



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2005 Assembly Bill 402

**Assembly Substitute
Amendment 1**

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Assembly Substitute Amendment 1 (the “substitute amendment”) would phase in a complete exemption from income taxes for Social Security benefits over a five-year period beginning with taxable year 2006 and would provide a complete exemption by taxable year 2010. The exemption would apply to monthly Social Security retirement benefits, including survivor benefits and monthly disability benefits.

Under current law, at least 50% of Social Security benefits is exempt from state income taxation. Up to 50% of Social Security benefits may be subject to the state income tax, depending upon a person’s income level. The income thresholds for this computation are \$25,000 for single persons and \$32,000 for married persons filing jointly. Income that is included is taxable income, certain nontaxable interest income, and certain amounts earned outside the United States. The amount of Social Security benefits that must be included income, is either one-half of all benefits received for the year or one-half of the amount by which the person's income plus one-half of his or Social Security benefits exceed the threshold amount, whichever is less.

The substitute amendment would increase the Social Security exemption by 10% a year over a five-year period. In 2005, the exemption would remain at 50%. In 2006, the exemption would increase to 60%; in 2007, 70%; in 2008, 80%, in 2009, 90%, and in 2010 and thereafter 100%.

Legislative History

On June 8, 2005, the Assembly Committee on Ways and Means adopted the substitute amendment (introduced by Representative Kerkmann) by a vote of Ayes, 12, and Noes, 0, and recommended the bill for passage, as amended, by a vote of Ayes, 12; and Noes, 0.

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