



2005 SENATE BILL 140

March 29, 2005 - Introduced by Senators ROESSLER, ZIEN, DARLING, REYNOLDS, A. LASEE and LASSA, cosponsored by Representatives WIECKERT, UNDERHEIM, JESKEWITZ, GRONEMUS, HAHN, GARD, JENSEN, NASS, KREIBICH, LOEFFELHOLZ, GIELOW, STONE, KRAWCZYK, MCCORMICK, AINSWORTH, TOWNSEND, ALBERS, BALLWEG, BIES, HONADEL, OTT, PETROWSKI, VRAKAS, PRIDEMORE, MURSAU, M. WILLIAMS, OWENS, GUNDERSON and MUSSER. Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

1 **AN ACT to amend** 71.83 (1) (a) 6. of the statutes; **relating to:** eliminating a
2 penalty for certain early withdrawals from an individual retirement account.

Analysis by the Legislative Reference Bureau

Under current federal law, an individual who receives a distribution from his or her individual retirement account (IRA) before reaching the age of 59 and one-half is subject to a 10 percent nondeductible excise tax, or penalty tax, unless certain exceptions apply. Under current state law, an individual who is subject to such a federal tax, or penalty, is also liable for a state penalty tax equal to 33 percent of the federal penalty unless the income received is exempt from taxation.

Under this bill, an individual who receives a distribution from his or her IRA before reaching the age of 59 and one-half and is subject to the 10 percent federal penalty tax is not liable for the additional 33 percent state penalty tax if the individual uses the proceeds from the distribution to purchase long-term care insurance.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 **SECTION 1.** 71.83 (1) (a) 6. of the statutes is amended to read:

