

**2011 DRAFTING REQUEST**

**Bill**

Received: **09/29/2010**

Received By: **mshovers**

Wanted: **As time permits**

Companion to LRB:

For: **Neal Kedzie (608) 266-2635**

By/Representing: **Matt**

May Contact:

Drafter: **mshovers**

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

Addl. Drafters:

Extra Copies:

Submit via email: **YES**

Requester's email: **Sen.Kedzie@legis.wisconsin.gov**

Carbon copy (CC:) to:

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**Pre Topic:**

No specific pre topic given

---

**Topic:**

Expand and increase the tax exemption for individual retirement plan and IRA income

---

**Instructions:**

Redraft 2009 SB 65 (LRB -0548/2), with 2 changes: 1) advance dates 3 years and 2) include income from IRAs.

---

**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 09/29/2010	edt_keagan 10/12/2010		_____			State Tax
/1			jfrantze 10/12/2010	_____	lparisi 10/12/2010		State Tax
/2	mshovers 11/09/2010	jdyer 11/10/2010	phenry 11/10/2010	_____	mbarman 11/10/2010	lparisi 11/10/2010	

FE Sent For: "12" @ intro. 3/4/11

<END>

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

Addl. Drafters:

Extra Copies: **JLD**

Submit via email: **YES**

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/?	mshovers 09/29/2010	edt_keagan 10/12/2010		_____			State Tax
/1	<i>JAMES</i>	<i>11/9/10</i>	<i>11/10 JLD</i>	jfrantze 10/12/2010 <i>11/10</i>	lparisi 10/12/2010		

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By/Representing: Matt

May Contact:

Drafter: mshovers

Subject: Tax, Individual - dedct/sbtrct

Addl. Drafters:

Extra Copies:

*kpe*  
*JLD*

Submit via email: YES

Requester's email: Sen.Kedzie@legis.wisconsin.gov

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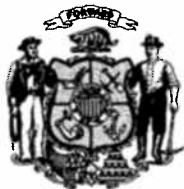
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1/1	mshovers	<i>kpe 10/8/10</i> <i>10/8 JLD</i>	<i>Jo</i> <i>10/11</i>	<i>Jo</i> <i>10/11</i>			

FE Sent For:

<END>



State of Wisconsin  
2009 - 2010 LEGISLATURE

in  
9/29

LRB-05482  
MES&RAC/bj/jf

- 0182 / 1

Frank  
kpe

2001 2009 SENATE BILL 65

D.W.F.

February 18, 2009 - Introduced by Senators KEDZIE, DARLING, LAZICH, KANAYAS, LEIBHAM, HOPPER, SCHULTZ and A. LASEE, cosponsored by Representatives LOTHIAN, NASS, KERKMAN, ZIEGELBAUER, TOWNSEND, DAVIS, BROOKS, MEYER, RHOADES, ROTH, LEMAHIEU, GUNDERSON, VOS, GUNDRUM, ZIPPERER, MURTHA, SPANBAUER, BALLWEG, PETERSEN, J. OTT and BIES. Referred to Joint Survey Committee on Tax Exemptions.

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legen

- 1 AN ACT to amend 71.05 (1) (ae) (intro.), 71.05 (1) (am), 71.05 (1) (an), 71.05 (6)
- 2 (b) 4. and 71.83 (1) (a) 6.; and to create 71.05 (1) (af) of the statutes; relating
- 3 to: expanding and increasing the tax exemption for retirement plan income
- 4 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. Also under current law, up to \$5,000 of payments or distributions received by certain individuals from a qualified retirement plan under the Internal Revenue Code, or from certain individual retirement accounts, are exempt from taxation. To be

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SENATE BILL 65

or from certain individual retirement accounts

eligible, the individual must be at least 65 years old and have federal adjusted gross income (FAGI) under \$15,000, or under \$30,000 if married.

2009 to 2012

Under this bill, the \$5,000 exemption for certain individuals who are at least 65 years old and have limited FAGI applies only for taxable year 2009. Beginning with taxable year 2010, the \$5,000 exemption for payments or distributions received from a qualified retirement plan may still be claimed, to the extent that such amounts are not already exempt from taxation, but the exemption is not limited to individuals who are at least 65 years old and have FAGI of less than \$15,000, or less than \$30,000 if married. Under the bill, the exemption amount increases each year from \$5,000 to \$10,000 in 2012, \$15,000 in 2013, and \$20,000 in 2014 and thereafter.

2013

2016

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.

2014

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 is amended to read:  
2 71.05 (1) (ae) Pension, individual retirement income. (intro.) Except for a  
3 payment that is exempt under par. (a), (am), or (an), or that is exempt as a railroad  
4 retirement benefit, for taxable years beginning after December 31, 2008, and before  
5 January 1, 2013, up to \$5,000 of payments or distributions received each year by an  
6 individual from a qualified retirement plan under the Internal Revenue Code or from  
7 an individual retirement account established under 26 USC 408, if all of the  
8 following conditions apply:

9 SECTION 2. 71.05 (1) (af) of the statutes is created to read:  
10 71.05 (1) (af) Pension income. Except for a payment that is exempt under par.  
11 (a), (am), or (an), or that is exempt as a railroad retirement benefit, one of the  
12 following amounts of payments or distributions received each year by an individual  
13 from a qualified retirement plan under the Internal Revenue Code:

or from an individual retirement account established under 26 USC 408



SENATE BILL 65

1 1. For taxable years beginning after December 31, ~~2009~~<sup>2012</sup>, and before January  
2 1, ~~2011~~<sup>2014</sup>, \$5,000.

