

### Fiscal Estimate - 2021 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>21-2590/1</b>	<b>Introduction Number</b> <b>AB-0319</b>
<b>Description</b> expanding and increasing the tax exemption for retirement plan income received by an individual.	
<b>Fiscal Effect</b>	
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Appropriations  <input type="checkbox"/> Decrease Existing Appropriations  <input type="checkbox"/> Create New Appropriations                 </div> <div style="width: 30%;"> <input type="checkbox"/> Increase Existing Revenues  <input checked="" type="checkbox"/> Decrease Existing Revenues                 </div> <div style="width: 30%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget  <div style="display: flex; justify-content: space-around; font-size: small;"> <input type="checkbox"/> Yes      <input checked="" type="checkbox"/> No                     </div> <input type="checkbox"/> Decrease Costs                 </div> </div>	
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;">                 1. <input type="checkbox"/> Increase Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                  2. <input type="checkbox"/> Decrease Costs  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory             </div> <div style="width: 30%;">                 3. <input type="checkbox"/> Increase Revenue  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                  4. <input type="checkbox"/> Decrease Revenue  <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory             </div> <div style="width: 30%;">                 5. Types of Local Government Units Affected  <input type="checkbox"/> Towns      <input type="checkbox"/> Village      <input type="checkbox"/> Cities  <input type="checkbox"/> Counties      <input type="checkbox"/> Others  <input type="checkbox"/> School Districts      <input type="checkbox"/> WTCS Districts             </div> </div>	
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984	<b>Authorized Signature</b> Ann DeGarmo (608) 266-7179
<b>Date</b> 5/17/2021	

## Fiscal Estimate Narratives

DOR 5/17/2021

LRB Number	<b>21-2590/1</b>	Introduction Number	<b>AB-0319</b>	Estimate Type	<b>Original</b>
<b>Description</b> expanding and increasing the tax exemption for retirement plan income received by an individual.					

### 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 a deduction for up to \$5,000 of eligible pension or IRA income if they are at least 65 years old and have federal adjusted gross income under \$15,000 (\$30,000 for married individuals).

For tax year 2021, a new \$5,000 exemption for payments or distributions received from a qualified retirement plan or from certain individual retirement accounts may be claimed, to the extent that such amounts are not already exempt from taxation. Unlike the existing deduction, the new exemption is not limited to individuals who are at least 65 years old and have federal adjusted gross income under \$15,000 (\$30,000 for married individuals). Under the bill, the exemption amount increases from \$5,000 to \$10,000 in 2022, to \$15,000 in 2023, and to \$20,000 in 2025 and thereafter. As written, there is no exemption for tax year 2024. Moreover, the current law deduction no longer applies beginning in 2022.

Based on the DOR 2018 income tax model simulations, adjusted for the years of the bill's phase-in, the bill is expected to reduce revenue by \$233 million in fiscal year 2022, \$305 million in fiscal year 2023, \$284 million in fiscal year 2024, \$122 million in fiscal year 2025, and \$494 million annually beginning in fiscal year 2026.

As a comparison, if the bill allowed the \$20,000 exemption amount in tax year 2024, the model suggests the fiscal effect would be \$233 million in fiscal year 2022, \$305 million in fiscal year 2023, \$401 million in fiscal year 2024, \$475 million in fiscal year 2025, and \$494 million annually beginning in fiscal year 2026.

DOR anticipates incurring \$5,950 in one-time administrative costs related to training staff and processing returns, 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> 21-2590/1	<b>Introduction Number</b> AB-0319	
<b>Description</b> expanding and increasing the tax exemption for retirement plan income received by an individual.		
<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 \$5,950 in one-time administrative costs related to training staff and processing returns, 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	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
<b>Agency/Prepared By</b> DOR/ Bradley Caruth (608) 261-8984		
<b>Authorized Signature</b> Ann DeGarmo (608) 266-7179		<b>Date</b> 5/17/2021