

## Fiscal Estimate - 2021 Session

☒ Original      ☐ Updated      ☐ Corrected      ☐ Supplemental

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| <b>LRB Number</b> <b>21-2593/1</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Introduction Number</b> <b>AB-0519</b> |
| <b>Description</b><br>exempting from taxation certain pension payments received by an individual for service in the U.S. Foreign Service                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                           |
| <b>Fiscal Effect</b><br><br><b>State:</b><br><div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect<br/><input type="checkbox"/> Indeterminate<br/><div style="display: flex;"><div style="width: 50%;"><input type="checkbox"/> Increase Existing Appropriations<br/><input type="checkbox"/> Decrease Existing Appropriations<br/><input type="checkbox"/> Create New Appropriations</div><div style="width: 50%;"><input type="checkbox"/> Increase Existing Revenues<br/><input checked="" type="checkbox"/> Decrease Existing Revenues</div></div></div><div style="width: 33%;"><input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br/><div style="display: flex;"><input type="checkbox"/> Yes      <input checked="" type="checkbox"/> No</div></div><div style="width: 33%;"><input type="checkbox"/> Decrease Costs</div></div><br><b>Local:</b><br><div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No Local Government Costs<br/><input type="checkbox"/> Indeterminate<br/><div style="display: flex;"><div style="width: 50%;">1. <input type="checkbox"/> Increase Costs<br/><div style="display: flex;"><input type="checkbox"/> Permissive    <input type="checkbox"/> Mandatory</div></div><div style="width: 50%;">3. <input type="checkbox"/> Increase Revenue<br/><div style="display: flex;"><input type="checkbox"/> Permissive    <input type="checkbox"/> Mandatory</div></div></div></div><div style="width: 33%;"><div style="display: flex;"><div style="width: 50%;">2. <input type="checkbox"/> Decrease Costs<br/><div style="display: flex;"><input type="checkbox"/> Permissive    <input type="checkbox"/> Mandatory</div></div><div style="width: 50%;">4. <input type="checkbox"/> Decrease Revenue<br/><div style="display: flex;"><input type="checkbox"/> Permissive    <input type="checkbox"/> Mandatory</div></div></div></div><div style="width: 33%;"><b>5. Types of Local Government Units Affected</b><br/><div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Towns<br/><input type="checkbox"/> Counties<br/><input type="checkbox"/> School Districts</div><div style="width: 33%;"><input type="checkbox"/> Village<br/><input type="checkbox"/> Others<br/><input type="checkbox"/> WTCS Districts</div><div style="width: 33%;"><input type="checkbox"/> Cities</div></div></div></div> |                                           |

**Fund Sources Affected**  
☒ GPR    ☐ FED    ☐ PRO    ☐ PRS    ☐ SEG    ☐ SEGS

**Affected Ch. 20 Appropriations**

## Fiscal Estimate Narratives

DOR 9/7/2021

|                                                                                                                                          |           |                     |         |               |          |
|------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------------------|---------|---------------|----------|
| LRB Number                                                                                                                               | 21-2593/1 | Introduction Number | AB-0519 | Estimate Type | Original |
| <b>Description</b><br>exempting from taxation certain pension payments received by an individual for service in the U.S. Foreign Service |           |                     |         |               |          |

### Assumptions Used in Arriving at Fiscal Estimate

Under current state law, 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).

This bill exempts from taxation all retirement payments received from the federal government that relate to service with the U.S. Foreign Service, provided that such payments are not already exempt from taxation.

According to the American Foreign Service Association 2016 Annual Report, there were about 16,000 U.S. Foreign Service retirees at that time. The Wisconsin population of individuals age 65 years and older is about 1.9% of the US total. If Wisconsin had a comparable portion of U.S. Foreign Service retirees, it would have about 300 qualifying individuals. To the extent that Foreign Service officers are more likely to retire abroad or in the vicinity of Washington D.C. that figure may be too high. Using tax return data, the Department of Revenue was only able to identify approximately 100 individuals who reported U.S. State Department Foreign Service annuities to Wisconsin in 2018. Allowing those individuals to subtract the taxable portion of their annuities from income would result in a revenue loss of approximately \$200,000 annually. To the extent that Wisconsin is actually closer to having a proportional share of qualifying retirees than the department can confirm, the annual revenue loss could be as much as \$600,000 annually.

DOR anticipates incurring one-time administrative costs of \$5,620 related to training staff and updating publications. The department will not be able to absorb these costs.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

|                                                                                                                                                                                                                                                            |                                                |                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------------------|
| <b>LRB Number</b> 21-2593/1                                                                                                                                                                                                                                | <b>Introduction Number</b> AB-0519             |                            |
| <b>Description</b><br>exempting from taxation certain pension payments received by an individual for service in the U.S. Foreign Service                                                                                                                   |                                                |                            |
| <b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b><br><br>DOR anticipates incurring one-time administrative costs of \$5,620 related to training staff and updating publications. |                                                |                            |
| <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                                                                                                                                                                                                                                                  | \$                                             | \$-200,000                 |
| GPR Earned                                                                                                                                                                                                                                                 |                                                |                            |
| FED                                                                                                                                                                                                                                                        |                                                |                            |
| PRO/PRS                                                                                                                                                                                                                                                    |                                                |                            |
| SEG/SEG-S                                                                                                                                                                                                                                                  |                                                |                            |
| <b>TOTAL State Revenues</b>                                                                                                                                                                                                                                | <b>\$</b>                                      | <b>\$-200,000</b>          |
| <b>NET ANNUALIZED FISCAL IMPACT</b>                                                                                                                                                                                                                        |                                                |                            |
|                                                                                                                                                                                                                                                            | <u>State</u>                                   | <u>Local</u>               |
| NET CHANGE IN COSTS                                                                                                                                                                                                                                        | \$                                             | \$                         |
| NET CHANGE IN REVENUE                                                                                                                                                                                                                                      | \$-200,000                                     | \$                         |
| <b>Agency/Prepared By</b>                                                                                                                                                                                                                                  |                                                |                            |
| <b>Authorized Signature</b>                                                                                                                                                                                                                                |                                                | <b>Date</b>                |
| DOR/ Bradley Caruth (608) 261-8984                                                                                                                                                                                                                         |                                                | Ann DeGarmo (608) 266-7179 |
|                                                                                                                                                                                                                                                            |                                                | 9/7/2021                   |