### Fiscal Estimate - 2021 Session

X	Original	☐ Up	dated	Corr	ected		Suppleme	ental
LRB	Number	21-0132/1		Introduc	ction Numb	er S	B-043	
exem	<b>ription</b> pting military ir I forces memb		y active duty	y members of the	U.S. armed for	ces and	sunsetting	g the
Fiscal	Effect							
State:	No State Fisca Indeterminate Increase E Appropriat Decrease Appropriat	existing ions Existing	Rever Decre Rever	ase Existing		rithin age Yes	May be po ency's buc [	
Local	No Local Gov Indeterminate  1. Increase Permiss 2. Decrease	e Costs ive  Mandatory	/ ☐Permi 4. ☐ Decre	ase Revenue issive ☐ Mandato ease Revenue issive ☐ Mandato	☐ Coun	cted s [ ties [ ol [	overnment  Village  Others  WTCS  Districts	Cities
Fund G	Sources Affe PR 🔲 FED		PRS 🔲	SEG SEC	Affected Cl	n. 20 Ap	propriation	ons
Agen	cy/Prepared E	Rv		Authorized Sigi	nafure			Date
		.h (608) 261-898	4	Ann DeGarmo (6				2/3/2021

# Fiscal Estimate Narratives DOR 2/3/2021

LRB Number	21-0132/1	Introduction Number	SB-043	Estimate Type	Original		
Description							
exempting military income received by active duty members of the U.S. armed forces and sunsetting the							
armed forces member tax credit							

#### **Assumptions Used in Arriving at Fiscal Estimate**

Under current law, an individual may claim the armed forces member tax credit. This is a nonrefundable individual income tax credit for up to \$300 in military income received from the federal government by an individual who is on active duty in the U.S. armed forces and who is stationed outside of the United States. Moreover, members of the reserve component of the U.S. armed forces who are called into active federal service or special state service, are allowed an income tax exemption for pay received for the period of time during which they are on active duty.

Effective in tax year 2021, this bill repeals the current armed forces member tax credit and creates an exemption from income for all military income received from the federal government each year by an individual who is on active duty in the U.S. armed forces.

According to personnel data from the Defense Manpower Data Center there were 1,054 active duty personnel located in Wisconsin in September 2020 out of 1,205,253 located in the United States and 1,374,019 located worldwide (168,766 personnel overseas). However, based on federal law, states tax active duty personnel not on their duty location, but on their residency. Moreover residency at the time of enlistment does not change solely because individuals are ordered to a duty location in another state or country. Thus, not all 1,054 active duty personnel located in Wisconsin are residents who pay Wisconsin income tax on their active duty pay. Conversely, Wisconsin residents on active duty may be located in any state.

DOR used 2018 armed forces member credit claims and W-2s with taxable active duty military wage income reported on Wisconsin tax returns in order to simulate the effect of the bill. Based on this analysis about 18,000 individuals would qualify for the exclusion and DOR expects the bill to reduce revenue by approximately \$20.0 million annually.

#### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original Updat	ed	Corrected	Supplem	ental	
LRB Number <b>21-0132/1</b>		Introduction Numb	oer <b>SB-04</b>	3	
<b>Description</b> exempting military income received by armed forces member tax credit	active duty m	embers of the U.S. armed	d forces and sun	setting the	
I. One-time Costs or Revenue Impac annualized fiscal effect):	ts for State a	ind/or Local Governmer	nt (do not includ	le in	
II. Annualized Costs:		Annualized Fiscal Impact on funds from:			
		Increased Costs	Decrea	ased Costs	
A. State Costs by Category					
State Operations - Salaries and Fring	ges	\$		\$	
(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 (e.g., tax increase, decrease in licer		oposal will increase or o	decrease state r	evenues	
		Increased Rev	Deci	eased Rev	
GPR Taxes		\$	\$-	20,000,000	
GPR Earned					
FED					
PRO/PRS				econocio annica esta frenca internacio di tropico di constitucio di constitucio di constitucio di constitucio di	
SEG/SEG-S					
TOTAL State Revenues	\$	\$-20,000,000			
NET	ANNUALIZE	D FISCAL IMPACT		NAMES CONTRACTOR AND	
		<u>State</u>		Local	
NET CHANGE IN COSTS	\$		\$		
NET CHANGE IN REVENUE		\$-20,000,000		\$	
				<b>1</b> — .	
Agency/Prepared By	norized Signature	Date			
DOR/ Bradley Caruth (608) 261-8984	Ann	DeGarmo (608) 266-717	2/3/2021		