Addl. Drafters:

Subject: State Finance - investment board

Extra Copies:

Submit via email: YES

Requester's email: Sen.Hansen@legis.state.wi.us

Carbon copy (CC:) to:

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Deferred compensation program with the State of Wisconsin Investment Board for individuals

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**Instructions:**

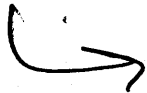
Same as LRB-4035/3

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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FE Sent For: . ,



At

Intro.

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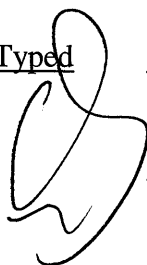
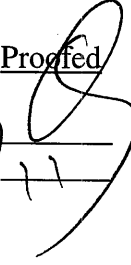
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/?	rchampag	1/1 - 2/11 King					

FE Sent For:

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State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-4035/3  
RAC&MES:kmg:jf

*Seow*

**2003 BILL**

LRB-4245/1  
RAC&MES:kmg:  
~~\_\_\_\_\_~~

1 **AN ACT to create** 20.536 (1) (r), 25.17 (1) (yw), 25.18 (1) (r), 25.188, 25.735 and  
2 71.05 (6) (b) 34. of the statutes; **relating to:** establishing a deferred  
3 compensation program to be administered by the State of Wisconsin  
4 Investment Board for individuals who are employed by businesses or  
5 organizations in the private sector that are located in this state, requiring the  
6 exercise of rule-making authority, and making appropriations.

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***Analysis by the Legislative Reference Bureau***

This bill requires the State of Wisconsin Investment Board (SWIB) to establish by rule a deferred compensation program that will allow individuals to place funds with SWIB for investment. These funds, and any investment return on the funds, are to be paid to individuals upon retirement or termination of employment. The program is only available to individuals who are employed by a business or organization in the private sector that is located in this state. To the extent practicable, SWIB must design the program with features similar to those of a qualified deferred compensation or profit-sharing plan that is governed by the federal Internal Revenue Code. Under the bill, all moneys received by SWIB from individuals are deposited in a Wisconsin family investment and retirement stability trust fund and are held in trust for the sole benefit of the individuals.

The bill also authorizes an individual to deduct from his or her federal adjusted gross income any amount of contributions that the individual makes to his or her

**BILL**

account that is established under the deferred compensation program created in this bill. All gains that accrue to such an account are also tax-exempt if the gains are redeposited into the account.

This bill will be referred to the Joint Survey Committee on Tax Exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           **SECTION 1.** 20.536 (1) (r) of the statutes is created to read:

2           20.536 (1) (r) *Wisconsin Family Investment and Retirement Stability Trust*  
3 *Program; payments to individuals.* From the Wisconsin family investment and  
4 retirement stability trust fund, a sum sufficient to pay funds owing to individuals  
5 who participate in the Wisconsin Family Investment and Retirement Stability Trust  
6 Program under s. 25.188.

7           **SECTION 2.** 25.17 (1) (yw) of the statutes is created to read:

8           25.17 (1) (yw) Wisconsin family investment and retirement stability trust fund  
9 (s. 25.735);

10          **SECTION 3.** 25.18 (1) (r) of the statutes is created to read:

11          25.18 (1) (r) Invest any of the assets of the Wisconsin family investment and  
12 retirement stability trust fund in any investment that is an authorized investment  
13 for assets in the fixed retirement investment trust under s. 25.17 (4) or assets in the  
14 variable retirement investment trust under s. 25.17 (5).

15          **SECTION 4.** 25.188 of the statutes is created to read:

16          **25.188 Wisconsin Family Investment and Retirement Stability Trust**  
17 **Program.** The board shall establish by rule a deferred compensation program to  
18 permit any individual to place moneys under the management of the board that are

**BILL**

1 to be paid to the individual upon retirement or termination of employment. The  
2 program shall only be available to an individual who is employed by a business or  
3 organization in the private sector that is located in this state. To the extent  
4 practicable, the board shall design the program with features similar to those of a  
5 qualified deferred compensation or profit-sharing plan that is governed by the  
6 Internal Revenue Code, as defined for the current taxable year under s. 71.01 (6).  
7 All moneys received by the board under the program from individuals shall be  
8 deposited in the Wisconsin family investment and retirement stability trust fund  
9 and shall be held in trust for the sole benefit of the individuals.

10 **SECTION 5.** 25.735 of the statutes is created to read:

11 **25.735 Wisconsin family investment and retirement stability trust**  
12 **fund.** There is established a separate nonlapsible trust fund designated as the  
13 Wisconsin family investment and retirement stability trust fund, consisting of  
14 moneys received by the investment board under s. 25.188.

15 **SECTION 6.** 71.05 (6) (b) 34. of the statutes is created to read:

16 71.05 (6) (b) 34. Any amount that is deposited by an individual in his or her  
17 account that is established under the Wisconsin Family Investment and Retirement  
18 Stability Trust Program described under s. 25.188, and any interest, dividends, or  
19 other gain that accrues in the account if the interest, dividends, or other gain is  
20 redeposited in the account.

21 **SECTION 7. Initial applicability.**

22 (1) The treatment of section 71.05 (6) (b) 34. of the statutes first applies to  
23 taxable years beginning on January 1 of the year in which this subsection takes  
24 effect, except that if this subsection takes effect after July 31 section 71.05 (6) (b) 34.



**BILL**

1 of the statutes first applies to taxable years beginning on January 1 of the year  
2 following the year in which this subsection takes effect.

3 (END)

**Emery, Lynn**

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**From:** Wagnitz, John  
**Sent:** Wednesday, February 11, 2004 3:07 PM  
**To:** LRB.Legal  
**Subject:** Draft review: LRB 03-4245/1 Topic: Deferred compensation program with the State of Wisconsin Investment Board for individuals

It has been requested by <Wagnitz, John> that the following draft be jacketed for the SENATE:

Draft review: LRB 03-4245/1 Topic: Deferred compensation program with the State of Wisconsin Investment Board for individuals



# State of Wisconsin

## LEGISLATIVE REFERENCE BUREAU

1 EAST MAIN, SUITE 200  
P. O. BOX 2037  
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561  
REFERENCE SECTION: (608) 266-0341  
FAX: (608) 264-6948

STEPHEN R. MILLER  
CHIEF

March 8, 2004

## MEMORANDUM

**To:** Senator Hansen

**From:** Marc E. Shovers, Sr. Legislative Attorney, (608) 266-0129

**Subject:** Technical Memorandum to **SB-528** (LRB 03-4245/1)

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We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

**MEMORANDUM**

March 8, 2004

**TO:** Marc Shovers  
Legislative Reference Bureau

**FROM:** Dennis Collier  
Department of Revenue

**SUBJECT:** Technical Memorandum on SB 528: Deferred Compensation Plan For Private Sector Employees Operated By The State of Wisconsin Investment Board

Typically under a deferred compensation program, any amount withdrawn is taxable income. If this is the intent, an addition modification would be needed in sec. 71.05(6)(a) to provide for the state taxation of the withdrawal. It appears that under the plan, the individual would not receive a federal deduction for the amount deferred or for the earnings on the account, and therefore, the amount withdrawn would not be taxable federally.

If the intent is to have a penalty for early withdrawals prior to a specified age, similar to the federal penalty, penalty provisions would be needed in sec. 71.83.

If you have questions regarding this technical memorandum, please contact Karyn Kriz at 261-8984.