Fiscal Estimate - 2005 Session

☑ Original ☐ Updated	Corrected	Supplemental
LRB Number 05-1160/1	Introduction Num	ber AB-335
Subject No individual retirement account early withdrawa	al penalty if purchasing long-ter	m care insurance
Appropriations Reve	rease Existing absort	ase Costs - May be possible to b within agency's budget Yes No ase Costs
Permissive Mandatory Perm 2. Decrease Costs 4. Decre Permissive Mandatory Perm	ase Revenue issive Mandatory ease Revenue issive Mandatory Units A Co Solution	wns Village Cities unties Others hool WTCS stricts Districts
Fund Sources Affected GPR FED PRO PRS	Affected Cl	h. 20 Appropriations
Agency/Prepared By	Authorized Signature	Date
DOR/ Kirstin Nelson (608) 261-8984	Dennis Collier (608) 266-5773 12/23/20	

Fiscal Estimate Narratives DOR 4/15/2005

LRB Number 05-11	50/1 Introduction Number	AB-335	Estimate Type	Original	
Subject					
No individual retirement account early withdrawal penalty if purchasing long-term care insurance					

Assumptions Used in Arriving at Fiscal Estimate

This bill would allow a taxpayer to avoid the state penalty on an early withdrawal from an Individual Retirement Account (IRA) if the distribution from the IRA is used to purchase long-term care insurance. Under federal law, the penalty for early withdrawal from an IRA is 10%. Wisconsin charges a penalty equal to 33% of the federal penalty. If the 33% penalty is waived for purchasers of long-term care insurance, the number of taxpayers who would purchase long-term care insurance is unknown.

On 2003 individual income tax returns, 26,700 taxpayers claimed a subtraction for long-term care insurance and 80,000 Wisconsin taxpayers had IRA penalties totaling over \$17 million with an average state penalty of approximately \$215.

Some unknown percentage of the 26,700 taxpayers purchasing long-term care insurance would use early withdrawals from IRAs to pay for this insurance. Assuming the average penalty of \$215 for these taxpayers, if 5% or 1,335 taxpayers use early IRA withdrawals to buy the insurance, the revenue loss would be \$287,000. If 25% or 6,675 taxpayers use early IRA withdrawals to buy the insurance, the revenue loss would be \$1.4 million.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original Upda	ated Corrected	Supplemental
LRB Number 05-1160/1	Introduction Numb	per AB-335
Subject No individual retirement account early w I. One-time Costs or Revenue Impacts		
annualized fiscal effect):		•
II. Annualized Costs:	Annualized Fis	cal Impact on funds from:
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringe	es \$	
(FTE Position Changes)		
State Operations - Other Costs	1	
Local Assistance		
Aids to Individuals or Organizations	er e	
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED	e de la companya de	
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this on (e.g., tax increase, decrease in license	ly when proposal will increase or defee, ets.)	ecrease state revenues
S. 제 경우 - 이 경우 이 영향으로 보고 있는 것으로 보고 있다. 그런 그 경우 - 이 경우 - 이 전 프로그램 - 이 경우	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET A	NNUALIZED FISCAL IMPACT	
	<u>State</u>	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$SeeText	\$
		,
Agency/Prepared By	Authorized Signature	Date
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