

# Appendix A

STATE OF WISCONSIN  
LEGISLATIVE REFERENCE BUREAU  
DRAFTING HISTORY RESEARCH APPENDIX

 The drafting file for 2017 LRB-3342/P2 (For: Rep. Ohnstad)

has been transferred to the drafting file for


**2019 LRB-1030** (For: Rep. Ohnstad)



**RESEARCH APPENDIX -**

**PLEASE KEEP WITH THE DRAFTING FILE**

 Request Made By: MES

 Date: 12/11/2018

**2017 DRAFTING REQUEST****Bill**

For: **Tod Ohnstad (608) 266-0455** Drafter: **mshovers**  
 By: **Joanna** Secondary Drafters:  
 Date: **4/19/2017** May Contact:

Same as LRB:

Submit via email: **YES**  
 Requester's email: **Rep.Ohnstad@legis.wisconsin.gov**  
 Carbon copy (CC) to:

**Pre Topic:**

No specific pre topic given

**Topic:**

Individual income tax exemption for federal civil service pension income

**Instructions:**

See attached. Base it on Indiana law, phase in over 2 years

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	mshovers 5/3/2017	anienaja 5/2/2017	mbarman 5/2/2017		State Tax Exempt
/P2		anienaja 5/3/2017	hkohn 5/3/2017		State Tax Exempt

FE Sent For:

<END>

## Shovers, Marc

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**From:** Beilman-Dulin, Joanna  
**Sent:** Wednesday, April 12, 2017 3:35 PM  
**To:** Shovers, Marc  
**Subject:** Drafting Request  
**Attachments:** HB1077.01.INTR.pdf; July 2015 NARFE Magazine by NARFE - issuu (expanded).pdf

Good afternoon Marc,

Thanks for speaking with me just now. Rep. Ohnstad would like to get a bill drafted based upon an Indiana standalone bill from 2015, House Bill 1077, which aimed at increasing the state income tax exemption for federal civil service retirees. I've attached the Indiana bill here and a summary of the proposal for reference. He would like to mirror the Indiana bill's \$8,000 and \$16,000 amounts, phasing in the exemption over two tax years.

Please let me know what questions arise. Thanks!

Best,  
Joanna

--  
Joanna Beilman-Dulin  
Office of Rep. Tod Ohnstad  
65<sup>th</sup> Assembly District  
(608) 266-0455 | [Rep.Ohnstad@legis.wi.gov](mailto:Rep.Ohnstad@legis.wi.gov)

*Follow [Rep. Tod Ohnstad](#) on Facebook*

Introduced

First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

## HOUSE BILL No. 1077

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A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 6-3-2-3.7 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)];  
3 Sec. 3.7. (a) Each taxable year, an individual **or the individual's**  
4 **surviving spouse** is entitled to an adjusted gross income tax deduction  
5 equal to the remainder of:

6 (1) the ~~first two thousand dollars (\$2,000)~~ **lesser of:**

7 **(A) the amount** which is received by the individual **or the**  
8 **individual's surviving spouse** during the taxable year from a  
9 federal civil service annuity, and which is included in adjusted  
10 gross income under Section 62 of the Internal Revenue Code;

11 **or**

12 **(B) the average annual federal Social Security retirement**  
13 **benefit paid to Indiana retired workers during the**  
14 **calendar year preceding the taxpayer's taxable year, as**  
15 **determined by the department based on information**



- 1           **published by the Office of Retirement and Disability Policy**  
2           **of the United States Social Security Administration (or its**  
3           **successor office); minus**  
4           (2) the total amount of Social Security benefits and railroad  
5           retirement benefits received by the individual **or the individual's**  
6           **surviving spouse** during the taxable year.  
7           **(b) However,** The individual is only entitled to the deduction  
8           provided by this section if the individual is at least sixty-two (62) years  
9           of age before the end of the taxable year. **This subsection does not**  
10          **apply to the individual's surviving spouse.**  
11          **(c) The department shall publish in the Indiana Register a notice**  
12          **setting forth the applicable amount determined under subsection**  
13          **(a)(1)(B) for each taxable year.**  
14          SECTION 2. [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)]  
15          **(a) IC 6-3-2-3.7, as amended by this act, applies to taxable years**  
16          **beginning after December 31, 2014.**  
17          **(b) This SECTION expires January 1, 2018.**  
18          SECTION 3. An emergency is declared for this act.





