

### Fiscal Estimate - 2003 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>03-1591/1</b>	<b>Introduction Number</b> <b>AB-155</b>	
<b>Subject</b>		
Individual income tax exemption for military pay received by activated member of the National Guard or reserves.		
<b>Fiscal Effect</b>		
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue              5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <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		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Karyn Kriz (608) 261-8984	Dennis Collier (608) 266-5773	5/5/2003

## Fiscal Estimate Narratives

DOR 5/5/2003

LRB Number	03-1591/1	Introduction Number	AB-155	Estimate Type	Corrected
<b>Subject</b>					
Individual income tax exemption for military pay received by activated member of the National Guard or reserves.					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates an individual income tax exemption for military pay by a member of a reserve component of the armed forces when the person is on active duty.

As of March 2003, 3,980 members of the Wisconsin reserves and National Guard have been mobilized. In addition, all reservists and National Guard members receive active duty pay for the annual required two-week training period. Based on annual payroll data from 2002, adjusted by the growth in wages and salaries from 2002 to 2003, the annual payroll for active duty for 2003 is estimated at \$51 million. This amount includes \$12.4 million pay in training pay.

Income received by reservists who are on active duty and serving in a combat zone is excluded from income for federal and state tax purposes. Therefore, this bill would apply to active reservists who do not serve in a combat zone. The number of Wisconsin reservists mobilized to serve in a combat zone is unknown.

Assuming an effective marginal tax rate of 5.5%, if the total active duty payroll for reservists and National Guard members, estimated at \$51 million, qualified for this exemption, the revenue loss from this bill would be \$2.8 million ( $\$51 \text{ million} \times 0.055$ ). However, to the extent that a substantial number of reservists are serving in a combat zone, this revenue loss would be less.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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<b>LRB Number</b> 03-1591/1		<b>Introduction Number</b> AB-155	
<b>Subject</b>			
Individual income tax exemption for military pay received by activated member of the National Guard or reserves.			
<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, ets.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-2,800,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$-2,800,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-2,800,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Karyn Kriz (608) 261-8984		Dennis Collier (608) 266-5773	5/5/2003