Fiscal Estimate - 2007 Session

Original Updated	Corrected Supplemental								
LRB Number 07-0457/1	Introduction Number AB-0018								
Description Exempting from taxation retirement plan income received by an individual									
Fiscal Effect									
State: No State Fiscal Effect Indeterminate Increase Existing Appropriations Decrease Existing Appropriations Appropriations Permissive Mandatory No Local Effect Indeterminate No Local Government Costs Increase Costs Increase Existing Revenues No Local Government Costs Increase Revenue Permissive Mandatory Permissive Mandatory Permissive Mandatory Permissive Mandatory Permissive Mandatory No State Fiscal Effect Increase Existing Revenues No Increase Costs - May be possible to absorb within agency's budget Decrease Costs No Decrease Costs Strypes of Local Government Units Affected Towns Village Counties Counties Others School Districts Districts									
Fund Sources Affected Affected Ch. 20 Appropriations GPR FED PRO PRS SEG SEGS									
Agency/Prepared By	Authorized Signature Date								
OR/ Bradley Caruth (608) 261-8984 Rebecca Boldt (608) 266-6785 1/23									

Fiscal Estimate Narratives DOR 1/23/2007

LRB Number	07-0457/1	Introduction Number	AB-0018	Estimate Type	Original			
Description Exampling from toxicity retirement plan in comparing the property of the property								
Exempting from taxation retirement plan income received by an individual								

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 2007 if the income is not already exempt from taxation. The maximum allowable exemption would increase from \$2,500 to \$5,000 in 2008, \$10,000 in 2009, \$15,000 in 2010, and \$20,000 in 2011 and thereafter.

Using the 2005 Individual Income Tax Model, inflated for 2007 income levels and law, an exemption of up to \$2,500 for each person with retirement income would reduce taxes on approximately 391,000 returns. State income tax revenues would decrease by \$58 million to \$88 million for tax year 2007. A range, rather than a specific amount, is given because tax returns do not include information about the source of pension distributions for married couples. The lower bound assumes that all pension income is attributed to one spouse, while the upper bound assumes that the pension income is divided evenly between both spouses.

Long-Range Fiscal Implications

Similar simulations using the 2005 Individual Income Tax Model, inflated for tax years 2008 through 2011 were completed to estimate the costs during the remainder of the phase-in period of the bill. State income tax revenue is estimated to decrease by \$106 million to \$157 million in tax year 2008, \$188 million to \$268 million in tax year 2009, \$259 million to \$357 million in tax year 2010, and \$288 million to \$389 million in tax year 2011.

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

	Original		Updated			Corrected		Supp	lemental
LRB	Number	07-0457/	/ 1		Intro	duction N	lumber	AB-0)18
Descr Exem		ation retireme	ent plan inco	me	received I	oy an individ	dual		
I. One		or Revenue I						do not inc	lude in
II. Annualized Costs:			Annualize	nnualized Fiscal Impact on funds from:					
						Increased C	osts	Decre	ased Costs
A. Sta	te Costs by	Category							
		- Salaries and	d Fringes				\$		\$
	E Position Ch								
Stat	e Operations	- Other Costs	8						
Loca	al Assistance								
Aids	to Individual	s or Organiza	tions						
<u> </u>	OTAL State	Costs by Cat	egory				\$		\$
B. Sta	te Costs by	Source of Fu	nds						
GPF	7								
FED)								
PRO	D/PRS								
SEG	S/SEG-S								
III. Sta revent	te Revenues ues (e.g., tax	s - Complete increase, de	this only w crease in li	hen icer	proposal ise fee, et	will increa s.)	se or dec	rease stat	е
						Increased	Rev	Dec	reased Rev
	R Taxes						\$		\$
	R Earned								
FED									
	D/PRS	W. T							
	S/SEG-S								
T(TOTAL State Revenues				\$	\$			
NET ANNUALIZED FISCAL IMPACT									
						S	tate		Local
NET CHANGE IN COSTS				\$	\$				
NET CHANGE IN REVENUE				\$See	Гехt		\$		
Agency/Prepared By Authorized Signature Date							Date		
					•				
DOT / Dradiey Cardin (000) 201-0304 Re			becca Boldt (608) 266-6785				1/23/2007		