## INDIANA FEDERATION SCORES TAX VICTORY



BY CHRISTOPHER FARRELL,  
SENIOR ANALYST

The Indiana Federation's multiyear leadership of NARFE's tax parity campaign in the Indiana General Assembly led to a major victory for federal retirees and survivors. Don Savage, Indiana Federation president, and federation executive officers recruited fellow officers and members throughout Indiana to engage their state legislators over multiple sessions in order to provide tax parity between federal civil service retirement and Social Security benefits.

On May 6, Indiana Gov. Mike Pence signed an omnibus tax bill (SB 441) containing the NARFE-backed provision. The new law provides an \$8,000 deduction retroactive to January 1, 2015, and a \$16,000 deduction beginning in 2016 for federal civil service retirees and survivors. Prior to this law, retirees could claim a \$2,000 deduction within limiting parameters; survivors could claim no deduction at all.

### Enlisting Advocates

The Indiana Federation employed targeted email messages, the federation's website and chapter assignments of specific legislators. "This is a huge win for civil service retirees in Indiana and NARFE... It demonstrates what can be accomplished by collective effort and teamwork," writes Savage in a letter on the federation's website.

### Legislative History

State Rep. Ed Clere, R-New Albany, was NARFE's staunchest champion. Clere, with bipar-

tisan authorship, introduced legislation in multiple sessions, consistently recruited additional support and encouraged NARFE grass-roots advocacy. Bicameral support came with the introduction of identical language legislation in the Senate by two southern Indiana senators and supportive intervention from two key Senate committee chairs. On February 3 and March 17, Savage led large NARFE groups to the State House in Indianapolis for meetings with individual lawmakers. These efforts resulted in the civil service language being folded into a larger tax bill, which passed with a vote of 45-4 in the Senate and 99-0 in the House.

### Leveraging Victory

As important as consistency and perseverance were to this success, Savage urges NARFE members to stay engaged with state legislators and transfer what was learned from Indiana's state tax initiative to our federal campaign. Further, recruiters

should use enactment of tax deductions as the ready answer to members who ask, "What have you done for me lately?"

### Plant Seeds, Record Deeds

In *Julius Caesar*, Shakespeare wrote: "The evil that men do lives after them; the good is oft interred with their bones." I fear this is literally true of too many NARFE members whose modesty or diplomacy precludes telling the world of their good works.

Our successes, major and minor, in legislative advocacy must be told and retold. While NARFE plays defense in Congress, each NARFE member can plant the seed of a mutually advantageous relationship by seeking out his or her elected representatives – municipal, county, state and federal. Be sure to tell your chapter, district and federation leaders about your meetings and what was said. Lest this planting be interred, tell me about it, too. For help locating your public servants, contact me at cfarrell@narfe.org or 571-483-1265.

### Resources

- NARFE Day at Indiana State House: See photo #19 in Out & About Photo Gallery, [www.narfe.org/narfemagazine/album2.cfm](http://www.narfe.org/narfemagazine/album2.cfm);
- Rep. Clere's legislation: <http://openstates.org/in/bills/2013/HB1294/>;
- Indiana Federation website, [www.narfe.org/site/in](http://www.narfe.org/site/in)

## HOUSE BILL No. 1077

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### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3-2-3.7.

**Synopsis:** Taxation of civil service annuities. Provides that the maximum state income tax deduction for federal civil service annuity income is equal to the lesser of: (1) the amount of federal civil service annuity income received during the taxable year; or (2) the average annual federal Social Security retirement benefit paid to Indiana retired workers during the calendar year preceding the taxpayer's taxable year. Retains the provision that reduces the deduction by the amount of any federal Social Security and railroad retirement benefits received by the taxpayer during the taxable year. Provides that the deduction is also available to a surviving spouse.

**Effective:** January 1, 2015 (retroactive).

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### Clere, Cherry, Koch, Stemler

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January 6, 2015, read first time and referred to Committee on Ways and Means.