3 2. For taxable years beginning after December 31, ~~2010~~<sup>2013</sup>, and before January  
4 1, ~~2012~~<sup>2015</sup>, \$10,000.

5 3. For taxable years beginning after December 31, ~~2011~~<sup>2014</sup>, and before January  
6 1, ~~2013~~<sup>2016</sup>, \$15,000.

7 4. For taxable years beginning after December 31, ~~2012~~<sup>2015</sup>, \$20,000.

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

9 71.05 (1) (am) *Military retirement systems.* All retirement payments received  
10 from the U.S. military employee retirement system, to the extent that such payments  
11 are not exempt under par. (a) ~~or~~ (ae), or (af).<sup>✓</sup>

12 **SECTION 4.** 71.05 (1) (an) of the statutes is amended to read:

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

18 **SECTION 5.** 71.05 (6) (b) 4. of the statutes is amended to read:

19 71.05 (6) (b) 4. Disability payments other than disability payments that are  
20 paid from a retirement plan, the payments from which are exempt under sub. (1)  
21 (ad), (ae), (am), and (an), if the individual either is single or is married and files a joint  
22 return, to the extent those payments are excludable under section 105 (d) of the  
23 Internal Revenue Code as it existed immediately prior to its repeal in 1983 by section  
24 122 (b) of P.L. 98-21, except that if an individual is divorced during the taxable year  
25 that individual may subtract an amount only if that person is disabled and the

**SENATE BILL 65**

1 amount that may be subtracted then is \$100 for each week that payments are  
2 received or the amount of disability pay reported as income, whichever is less. If the  
3 exclusion under this subdivision is claimed on a joint return and only one of the  
4 spouses is disabled, the maximum exclusion is \$100 for each week that payments are  
5 received or the amount of disability pay reported as income, whichever is less.

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

7 71.83 (1) (a) 6. 'Retirement plans.' Any natural person who is liable for a  
8 penalty for federal income tax purposes under section 72 (m) (5), (q), (t), and (v), 4973,  
9 4974, 4975, or 4980A of the Internal Revenue Code is liable for 33% of the federal  
10 penalty unless the income received is exempt from taxation under s. 71.05 (1) (a) or,  
11 (ae), or (af). The penalties provided under this subdivision shall be assessed, levied,  
12 and collected in the same manner as income or franchise taxes.

13 **SECTION 7. Initial applicability.**

14 (1) This act first applies to taxable years beginning on January 1, 2009.

Handwritten notes: a checkmark, a signature, and the year 2012.

15 (END)



State of Wisconsin  
2011 - 2012 LEGISLATURE



LRB-0182/L

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+ LD  
FMR

2011 BILL

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1 AN ACT *to amend* 71.05 (1) (ae) (intro.), 71.05 (1) (am), 71.05 (1) (an), 71.05 (6)  
2 (b) 4. and 71.83 (1) (a) 6.; and *to create* 71.05 (1) (af) of the statutes; **relating**  
3 **to:** expanding and increasing the tax exemption for retirement plan income  
4 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.

Also under current law, up to \$5,000 of payments or distributions received by certain individuals from a qualified retirement plan under the Internal Revenue Code, or from certain individual retirement accounts, are exempt from taxation. To

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**BILL**

be eligible, the individual must be at least 65 years old and have federal adjusted gross income (FAGI) under \$15,000, or under \$30,000 if married.

Under this bill, the \$5,000 exemption for certain individuals who are at least 65 years old and have limited FAGI applies only for taxable years 2009 to 2012. Beginning with taxable year 2013, the \$5,000 exemption for payments or distributions received from a qualified retirement plan or from certain individual retirement accounts may still be claimed, to the extent that such amounts are not already exempt from taxation, but the exemption is not limited to individuals who are at least 65 years old and have FAGI of less than \$15,000, or less than \$30,000 if married. Under the bill, the exemption amount increases from \$5,000 to \$10,000 in 2014, to \$15,000 in 2015, and to \$20,000 in 2016 and thereafter.

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.

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***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 is amended to read:

2           71.05 (1) (ae) *Pension, individual retirement income.* (intro.) Except for a  
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4 retirement benefit, for taxable years beginning after December 31, 2008, and before  
5 January 1, 2013, up to \$5,000 of payments or distributions received each year by an  
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7 an individual retirement account established under 26 USC 408, if all of the  
8 following conditions apply:

9           **SECTION 2.** 71.05 (1) (af) of the statutes is created to read:

10          71.05 (1) (af) *Pension income.* Except for a payment that is exempt under par.  
11 (a), (am), or (an), or that is exempt as a railroad retirement benefit, one of the  
12 following amounts of payments or distributions received each year by an individual

**BILL**

1 from a qualified retirement plan under the Internal Revenue Code or from an  
2 individual retirement account established under 26 USC 408:

3 1. For taxable years beginning after December 31, 2012, and before January  
4 1, 2014, \$5,000.

5 2. For taxable years beginning after December 31, 2013, and before January  
6 1, 2015, \$10,000.

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8 1, 2016, \$15,000.

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

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13 (ae), or (af). The penalties provided under this subdivision shall be assessed, levied,  
14 and collected in the same manner as income or franchise taxes.

15 **SECTION 7. Initial applicability.**

16 (1) This act first applies to taxable years beginning on January 1, 2012.

17 (END)

**Parisi, Lori**

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**From:** Phillips, Matt  
**Sent:** Wednesday, November 10, 2010 10:31 AM  
**To:** LRB.Legal  
**Subject:** Draft Review: LRB 11-0182/2 Topic: Expand and increase the tax exemption for individual retirement plan and IRA income

Please Jacket LRB 11-0182/2 for the SENATE.