



## Fiscal Estimate Narratives

DOR 12/14/2009

LRB Number	<b>09-3868/1</b>	Introduction Number	<b>SB-420</b>	Estimate Type	<b>Original</b>
<b>Description</b> Adopting Internal Revenue Code provisions related to contributions to individual retirement accounts and retirement plans					

### Assumptions Used in Arriving at Fiscal Estimate

This bill adopts a provision from federal law (sec. 811 of Public Law 109-280) for Wisconsin purposes. This law relates to individual retirement accounts (IRAs) and other retirement arrangements.

The federal law makes permanent changes to IRAs and other retirement provisions that would otherwise have sunsetted at the end of 2010. Under the sunset provisions, the IRA and other retirement provisions would revert to 2001 levels. As a result, for tax year 2011 and thereafter:

- 1) The maximum contribution to traditional or Roth IRAs is \$5,000 (\$6,000 for individuals over 50) rather than reverting to the 2001 level of \$2,000.
- 2) Limits on elective deferrals are \$15,000 for 401(k) and 457 plan deferrals and \$10,000 for SIMPLE plan contributions. Those limits were \$7,500 and \$6,000 respectively for 2001.
- 3) Limits on defined benefit plans are \$175,000 rather than \$140,000 for 2001.
- 4) Individuals can continue to make contributions to Roth 401(k) and 403(b) plans.

Under the bill, the same changes would be made permanent for Wisconsin purposes; in the absence of this bill the provisions would sunset. In the absence of the bill, Wisconsin taxpayers who conform to the federal law would be subject to certain state penalties.

The bill is expected to decrease revenue by \$13.0 million in FY 2011, \$33.3 million in FY 2012, and \$40.4 million in FY 2013.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Adopting Internal Revenue Code provisions related to contributions to individual retirement accounts and retirement plans			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<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/ Bradley Caruth (608) 261-8984		Rebecca Boldt (608) 266-6785	12/14/2009