

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
 Updated
 Corrected
 Supplemental

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Description exempting military income received by active duty members of the U.S. armed forces and sunsetting the armed forces member tax credit		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:		
	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(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 only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-20,000,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-20,000,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-20,000,000	\$
Agency/Prepared By	Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984	Ann DeGarmo (608) 266-7179	2/3/2021