Wisconsin Department of Administration Division of Executive Budget and Finance DOA-2048 (R07/2000)

Fiscal Estimate - 2001 Session

☑ Original ☐ Updated	Corrected	Supplemental	
LRB Number 01-3239/1	Introduction Num	ber AB-413	
Subject			
Individual income tax exemption for active duty n	nilitary pay		
Fiscal Effect			
Appropriations Reve Decrease Existing Decre Appropriations Reve Create New Appropriations Local:	ease Existing absorb	se Costs - May be possible to within agency's budget No See Costs	
Permissive Mandatory Permi 2. Decrease Costs 4. Decre Permissive Mandatory Permi	use Revenue Units A I Tov Issive Mandatory Lase Revenue Sch	vns Village Cities unties Others	
Fund Sources Affected GPR FED PRO PRS	Affected Ch SEG SEGS	n. 20 Appropriations	
Agency/Prepared By	Authorized Signature	Date	
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Fiscal Estimate Narratives DOR 5/31/01

LRB Number	01-3239/1	Introduction Number	AB-413	Estimate Type	Original		
Subject					-		
Individual income tax exemption for active duty military pay							

Assumptions Used in Arriving at Fiscal Estimate

Under current law, all military income is taxable by the state of legal residence. However, beginning in tax year 2000, active duty members of the U.S. armed forces can receive a Wisconsin armed forces member tax credit of up to \$200 for military income received while the claimant is stationed outside of the United States. This bill creates an exemption for all military income received from the federal government by an individual who is on active duty in the United States armed forces. The bill also repeals the armed forces member tax credit. Both the exemption and the repeal of the credit would apply for taxable years beginning after December 31, 2000.

According to the U.S. Defense Manpower Data Center (DMDC), approximately 10,800 active duty military personnel currently claim legal residence in Wisconsin. Data from the U.S. Department of Defense Statistical Information Analysis Division indicates the average pay received by active duty military personnel was \$36,900 in federal FY99. Assuming an average tax rate of 4%, providing an exemption as outlined above would result in a revenue loss of \$15.9 million (10,800 x \$36,900 x 4%).

According to the DMDC, there are currently about 1,800 active duty military personnel claiming legal residence in Wisconsin but who are stationed outside of the U.S. and are thereby eligible to claim the armed forces member tax credit. Assuming each of these filers claims the full 200 credit, repealing this credit would result in a revenue gain of 360,000 (1,800 x 200).

Combining these two effects, this bill would reduce revenues by \$15.6 million annually.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original Updated	d	Corrected		Supplemental	
LRB Number 01-3239/1	_	Introduction Number	er Al	B-413	
Subject Individual income tax exemption for active	duty mi	litary pay			
I. One-time Costs or Revenue Impacts for annualized fiscal effect):	or State	e and/or Local Government	(do not	include in	
II. Annualized Costs:		· · · · · · · · · · · · · · · · · · ·	al Impa	ct 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			<u> </u>		
FED					
PRO/PRS					
SEG/SEG-S					
III. State Revenues - Complete this only (e.g., tax increase, decrease in license f	when pee, ets.	proposal will increase or de .)	crease	state revenues	
		Increased Rev		Decreased Rev	
GPR Taxes		\$		\$-15,600,000	
GPR Earned			-		
FED					
PRO/PRS					
SEG/SEG-S					
TOTAL State Revenues		\$		\$-15,600,000	
NET AN	NUALIZ	ZED FISCAL IMPACT			
,		<u>State</u>		Local	
NET CHANGE IN COSTS		\$		\$	
NET CHANGE IN REVENUE		\$-15,600,000		\$	
Agency/Prepared By	Δι	ıthorized Signature		Date	
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