



## Fiscal Estimate Narratives

DOR 4/1/2021

LRB Number	21-2088/1	Introduction Number	AB-0223	Estimate Type	Original
<b>Description</b> exempting from taxation the pension benefits of certain federal employees					

### Assumptions Used in Arriving at Fiscal Estimate

Under current state law, social security benefits are exempt from Wisconsin income tax. Moreover, pensions received by persons who were members of or retired from Milwaukee City and county retirement funds, the state teachers' retirement fund, and the federal civil service retirement system (CSRS) prior to January 1, 1964 are exempt from Wisconsin income tax. In addition, veterans' pensions are exempt from Wisconsin income tax.

Wisconsin also exempts up to \$5,000 of payments or distributions from a qualified retirement plan or individual retirement account (IRA) if the claimant is at least 65 years of age and the claimant has federal adjusted gross income of less than \$15,000 in the year to which the claim relates (\$30,000 for married joint filers).

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 (FERS). 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 not covered by social security.

This bill provides a new exemption for payments received from CSRS, to the extent that such payments are not already exempt. The exemption is limited to no more than \$8,000 for 2021, but not capped for 2022 and thereafter.

According to a January 2020 Congressional Research Service report on the federal employees' retirement system, Wisconsin had 29,443 annuitants in FY18. Moreover, about 66.6% of annuitants were covered by CSRS, suggesting about 19,609 CSRS annuitants. Based on a simulation of individuals with federal civil service retirement income, adjusted for existing exclusions and FERS members, the bill will reduce revenue by approximately \$6.6 million in fiscal year 2022 and \$20.6 million annually beginning in fiscal year 2023.

DOR anticipates incurring \$6,710 in one-time administrative costs related to training staff as well as drafting and modifying tax forms, instructions, and other published guidance. The department cannot absorb these costs with existing resources.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 21-2088/1	<b>Introduction Number</b> AB-0223	
<b>Description</b> exempting from taxation the pension benefits of certain federal employees		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  DOR anticipates incurring \$6,710 in one-time administrative costs related to training staff as well as drafting and modifying tax forms, instructions, and other published guidance.		
<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	\$	\$-20,600,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-20,600,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-20,600,000	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
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