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State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-3342/P1

MES: *ann*

*RMP*

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

*SA  
Xref  
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1 **AN ACT ...; relating to:** exempting from taxation the pension benefits of certain  
2 retired federal employees.

***Analysis by the Legislative Reference Bureau***

This bill exempts from taxation up to \$8,000 in payments received by an individual from the U.S. Civil Service Retirement System, for taxable year 2017, and up to \$16,000 of such payments received in 2018 and beyond, to the extent that such payments are not currently subject to an exemption.

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 CSRS, 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 eligible, the individual must

\*



be at least 65 years old and have federal adjusted gross income under \$15,000, or under \$30,000 if married.

Under federal law, until 1984, employment by the federal government was covered under CSRS and not by social security. In 1984, the federal government created the Federal Employees Retirement System. Federal employees who began working for the federal government in 1984 or later are covered by FERS instead of CSRS. Some federal employees who had been covered by CSRS switched to FERS, and some stayed in CSRS. Work under FERS is covered by social security. Federal employees who remained in CSRS after 1983 are still not covered by social security.

This bill exempts from taxation \$8,000 (for 2017) or \$16,000 (2018 and thereafter) of payments received from CSRS, to the extent that such payments are not already exempt, and without regard to whether the former employee was a member of or retired from CSRS as of December 31, 1963. for

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) (ad) of the statutes is created to read:

2           X 71.05 (1) (ad) *Federal employee pension income.* One of the following amounts  
3 of payments received from the U.S. civil service retirement system, to the extent that  
4 such payments are not exempt under par. (a), (ae), or (an):

5           1. For taxable years beginning after December 31, 2016, and before January  
6 1, 2018, \$8,000.

7           2. For taxable years beginning after December 31, 2017, \$16,000.

\*\*\*\*NOTE: If the bill is not enacted by approximately August 1, 2017, the dates and the initial applicability provision may need to be advanced by one year.

8           **SECTION 2.** 71.05 (1) (ae) (intro.) of the statutes is amended to read:

9           X 71.05 (1) (ae) *Pension, individual retirement income.* (intro.) Except for a  
10 payment that is exempt under par. (a), (ad), (am), or (an), or that is exempt as a  
11 railroad retirement benefit, for taxable years beginning after December 31, 2008, up

1 to \$5,000 of payments or distributions received each year by an individual from a  
2 qualified retirement plan under the Internal Revenue Code or from an individual  
3 retirement account established under 26 USC 408, if all of the following conditions  
4 apply:

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; 2007 a. 20, 96, 226; 2009 a. 2, 28, 205, 265, 269, 276, 295, 332, 344; 2011 a. 3, 5, 10, 32, 212, 232, 237; 2011 a. 260 ss. 80, 81; 2013 a. 19, 20, 128, 145; 2013 a. 166 s. 76; 2013 a. 173, 227; 2015 a. 55, 60, 84, 195; 2015 a. 197 s. 51; 2015 a. 216, 312.

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

6 ~~×~~ 71.05 (1) (an) *Uniformed services retirement benefits*. All retirement payments  
7 received from the U.S. government that relate to service with the coast guard, the  
8 commissioned corps of the national oceanic and atmospheric administration, or the  
9 commissioned corps of the public health service, to the extent that such payments are  
10 not exempt under par. (a), (ad), (ae), or (am).

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; 2007 a. 20, 96, 226; 2009 a. 2, 28, 205, 265, 269, 276, 295, 332, 344; 2011 a. 3, 5, 10, 32, 212, 232, 237; 2011 a. 260 ss. 80, 81; 2013 a. 19, 20, 128, 145; 2013 a. 166 s. 76; 2013 a. 173, 227; 2015 a. 55, 60, 84, 195; 2015 a. 197 s. 51; 2015 a. 216, 312.

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

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

1 spouses is disabled, the maximum exclusion is \$100 for each week that payments are  
2 received or the amount of disability pay reported as income, whichever is less.

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; 2007 a. 20, 96, 226; 2009 a. 2, 28, 205, 265, 269, 276, 295, 332, 344; 2011 a. 3, 5, 10, 32, 212, 232, 237; 2011 a. 260 ss. 80, 81; 2013 a. 19, 20, 128, 145; 2013 a. 166 s. 76; 2013 a. 173, 227; 2015 a. 55, 60, 84, 195; 2015 a. 197 s. 51; 2015 a. 216, 312.

