

Fiscal Estimate Narratives

DOR 3/14/2011

LRB Number	11-0182/2	Introduction Number	SB-029	Estimate Type	Original
Description Expanding and increasing the tax exemption for retirement plan income received by an individual					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, pensions received by persons who were members of or retired from Milwaukee City and county retirement funds, the state teachers' retirement fund, and the civil service retirement system prior to January 1, 1964 are exempt from Wisconsin income tax. In addition, veterans' pensions are exempt from Wisconsin income tax.

Also under current law, up to \$5,000 of payments or distributions from a qualified retirement plan or individual retirement account (IRA) is 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 2013, this bill eliminates the current age and income restrictions that are part of the \$5,000 exemption for payments or distributions from a qualified retirement plan or IRA. In tax year 2014, the bill also allows individuals to exclude up to \$10,000 of qualified retirement income. In 2015, the allowable exclusion is further increased to \$15,000. In 2016 and thereafter, the allowable exclusion is \$20,000.

Using the 2008 Individual Income Tax Model, inflated for income levels and law, the new exemption will reduce revenue by approximately \$59 million in fiscal year 2013, \$220 million in fiscal year 2014, \$342 million in fiscal year 2015, \$434 million in fiscal year 2016, and \$507 million annually beginning in fiscal year 2017.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Expanding and increasing the tax exemption for retirement plan income received by an individual			
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, ets.)			
		Increased Rev	Decreased Rev
GPR Taxes	\$		\$-507,000,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-507,000,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE		\$-507,000,000	-\$507,000,000
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