

### Fiscal Estimate - 2021 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>21-2962/1</b>	Introduction Number <b>SB-498</b>
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**Description**  
 tax exemption for certain retirement benefits received from the Wisconsin Retirement System

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate	5. Types of Local Government Units Affected	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Counties <input type="checkbox"/> Others
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<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> 8/11/2021
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## Fiscal Estimate Narratives

DOR 8/11/2021

LRB Number	21-2962/1	Introduction Number	SB-498	Estimate Type	Original
<b>Description</b> tax exemption for certain retirement benefits received from the Wisconsin Retirement System					

### 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).

This bill provides an income tax exemption for pension payments received from the Wisconsin Retirement System (WRS) by protective occupation participants, correctional officers, and frontline workers. The bill defines "frontline worker" to mean an individual who was a state, county, or municipal employee with regular job duties that, as determined by the Employment Relations Commission in consultation with the Department of Revenue, included interacting with members of the public or with large populations of people or directly involved the maintenance of public works. Elected state officials, constitutional officers, agency heads, and legislative staff are excluded from the definition of "frontline worker."

Under the bill, 25 percent of the pension payment received in 2021 is exempt; 50 percent of the payment received in 2022 is exempt; 75 percent of the payment received in 2023 is exempt; and 100 percent of the payment received in 2024 and thereafter is exempt. The bill provides that the amount exempted may not exceed the portion of the pension payment that is attributable to the period of time during which the individual was a protective occupation participant or frontline worker.

It is unclear what share of WRS pension recipients will qualify for the exemption under this bill. Econofact, a publication from Tufts University, suggests that 42 percent of all workers are frontline workers. The Center for Economic and Policy Research reports that about 21 percent of workers are employed in frontline industries. If approximately one third of WRS pension recipients were able to claim the exemption under this bill, it would reduce individual income tax revenue by approximately \$22 million in fiscal year 2022, \$42 million in fiscal year 2023, \$59 million in fiscal year 2024, and \$75 million in fiscal year 2025 and annually thereafter. To the extent that WRS pension recipients are more or less likely to qualify under this bill, the fiscal impact would be commensurately larger or smaller.

DOR anticipates incurring one-time administrative costs of \$2,720 related to training staff, updating publications, and updating tax processing rules and procedures. 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
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<b>LRB Number</b> 21-2962/1	<b>Introduction Number</b> SB-498	
<b>Description</b> tax exemption for certain retirement benefits received from the Wisconsin Retirement System		
<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 one-time administrative costs of \$2,720 related to training staff, updating publications, and updating tax processing rules and procedures.		
<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>		
<b>Authorized Signature</b>		<b>Date</b>
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		8/11/2021