3 **SECTION 5. 71.83 (1) (a) 6.** of the statutes is amended to read:

4 ~~71.83 (1) (a) 6.~~ 'Retirement plans.' Any natural person who is liable for a  
5 penalty for federal income tax purposes under section 72 (m) (5), (q), (t), and (v), 4973,  
6 4974, 4975, or 4980A of the Internal Revenue Code is liable for 33 percent of the  
7 federal penalty unless the income received is exempt from taxation under s. 71.05  
8 (1) (a), (ad), or (ae). The penalties provided under this subdivision shall be assessed,  
9 levied, and collected in the same manner as income or franchise taxes.

History: 1987 a. 312; 1989 a. 31, 90; 1991 a. 39, 190, 269, 315; 1993 a. 16, 112, 213; 1995 a. 428, 453; 1997 a. 27, 237, 283, 323; 1999 a. 32; 2001 a. 109; 2007 a. 20; 2009 a. 28; 2011 a. 1, 68; 2013 a. 20; s. 35.17 correction in (3) (a).

10 **SECTION 6. Initial applicability.**

11 (1) This act first applies to taxable years beginning on January 1, 2017.

12 (END)



State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-3342/P1  
MES:amn

P2  
KME

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

SA

Today

reagan

1 AN ACT *to amend* 71.05 (1) (ae) (intro.), 71.05 (1) (an), 71.05 (6) (b) 4. and 71.83  
2 (1) (a) 6.; and *to create* 71.05 (1) (ad) of the statutes; **relating to:** exempting  
3 from taxation the pension benefits of certain retired federal employees.

***Analysis by the Legislative Reference Bureau***

This bill exempts from taxation up to \$8,000 in payments received by an individual from the U.S. Civil Service Retirement System, for taxable year ~~2017~~ and up to \$16,000 of such payments received in ~~2018~~ and beyond, to the extent that such payments are not currently subject to an exemption. 2019

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 CSRS, 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,

2018

are exempt from taxation. To be eligible, the individual must be at least 65 years old and have federal adjusted gross income under \$15,000, or under \$30,000 if married.

Under federal law, until 1984, employment by the federal government was covered under CSRS and not by social security. In 1984, the federal government created the Federal Employees Retirement System. Federal employees who began working for the federal government in 1984 or later are covered by FERS instead of CSRS. Some federal employees who had been covered by CSRS switched to FERS, and some stayed in CSRS. Work under FERS is covered by social security. Federal employees who remained in CSRS after 1983 are still not covered by social security.

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6 1, 2018, \$8,000.

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1 to \$5,000 of payments or distributions received each year by an individual from a  
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5 **SECTION 3.** 71.05 (1) (an) of the statutes is amended to read:

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State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-3342/P2  
MES:amn

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

1 **AN ACT to amend** 71.05 (1) (ae) (intro.), 71.05 (1) (an), 71.05 (6) (b) 4. and 71.83  
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are exempt from taxation. To be eligible, the individual must be at least 65 years old and have federal adjusted gross income under \$15,000, or under \$30,000 if married.

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5 71.05 (1) (an) *Uniformed services retirement benefits.* All retirement payments  
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7 commissioned corps of the national oceanic and atmospheric administration, or the  
8 commissioned corps of the public health service, to the extent that such payments are  
9 not exempt under par. (a), (ad), (ae), or (am).

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

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

23 **SECTION 5.** 71.83 (1) (a) 6. of the statutes is amended to read:

24 71.83 (1) (a) 6. 'Retirement plans.' Any natural person who is liable for a  
25 penalty for federal income tax purposes under section 72 (m) (5), (q), (t), and (v), 4973,

1 4974, 4975, or 4980A of the Internal Revenue Code is liable for 33 percent of the  
2 federal penalty unless the income received is exempt from taxation under s. 71.05  
3 (1) (a), (ad), or (ae). The penalties provided under this subdivision shall be assessed,  
4 levied, and collected in the same manner as income or franchise taxes.

5 **SECTION 6. Initial applicability.**

6 (1) This act first applies to taxable years beginning on January 1, 2018.

7 (END)