

2007 DRAFTING REQUEST

Bill

Received: **06/01/2007**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **Donald Friske (608) 266-7694**

By/Representing: **Rep. Friske**

This file may be shown to any legislator: **NO**

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Tax, Individual - dedct/sbtrct**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.Friske@legis.wisconsin.gov**

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Exempt from taxation pension income of federal employees not covered by social security

Instructions:

Exempt from taxation all pension income received from civil service retirement system by federal employees who are not covered by social security

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?				_____			State Tax
/1	mshovers 06/01/2007	bkraft 06/12/2007	jfrantze 06/12/2007	_____	lparisi 06/12/2007	cduerst 01/04/2008	

FE Sent For: **"/1" @intro. 1-10-08** **<END>**

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/?	mshovers	1 bjk 6/5 1 lmk 6/12	Jb	Jb/RS 6/12			
1	MES 6/1	1/07	6/12				

FE Sent For:

<END>

Shovers, Marc

From: Duerst, Christina
Sent: Thursday, May 31, 2007 3:40 PM
To: Shovers, Marc
Subject: FW: Message for Marc Shovers

From: Rep.Friske
Sent: Thursday, May 31, 2007 3:40 PM
To: LRB.Legal
Subject: Message for Marc Shovers

I request the LRB draft a bill that would extend the income tax exemption (created in the last budget for social security income) to federal employee pensions provided to former federal employees in lieu of social security.

Rep. Don Friske

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Retirement Planner



Federal Government Employment

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Until 1984, employment by the Federal government was covered under the Civil Service Retirement System (CSRS) and not by Social Security. If you worked for a Federal agency during these years, you did not pay Social Security tax on your earnings and those earnings are not shown on your record.

In 1984, a second retirement system--the Federal Employees Retirement System, or FERS--was introduced. People who began working for the Federal government in 1984 or later are covered by FERS instead of CSRS. Also, some workers who had been covered by the CSRS program chose to switch to the FERS program when it became available. Work under FERS is covered by Social Security.

If you stayed under the CSRS program after 1983, you still are not covered by Social Security but you are covered under the Medicare program and you pay Medicare taxes on your Federal earnings.

Your CSRS pension may affect your Social Security benefit amount. If you

- [Had enough work to qualify for Social Security benefits.](#)
- [Qualify for Social Security benefits as a spouse.](#)

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USA.gov

Senator renews push to reduce burden of pension offset

By Brittany R. Ballenstedt bballenstedt@govexec.com May 2, 2007

A bill reintroduced Tuesday in the Senate aims to scale back a pension offset that reduces Social Security benefits for some federal retirees.

The bill (S. 1254), introduced by Sen. Barbara Mikulski, D-Md., would ease the burden of a 1977 law that prevents certain retirees from collecting both a government annuity and spousal Social Security benefits.

"I'm fighting to address this cruel and heartless rule, and call on Congress and the Bush administration to work to find a solution to this problem," Mikulski said. "Congress needs to know how important this issue is to our nation's seniors who have dedicated their lives to the public."

Before 1977, retirees who received pensions under the Civil Service Retirement System and did not pay into Social Security still qualified for full spousal Social Security benefits. The Government Pension Offset reduces the spousal benefit granted government retirees who did not pay Social Security taxes by an amount equal to two-thirds of their pension.

Mikulski's legislation would do away with the two-thirds offset unless the combined amount of the pension plus the Social Security spousal benefit exceeds \$1,200 per month.

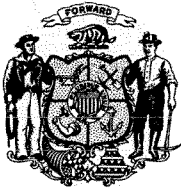
Mikulski introduced the measure in the last few sessions of Congress, but it failed to make it out of the Senate Finance Committee. Two bills with similar goals already have been introduced this session; H.R. 82 and S. 206 seek a full repeal of the pension offset and the Windfall Elimination Provision, under which Social Security benefits are reduced for retirees who spent much of their careers working for organizations that do not withhold Social Security taxes. Both bills are currently in committee.

Colleen Kelley, president of the National Treasury Employees Union, said the increasing bipartisan support for reform may mean better prospects for passage of at least one of the bills this session.

"Increasing numbers of members of Congress on both sides of the aisle are becoming aware of the problems the GPO and WEP cause federal retirees, and I am hopeful that Congress will act to modify these laws," she said.

Mikulski spokeswoman Melissa Schwartz said the estimated cost of the proposal is \$5.6 billion over 10 years. A full repeal of GPO would cost about \$38.1 billion over 10 years, she said.

According to the National Active and Retired Federal Employees Association, there are 390,000 Social Security beneficiaries currently affected by the government pension offset. "NARFE calls for Congress to immediately take up this discriminatory provision under the Social Security Act," said Margaret Baptiste, the group's president.



