

### Fiscal Estimate - 2005 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>05-0723/2</b>	<b>Introduction Number</b> <b>SB-30</b>
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**Subject**  
 Individual income tax exemption for retirement plan income

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs	<b>5. Types of Local Government Units Affected</b>	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Towns	<input type="checkbox"/> Village <input type="checkbox"/> Cities
1. <input type="checkbox"/> Increase Costs	<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
2. <input type="checkbox"/> Decrease Costs		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
3. <input type="checkbox"/> Increase Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
4. <input type="checkbox"/> Decrease Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		

<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> DOR/ Kirstin Nelson (608) 261-8984	<b>Authorized Signature</b> Rebecca Boldt (608) 266-6785	<b>Date</b> 2/9/2005
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## Fiscal Estimate Narratives

DOR 2/9/2005

LRB Number <b>05-0723/2</b>	Introduction Number <b>SB-30</b>	Estimate Type <b>Original</b>
<b>Subject</b> Individual income tax exemption for retirement plan income		

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, the pension benefits of certain public employees are exempt from state taxation. Pension plans that are exempt from taxation include the following: U.S. Civil Service or military, Milwaukee city and county, Milwaukee police officers and public school teachers, Wisconsin state teachers retirement fund, and the sheriff's annuity and benefit fund of Milwaukee county.

This bill would exempt from taxation up to \$2,500 of income received from a retirement plan in tax year 2006 if the income is not already exempt from taxation. The maximum allowable exemption would increase from \$2,500 to \$5,000 in 2007, \$10,000 in 2008, \$15,000 in 2009, and \$20,000 in 2010 and thereafter.

Based on a simulation using the 2003 Individual Income Tax model, adjusted for 2005 law, allowing an exemption up to \$2,500 for each person with retirement income would reduce taxes for about 353,000 filers and decrease state income tax revenues between \$23 million and \$36 million for fiscal year 2006. A range, rather than a specific amount, is estimated because it is not possible to tell from information reported in tax returns whether one or both spouses receive pension distributions when a couple reports such income. If it is assumed one spouse receives all the pension income, the revenue loss would be \$23 million; if both spouses receive pensions, the loss would be \$36 million. Revenue losses have been converted to represent fiscal years, rather than taxable years, because of the use of estimated tax payments by some taxpayers.

### Long-Range Fiscal Implications

Performing similar simulations for fiscal years 2007-2010 allowing for the annual increase in the maximum allowable exemption, results in a decrease in state income tax revenues of \$73 million to \$111 million in 2007, \$126 million to \$181 million in 2008, \$180 million to \$245 million in 2009, and \$221 million to \$284 million annually in 2010 and thereafter.

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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<b>LRB Number</b> 05-0723/2		<b>Introduction Number</b> SB-30	
<b>Subject</b>			
Individual income tax exemption for retirement plan income			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
See text.			
<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, etc.)</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>	<b>Date</b>
DOR/ Kirstin Nelson (608) 261-8984		Rebecca Boldt (608) 266-6785	2/9/2005