

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
 Corrected
 Supplemental

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Subject			
Individual income tax exemption for active duty military pay			
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	\$	\$-15,600,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$-15,600,000	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-15,600,000	\$	
Agency/Prepared By		Authorized Signature	Date
DOR/ Meredith Krejny (608) 261-8984		Dennis Collier (608) 266-5773	5/31/01