

2007 DRAFTING REQUEST

Bill

Received: 11/15/2006

Received By: mshovers

Wanted: As time permits

Identical to LRB:

For: Neal Kedzie (608) 266-2635

By/Representing: Matt

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: Sen.Kedzie@legis.wisconsin.gov

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Individual income tax exemption for for retirement plan income

Instructions:

See Attached. Redraft 2005 SSA 1 to SB 30 (LRB s0045/1)

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>
/?	mshovers 11/15/2006	jdyer 11/22/2006		_____			State Tax
/1			nmatzke 11/22/2006	_____	mbarman 11/22/2006	cduerst 12/18/2006	

FE Sent For:

*at intro
1/9/07*

<END>

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/?	mshovers	<i>1 11/21 jw</i>	<i>nwn 11/22</i>	<i>nwn/jf 11/22</i>			
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1/1 NKS 11/15/06

FE Sent For:

<END>

Shovers, Marc

From: Phillips, Matt
Sent: Tuesday, November 14, 2006 2:00 PM
To: Shovers, Marc
Subject: Drafting request:

Marc:

Sen. Kedzie is interested in reintroducing 2005 Senate Bill 30, related to exempting from taxation retirement plan income received by an individual. Could you please redraft this proposal for him, as it was amended by SSA 1 (LRB 0045/1). Please consider this as a separate request with a separate LRB # than our earlier request to have the proposal drafted as a tax credit.

Thank you, and please give me a call if you have any questions.

Matt Phillips
Policy Advisor
Senator Neal Kedzie
Assistant Majority Leader
11th Senate District

-0785/1

Stays RMNR

SENATE SUBSTITUTE AMENDMENT 1,

2007 **TO 2005 SENATE BILL 301**

LPS.
PWF
please

D-NOTE

March 16, 2005 - Offered by Senator KEDZIE.

near

1 **AN ACT to amend** 71.05 (1) (am), 71.05 (1) (an), 71.05 (6) (b) 4. and 71.83 (1) (a)
2 6.; and **to create** 71.05 (1) (ae) of the statutes; **relating to:** exempting from
3 taxation retirement plan income received by an individual. ✓

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, 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.

This substitute amendment exempts from taxation certain amounts of payments or distributions received each year by an individual from a qualified retirement plan under the Internal Revenue Code, if such payments are not already

bill ✓

exempt from taxation. The ^{bill} ~~substitute amendment~~ first applies to taxable year ~~2006~~ ²⁰⁰⁷, and the maximum allowable exemption is \$2,500. The exemption amount increases each year from \$2,500 to \$5,000 in ~~2007~~ ²⁰⁰⁸, \$10,000 in 2008, \$15,000 in ~~2009~~ ²⁰¹⁰, and \$20,000 in ~~2010~~ ²⁰¹¹ and thereafter.

TAX-EXM
FE-S ✓

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

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

2 71.05 (1) (ae) *Pension income*. ✓ Except for a payment that is exempt under par.
3 (a), (am), or (an) ✓, or that is exempt as a railroad retirement benefit, one of the
4 following amounts of payments or distributions received each year by an individual
5 from a qualified retirement plan under the Internal Revenue Code:

6 1. For taxable years beginning after December 31, 2005 ⁶, and before January
7 1, 2007 ⁷, \$2,500. ✓

8 2. For taxable years beginning after December 31, 2006 ⁷, and before January
9 1, 2008 ⁸, \$5,000. ✓

10 3. For taxable years beginning after December 31, 2007 ⁸, and before January
11 1, 2009 ²⁰¹⁰, \$10,000. ✓

12 4. For taxable years beginning after December 31, 2008 ⁹, and before January
13 1, 2010 ²⁰¹¹, \$15,000. ✓

14 5. For taxable years beginning after December 31, 2009 ²⁰¹⁰, \$20,000. ✓

15 SECTION 2. 71.05 (1) (am) ^x of the statutes is amended to read:

16 71.05 (1) (am) *Military retirement systems*. All retirement payments received
17 from the U.S. military employee retirement system, to the extent that such payments
18 are not exempt under par. (a) or (ae). ✓

19 SECTION 3. 71.05 (1) (an) ^x of the statutes is amended to read:

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

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

7 71.05 (6) (b) 4. Disability payments other than disability payments that are
8 paid from a retirement plan, the payments from which are exempt under sub. (1) (ae),
9 (am)[✓] and (an), if the individual either is single or is married and files a joint return,
10 to the extent those payments are excludable under section 105 (d) of the internal
11 revenue code[✓] Internal Revenue Code as it existed immediately prior to its repeal in
12 1983 by section 122 (b) of P.L. 98-21, except that if an individual is divorced during
13 the taxable year that individual may subtract an amount only if that person is
14 disabled and the amount that may be subtracted then is \$100 for each week that
15 payments are received or the amount of disability pay reported as income, whichever
16 is less. If the exclusion under this subdivision is claimed on a joint return and only
17 one of the spouses is disabled, the maximum exclusion is \$100 for each week that
18 payments are received or the amount of disability pay reported as income, whichever
19 is less.

20 **SECTION 5.** 71.83 (1) (a) 6.[✓] of the statutes is amended to read:

21 71.83 (1) (a) 6. 'Retirement plans.' Any natural person who is liable for a
22 penalty for federal income tax purposes under section 72 (m) (5), (q), (t), and (v), 4973,
23 4974, 4975, or 4980A of the internal revenue code Internal Revenue Code is liable
24 for 33% of the federal penalty unless the income received is exempt from taxation

1 under s. 71.05 (1) (a) [✓] or (ae). The penalties provided under this subdivision shall be
2 assessed, levied, and collected in the same manner as income or franchise taxes.

3 **SECTION 6. Initial applicability.**

4 (1) This act first applies to taxable years beginning on January 1, 200~~6~~⁷ ⁹ ⁷

5 (END)

(D-Note)

Sen. Kadzie:

*If this bill is not enacted by approximately
August 1, 2007, the dates will need to be
advanced one year.*

MES

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

LRB-0785/1dn
MES:jld:nwn

November 22, 2006

Sen. Kedzie:

If this bill is not enacted by approximately August 1, 2007, the dates will need to be advanced one year.

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

Duerst, Christina

From: Sen.Kedzie
Sent: Monday, December 18, 2006 10:54 AM
To: LRB.Legal
Subject: Draft Review: LRB 07-0785/1 Topic: Individual income tax exemption for for retirement plan income

Please Jacket LRB 07-0785/1 for the SENATE.