

**Fiscal Estimate - 2003 Session**

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>03-3768/1</b>		<b>Introduction Number</b> <b>SB-453</b>	
<b>Subject</b> Exempt from taxation the first \$5,000 of pension income			
<b>Fiscal Effect</b>			
<b>State:</b>			
<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Increase Existing Appropriations	<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	5.Types of Local Government Units Affected	
1. <input type="checkbox"/> Increase Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Decrease Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue	<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
<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	2/19/2004	

**Fiscal Estimate Narratives**  
**DOR 2/19/2004**

LRB Number	<b>03-3768/1</b>	Introduction Number	<b>SB-453</b>	Estimate Type	<b>Original</b>
<b>Subject</b>					
Exempt from taxation the first \$5,000 of pension income					

**Assumptions Used in Arriving at Fiscal Estimate**

Under current law, pension benefits receive from the following sources by public employees who were members of or retired from these plans as of December 31, 1963 are exempt from taxation: the U.S. Civil Service Retirement System, the U.S. Military Employee Retirement System, the Milwaukee city and county retirement systems, the Police Officer's Annuity and Benefit Fund of Milwaukee, the Milwaukee Public School Teachers' Retirement Fund, the Wisconsin State Teachers' Retirement Fund and the Sheriff's Annuity and Benefit Fund of Milwaukee County. Current law also exempts pension payments received from the following sources to the extent that they are not currently exempt from taxation: the U.S. Military Employee Retirement System and all retirement payments received from the federal government related to service with the Coast Guard or the commissioned corps of either the National Oceanic and Atmospheric Administration or the Public Health Service.

This bill would exempt from taxation up to the first \$5,000 of pension income received each year, to the extent that it is not already exempt from taxation.

According to a simulation run on the 2001 Individual Income Tax Model, adjusted for current law, allowing up to a \$5,000 exemption for each eligible filer would affect 306,000 retirees and reduce income tax revenues by at least \$75.7 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 \$109 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.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>03-3768/1</b>		Introduction Number <b>SB-453</b>	
<b>Subject</b>			
Exempt from taxation the first \$5,000 of pension income			
<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	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$SeeText	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
DOR/ Karyn Kriz (608) 261-8984		Dennis Collier (608) 266-5773	
		<b>Date</b>	
		2/19/2004	