



State of Wisconsin
2023 - 2024 LEGISLATURE

LRB-1234/P2
KP:cjs

DOA:.....Quinn, BB0240 - Increase retirement income exclusion

FOR 2023-2025 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Increasing retirement income subtraction and expanding eligibility

This bill increases and expands the individual state income tax subtraction, or deduction, for payments or distributions received from qualified retirement plans under the Internal Revenue Code or from certain individual retirement accounts. Under the bill, beginning in tax year 2023, up to \$5,500 of payments or distributions received from qualified retirement plans or certain individual retirement accounts may be subtracted annually from an individual's taxable income. In addition, the bill expands eligibility for claiming the subtraction to individuals at least 65 years old having a federal adjusted gross income under \$30,000, or under \$60,000 if married.

Under current law, up to \$5,000 of payments or distributions received by certain individuals from qualified retirement plans or from certain individual retirement accounts may be subtracted. To be eligible, the individual must be at least 65 years old and have federal adjusted gross income under \$15,000, or under \$30,000 if married.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 71.05 (1) (am) of the statutes is amended to read:

71.05 (1) (am) *Military retirement systems.* All retirement payments received from the U.S. military employee retirement system, to the extent that such payments are not exempt under par. (a) or sub. (6) (b) 54. or 54m.

SECTION 2. 71.05 (1) (an) of the statutes is amended to read:

71.05 (1) (an) *Uniformed services retirement benefits.* All retirement payments received from the U.S. government that relate to service with the coast guard, the commissioned corps of the national oceanic and atmospheric administration, or the commissioned corps of the public health service, to the extent that such payments are not exempt under par. (a) or (am) or sub. (6) (b) 54. or 54m.

SECTION 3. 71.05 (6) (b) 54. (intro.) of the statutes is amended to read:

71.05 (6) (b) 54. (intro.) Except for a payment that is exempt under sub. (1) (a), (am), or (an), or that is exempt as a railroad retirement benefit, for taxable years beginning after December 31, 2020, and before January 1, 2023, up to \$5,000 of payments or distributions received each year by an individual from a qualified retirement plan under the Internal Revenue Code or from an individual retirement account established under [26 USC 408](#), if all of the following conditions apply:

SECTION 4. 71.05 (6) (b) 54m. of the statutes is created to read:

71.05 (6) (b) 54m. Except for a payment that is exempt under sub. (1) (a), (am), or (an), or that is exempt as a railroad retirement benefit, for taxable years beginning after December 31, 2022, up to \$5,500 of payments or distributions received each

year by an individual from a qualified retirement plan under the Internal Revenue Code or from an individual retirement account established under [26 USC 408](#), if all of the following conditions apply:

a. The individual is at least 65 years of age before the close of the taxable year to which the exemption claim relates.

b. If the individual is single or files as head of household, his or her federal adjusted gross income in the year to which the exemption claim relates is less than \$30,000.

c. If the individual is married and is a joint filer, the couple's federal adjusted gross income in the year to which the exemption claim relates is less than \$60,000.

d. If the individual is married and files a separate return, the sum of both spouses' federal adjusted gross income in the year to which the exemption claim relates is less than \$60,000.

SECTION 5. 71.83 (1) (a) 6. of the statutes is amended to read:

71.83 (1) (a) 6. 'Retirement plans.' Any natural person who is liable for a penalty for federal income tax purposes under section [72](#) (m) (5), (q), (t), and (v), [4973](#), [4974](#), [4975](#), or [4980A](#) of the Internal Revenue Code is liable for 33 percent of the federal penalty unless the income received is exempt from taxation under s. 71.05 (1) (a) or (6) (b) 54. or 54m. The penalties provided under this subdivision shall be assessed, levied, and collected in the same manner as income or franchise taxes.

(END)