

Fiscal Estimate Narratives

DOR 3/20/2018

LRB Number	17-5111/1	Introduction Number	AB-1023	Estimate Type	Original
Description Exempting from taxation the federal pension benefits of certain retired federal employees					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the pension benefits of certain federal, state, and local public employees are exempt from state taxation if they were members of or retired from their respective pension plans as of December 31, 1963. Retirement payments received from the U.S. Military Employee Retirement System are exempt from taxation without regard to the 1963 cutoff date.

Current law also allows individuals to exclude up to \$5,000 of eligible pension or IRA income from taxation if they are at least 65 years old and have federal adjusted gross income under \$15,000 (\$30,000 for married individuals).

This bill allows individuals to exclude all retirement payments received from the U.S. Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), or both, to the extent that such payments are not currently subject to an exemption.

Based on an analysis of individuals who received taxable pension income (after accounting for the existing exclusions) from the federal government in 2015, and adjusting for the Congressional Budget Office's anticipated growth in federal pension income over time, the bill will reduce revenue by approximately \$24.2 million in fiscal year 2019 attributable to tax year 2018 pension benefits. To the extent that individuals reduce their tax payments to reflect the new law, the bill could also reduce tax year 2019 pension-related tax revenue by \$11.3 million in fiscal year 2019, for a combined revenue loss of \$35.5 million in fiscal year 2019. Beginning in fiscal year 2020, the annual revenue loss will be approximately \$25.3 million annually.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-5111/1	Introduction Number AB-1023	
Description Exempting from taxation the federal pension benefits of certain retired federal employees		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	3/20/2018