



**Fiscal Estimate Narratives**

**DOR 7/9/01**

LRB Number <b>01-3369/3</b>	Introduction Number <b>AB-454</b>	Estimate Type <b>Original</b>
<b>Subject</b> Individual income tax exemption for all pension income		

**Assumptions Used in Arriving at Fiscal Estimate**

Under current law, the pension benefits of certain public employees are exempt from state taxes, including individuals who were members of or retired from the following plans as of December 31, 1963: U.S. Civil service or military, Milwaukee city and county, Milwaukee police officers and public school teachers, Wisconsin state teachers' retirement fund, and Milwaukee County sheriff's annuity and benefit fund.

This bill expands the current exemption to include previously non-exempt pension income for all retirees, public and private, provided that the filer's pension income is not already exempt from taxation. The proposed exemption would include all distributions from pension, profit-sharing, and stock bonus plans, deferred compensation plans, self-employed plans, non-qualified retirement plans, and individual retirement accounts (IRAs).

Based on a simulation using the 1999 Wisconsin Individual Income Tax Model, this bill would reduce revenues by \$356 million annually. This estimate assumed that all social security retirement benefits would also be exempt under this bill; if this is not the case, the proposal would reduce revenues by \$286.5 million annually.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>01-3369/3</b>		Introduction Number <b>AB-454</b>	
<b>Subject</b>			
Individual income tax exemption for all pension income			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<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. 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		\$	\$-356,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		\$	\$-356,000,000
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-356,000,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
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		<b>Date</b>	
		7/9/01	