

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-0641/1		Introduction Number AB-78			
Subject Individual income tax exemption for military income; sunset armed forces member tax credit					
Fiscal Effect					
State:					
<input type="checkbox"/> No State Fiscal Effect					
<input type="checkbox"/> Indeterminate					
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues			
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues			
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No			
<input type="checkbox"/> Decrease Costs					
Local:					
<input type="checkbox"/> No Local Government Costs					
<input type="checkbox"/> Indeterminate					
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue			
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory			
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			
5. Types of Local Government Units Affected					
<input type="checkbox"/> Towns		<input type="checkbox"/> Village <input type="checkbox"/> Cities			
<input type="checkbox"/> Counties		<input type="checkbox"/> Others			
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts			
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					
Agency/Prepared By		Authorized Signature		Date	
DOR/ Kirstin Nelson (608) 261-8984		Rebecca Boldt (608) 266-6785		2/21/2005	

Fiscal Estimate Narratives
DOR 2/21/2005

LRB Number 05-0641/1	Introduction Number AB-78	Estimate Type Original
Subject Individual income tax exemption for military income; sunset armed forces member tax credit		

Assumptions Used in Arriving at Fiscal Estimate

All military income is taxable by the state of legal residence. Under current Wisconsin law, active duty members of the U.S. armed forces may claim an armed forces member tax credit of up to \$200 in military income received from the federal government for services performed while the claimant is stationed outside the United States. This bill would create an individual income tax exemption for military income received by active duty U.S. armed forces members. This bill would also repeal the armed forces member tax credit. Both the exemption and the repeal of the credit would apply for taxable years beginning after December 31, 2004.

According to the Office of the Assistant Secretary of Defense for Legislative Affairs, approximately 12,700 active duty military personnel currently claim legal residence in Wisconsin. The U.S. Department of Defense Statistical Information Analysis Division identifies the average pay received by active duty military personnel in federal FY03 as \$43,500. Adjusting for growth in income, the average pay received by active duty military personnel in federal FY05 would be \$48,000. Assuming an effective tax rate of 4.6%, providing the exemption outlined above is estimated to result in a revenue loss of \$28 million (12,700 x \$48,000 x 4.6%).

In tax year 2003, about 5,500 filers claimed the armed forces member tax credit totaling about \$0.8 million, and that would be the estimated revenue gain from repealing this credit.

Combining these two effects, this bill would reduce state revenues by approximately \$27.2 million annually.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Individual income tax exemption for military income; sunset armed forces member tax credit			
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 funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	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, ets.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$-27,200,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-27,200,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-27,200,000	\$
Agency/Prepared By		Authorized Signature	Date
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