

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-3301/3	Introduction Number AB-0861	
Description Relating to: exempting from taxation retirement plan income received by individuals who worked as hazardous duty personnel and creating a committee to study the taxation of pension income.		
Fiscal Effect		
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations		
<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		
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Rebecca Boldt (608) 266-6785	Date 2/15/2008

Fiscal Estimate Narratives
DOR 2/15/2008

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Description Relating to: exempting from taxation retirement plan income received by individuals who worked as hazardous duty personnel and creating a committee to study the taxation of pension income.		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the pension benefits of certain public employees are exempt from state taxation. Pension plans that are exempt from taxation include the following: U.S. Civil Service or military, Milwaukee city and county, Milwaukee police officers and public school teachers, Wisconsin state teachers' retirement fund, and the sheriff's annuity and benefit fund of Milwaukee County.

Additionally, under 2007 Wisconsin Act 20, beginning in tax year 2009 up to \$5000 of payments or distributions received each year by an individual will be exempt from taxation if the claimant is at least 65 years of age and the claimant has federal adjusted gross income of less than \$15,000 in the year to which the claim relates (\$30,000 for married joint filers).

Beginning in tax year 2009, this bill would phase in an exemption from taxation for income received from a retirement plan by a claimant who worked as a hazardous duty employee. The exempt amount for tax year 2009 would be \$1,000 and the amount would increase by \$1,000 per year until it reached a maximum of \$30,000 in tax year 2038. As defined in the bill, a hazardous duty employee refers to a police officer, fire fighter, sheriff, sheriff's deputy, state trooper, or an emergency medical technician.

According to the federal Bureau of Labor Statistics, in 2004 approximately 1% of the U.S. labor force (1.32 million / 147 million) was employed in the above mentioned hazardous duty professions.

Using the 2005 Individual Income Tax Model, inflated for 2009 income levels and law, a new exemption of up to \$1,000 for each person with qualified retirement income would reduce taxes on approximately 345,000 returns. Assuming approximately 1% of these returns were from individuals who were hazardous duty employees, the bill would affect approximately 3,450 returns. State income tax revenues would decrease by \$110,000 to \$180,000 for tax year 2009. A range, rather than a specific amount, is given because tax returns do not include information about the source of pension distributions for married couples. The lower bound assumes that all pension income is attributed to one spouse, while the upper bound assumes that the pension income is divided evenly between both spouses.

Long-Range Fiscal Implications

During the thirty year phase in period, the fiscal effect will increase annually. Although it is not possible to reasonably estimate the fully phased-in fiscal effect in tax year 2038, if the full \$30,000 exemption was allowed in tax year 2009, it would be estimated to reduce revenue by \$3,100,000 to \$3,600,000.

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Description Relating to: exempting from taxation retirement plan income received by individuals who worked as hazardous duty personnel and creating a committee to study the taxation of pension income.			
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	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$SeeText	\$
Agency/Prepared By		Authorized Signature	
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		Date	
		2/15/2008	