State of Wisconsin
2007 - 2008 LEGISLATURE

LRB-2822/? ←

MESD:.....

bjk
elmk **RMK**

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

2007 Bill

SA ✓
x-ref ✓

D-NOTE ←

gln ←

1 AN ACT ...; **relating to:** exempting from taxation the pension benefits of certain
2 retired federal employees.

Analysis by the Legislative Reference Bureau

Under current law, the pension benefits of certain public employees are exempt from state taxation. The pensions that are exempt include payments received from the U.S. civil service retirement system (CSRS), 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. For most of these pension plans, the exemption applies only to persons who were members of or retired from the plans as of December 31, 1963, although this limitation does not apply to retirement payments received from the U.S. military employee retirement system or from payments received from the U.S. government that relate to service with the U.S. Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, or the commissioned corps of the U.S. Public Health Service.

Under federal law, until 1984, employment by the federal government was covered under the CSRS and not by social security. In 1984, the federal government created the Federal Employees Retirement System (FERS). Federal employees who began working for the federal government in 1984 or later are covered by FERS instead of CSRS. Some federal employees who had been covered by CSRS switched to the FERS, and some stayed in the CSRS. Work under the FERS is covered by social security. Federal employees who remained in the CSRS after 1983 are still not covered by social security.

This bill exempts from taxation all payments received from ~~the~~ CSRS, to the extent that such payments are not already exempt. ✓

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill. ✓

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill. ✓

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 71.05 (1) (ae) of the statutes is created to read:

2 ✓ 71.05 (1) (ae) *Federal employee pension income.* ✓ All payments received from
3 the U.S. civil service retirement system, ✓ to the extent that such payments are not
4 exempt under par. (a) or (an). ✓

5 **SECTION 2.** 71.05 (1) (am) of the statutes is amended to read:

6 ✓ 71.05 (1) (am) *Military retirement systems.* All retirement payments received
7 from the U.S. military employee retirement system, to the extent that such payments
8 are not exempt under par. (a) or (ae). ✓

9 **SECTION 3.** 71.05 (1) (an) of the statutes is amended to read:

10 ✓ 71.05 (1) (an) *Uniformed services retirement benefits.* All retirement payments
11 received from the U.S. government that relate to service with the coast guard, the
12 commissioned corps of the national oceanic and atmospheric administration, or the
13 commissioned corps of the public health service, to the extent that such payments are
14 not exempt under par. (a), (ae), ✓ or (am).

15 **SECTION 4.** 71.05 (6) (b) 4. of the statutes is amended to read:

16 ✓ 71.05 (6) (b) 4. Disability payments other than disability payments that are
17 paid from a retirement plan, the payments from which are exempt under sub. (1) (ae),
18 (am), and (an), if the individual either is single or is married and files a joint return,

1 to the extent those payments are excludable under section 105 (d) of the ~~internal~~
2 ~~revenue code~~ Internal Revenue Code as it existed immediately prior to its repeal in
3 1983 by section 122 (b) of P.L. 98-21, except that if an individual is divorced during
4 the taxable year that individual may subtract an amount only if that person is
5 disabled and the amount that may be subtracted then is \$100 for each week that
6 payments are received or the amount of disability pay reported as income, whichever
7 is less. If the exclusion under this subdivision is claimed on a joint return and only
8 one of the spouses is disabled, the maximum exclusion is \$100 for each week that
9 payments are received or the amount of disability pay reported as income, whichever
10 is less.

11 **SECTION 5.** 71.83 (1) (a) 6. of the statutes is amended to read:

12 ✓ 71.83 (1) (a) 6. 'Retirement plans.' Any natural person who is liable for a
13 penalty for federal income tax purposes under section 72 (m) (5), (q), (t), and (v), 4973,
14 4974, 4975, or 4980A of the ~~internal revenue code~~ Internal Revenue Code is liable
15 for 33% of the federal penalty unless the income received is exempt from taxation
16 under s. 71.05 (1) (a) or (ae). The penalties provided under this subdivision shall be
17 assessed, levied, and collected in the same manner as income or franchise taxes.

18 **SECTION 6. Initial applicability.**

19 (1) This act first applies to taxable years beginning on January 1 of the year
20 in which this subsection takes effect, except that if this subsection takes effect after
21 July 31 this act first applies to taxable years beginning on January 1 of the year
22 following the year in which this subsection takes effect. ✓

23 (END)

D-note

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-2822/2dn

MES.....

bjk
slmk

Date

Representative Friske:

I believe that this bill meets your intent. ✓ You may wish to have it reviewed by the Department of Revenue. ✓

Marc E. Shovers
Senior Legislative Attorney
Phone: (608) 266-0129
E-mail: marc.shovers@legis.wisconsin.gov

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-2822/1dn
MES:bjk&lmk:jf

June 12, 2007

Representative Friske:

I believe that this bill meets your intent. You may wish to have it reviewed by the Department of Revenue.

Marc E. Shovers
Senior Legislative Attorney
Phone: (608) 266-0129
E-mail: marc.shovers@legis.wisconsin.gov

Duerst, Christina

From: Gary, Tim
Sent: Friday, January 04, 2008 10:36 AM
To: LRB.Legal
Subject: Draft Review: LRB 07-2822/1 Topic: Exempt from taxation pension income of federal employees not covered by social security

Please Jacket LRB 07-2822/1 for the ASSEMBLY.