



## 2007 ASSEMBLY BILL 952

March 11, 2008 - Introduced by Representatives VOS, LOTHIAN, KERKMAN, ALBERS, DAVIS, J. FITZGERALD, HAHN, LEMAHIEU, MONTGOMERY, MOULTON, MUSSER, NASS, OWENS, TOWNSEND, ZIEGELBAUER and ZIPPERER, cosponsored by Senators KEDZIE, SCHULTZ, ROESSLER, DARLING, GROTHMAN and WIRCH. Referred to Committee on Ways and Means.

1     **AN ACT** *to amend* 71.05 (1) (ae) (intro.); *to repeal and recreate* 71.05 (1) (ae)  
2           1. to 4.; and *to create* 71.05 (1) (ae) 5. to 22. of the statutes; **relating to:**  
3           changing the income tax exemption for payments received by senior citizens  
4           from certain retirement plans or accounts.

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### ***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.

Also under current law, for taxable years beginning after December 31, 2008, 2007 Wisconsin Act 20 (the biennial budget act) creates an individual income tax exemption for up to \$5,000 in payments or distributions received by certain individuals from a traditional individual retirement account (IRA), or from a

**ASSEMBLY BILL 952**

qualified retirement plan under the Internal Revenue Code (IRC), if such payments are not already exempt from taxation. Under the IRC, “qualified” plans include certain pension plans, profit-sharing plans, money purchase plans, stock bonus plans, annuity plans, 401 (k) plans, Keogh plans, SIMPLE plans, government or 457 plans, and IRAs.

The exemption created in the biennial budget act may only be claimed by an individual who is at least 65 years old and whose federal adjusted gross income (FAGI) is less than certain specified amounts. If the claimant is single or files as a head of household, FAGI must be less than \$15,000; if the claimant is married and a joint filer, FAGI must be less than \$30,000; or, if the claimant is married and a separate filer, the sum of both spouses’ FAGI must be less than \$30,000.

This bill changes the provision enacted in the biennial budget act by setting the exemption amount at \$500 for taxable year 2009, \$1,000 for taxable year 2010, and then increasing the exemption amount by \$1,000 each year until the exemption amount reaches \$20,000 in taxable year 2029. For taxable years beginning after 2029, the exemption is increased each year by a percentage equal to the percentage increase in Wisconsin per capita income. This bill also repeals the limitations on claiming the exemption based the claimant’s FAGI.

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) (intro.) of the statutes, as created by 2007 Wisconsin  
2 Act 20, is amended to read:

3           71.05 (1) (ae) *Pension, individual retirement income.* (intro.) Except for a  
4 payment that is exempt under par. (a), (am), or (an), or that is exempt as a railroad  
5 retirement benefit, ~~for taxable years beginning after December 31, 2008, up to \$5,000~~  
6 one of the following amounts of payments or distributions received each year by an  
7 individual, who is at least 65 years of age before the close of the taxable year to which  
8 the exemption claim relates, from a qualified retirement plan under the Internal  
9 Revenue Code or from an individual retirement account established under 26 USC  
10 408, if all of the following conditions apply:

**ASSEMBLY BILL 952**

1           **SECTION 2.** 71.05 (1) (ae) 1. to 4. of the statutes, as created by 2007 Wisconsin  
2 Act 20, are repealed and recreated to read:

3           71.05 (1) (ae) 1. For taxable years beginning after December 31, 2008, and  
4 before January 1, 2010, \$500.

5           2. For taxable years beginning after December 31, 2009, and before January  
6 1, 2011, \$1,000.

7           3. For taxable years beginning after December 31, 2010, and before January  
8 1, 2012, \$2,000.

9           4. For taxable years beginning after December 31, 2011, and before January  
10 1, 2013, \$3,000.

11           **SECTION 3.** 71.05 (1) (ae) 5. to 22. of the statutes are created to read:

12           71.05 (1) (ae) 5. For taxable years beginning after December 31, 2012, and  
13 before January 1, 2014, \$4,000.

14           6. For taxable years beginning after December 31, 2013, and before January  
15 1, 2015, \$5,000.

16           7. For taxable years beginning after December 31, 2014, and before January  
17 1, 2016, \$6,000.

18           8. For taxable years beginning after December 31, 2015, and before January  
19 1, 2017, \$7,000.

20           9. For taxable years beginning after December 31, 2016, and before January  
21 1, 2018, \$8,000.

22           10. For taxable years beginning after December 31, 2017, and before January  
23 1, 2019, \$9,000.

24           11. For taxable years beginning after December 31, 2018, and before January  
25 1, 2020, \$10,000.

**ASSEMBLY BILL 952**

1           12. For taxable years beginning after December 31, 2019, and before January  
2 1, 2021, \$11,000.

3           13. For taxable years beginning after December 31, 2020, and before January  
4 1, 2022, \$12,000.

5           14. For taxable years beginning after December 31, 2021, and before January  
6 1, 2023, \$13,000.

7           15. For taxable years beginning after December 31, 2022, and before January  
8 1, 2024, \$14,000.

9           16. For taxable years beginning after December 31, 2023, and before January  
10 1, 2025, \$15,000.

11           17. For taxable years beginning after December 31, 2024, and before January  
12 1, 2026, \$16,000.

13           18. For taxable years beginning after December 31, 2025, and before January  
14 1, 2027, \$17,000.

15           19. For taxable years beginning after December 31, 2026, and before January  
16 1, 2028, \$18,000.

17           20. For taxable years beginning after December 31, 2027, and before January  
18 1, 2029, \$19,000.

19           21. For taxable years beginning after December 31, 2028, and before January  
20 1, 2030, \$20,000.

21           22. For taxable years beginning after December 31, 2029, the maximum  
22 subtraction amount from the previous year increased by a percentage equal to the  
23 percentage increase in Wisconsin per capita personal income, as determined by the  
24 department of revenue based on the most recent data available from the federal

**ASSEMBLY BILL 952**

1 Bureau of Economic Analysis, comparing the increase between the year for which the  
2 most recent data is available and the previous year.

3 (END)