

### Fiscal Estimate - 2013 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 13-1691/1	<b>Introduction Number</b> AB-0087
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**Description**  
 Expanding and increasing the tax exemption for retirement plan income received by an individual

**Fiscal Effect**

**State:**

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> No State Fiscal Effect           | <input type="checkbox"/> Increase Existing Revenues            | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Indeterminate                    | <input checked="" type="checkbox"/> Decrease Existing Revenues |  |
| <input type="checkbox"/> Increase Existing Appropriations |  | <input type="checkbox"/> Decrease Costs  |
| <input type="checkbox"/> Decrease Existing Appropriations |  |  |
| <input type="checkbox"/> Create New Appropriations        |  |  |

**Local:**

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> No Local Government Costs                     |  |  |
| <input type="checkbox"/> Indeterminate                                 |  |  |
| 1. <input type="checkbox"/> Increase Costs                             | 3. <input type="checkbox"/> Increase Revenue                           | <b>5. Types of Local Government Units Affected</b><br><input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities<br><input type="checkbox"/> Counties <input type="checkbox"/> Others <u>0</u><br><input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory |  |
| 2. <input type="checkbox"/> Decrease Costs                             | 4. <input type="checkbox"/> Decrease Revenue                           |  |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory |  |

**Fund Sources Affected**

**Affected Ch. 20 Appropriations**

GPR     FED     PRO     PRS     SEG     SEGS

**Agency/Prepared By**

**Authorized Signature**

**Date**

DOR/ Bradley Caruth (608) 261-8984

John Koskinen (608) 267-8973

4/1/2013

## Fiscal Estimate Narratives

DOR 4/1/2013

LRB Number	13-1691/1	Introduction Number	AB-0087	Estimate Type	Original
<b>Description</b> 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 2015, 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 2016, the bill also allows individuals to exclude up to \$10,000 of qualified retirement income. In 2017, the allowable exclusion is further increased to \$15,000. In 2018 and thereafter, the allowable exclusion is \$20,000.

Based on simulations using 2010 individual income tax returns, inflated for income levels and law, the new exemption will reduce revenue by approximately \$42 million in fiscal year 2015, \$199 million in fiscal year 2016, \$318 million in fiscal year 2017, \$413 million in fiscal year 2018, and \$480 million annually beginning in fiscal year 2019.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Description</b> Expanding and increasing the tax exemption for retirement plan income received by an individual			
<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>	<b>\$</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		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$SeeText	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984		John Koskinen (608) 267-8973	4/1/2013