



JAMES W. EDMING

STATE REPRESENTATIVE • 87TH ASSEMBLY DISTRICT

Testimony in Support of Assembly Bill 39

Assembly Committee on Ways and Means

March 2, 2021

Mr. Chairman and committee members, thank you for holding this public hearing today for Assembly Bill (AB) 39. I would like to thank Senator Jacque for working with me on this important legislation.

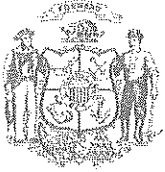
Under current law, of the 41 states that have a state income tax, Wisconsin is 1 of only 15 states that have no income tax exemption for active duty pay. 11 states, including our neighbors in Illinois, Iowa, Michigan, and Minnesota, do not tax active duty military pay at all. The remaining 15 states either exempt some active duty pay or all active duty pay in certain circumstances such as being stationed outside of the state.

Because Wisconsin is in the minority of states that provide no income tax exemption for active duty pay, many Wisconsin service members change their legal residence to a more tax-friendly state while they are stationed out of the state. However, when these folks transition back to civilian life, it is more difficult for them to reestablish themselves in Wisconsin after they have officially relocated to another state.

AB 39 sunsets the armed forces member tax credit and instead exempts active duty military pay from state income tax, bringing Wisconsin in line with our neighboring states. By providing this exemption we are not only saying thank you to those who are willing to serve our nation in the armed forces, we are also making it more likely that our servicemen and women will return home when they complete their military service by encouraging them to keep their legal residence in Wisconsin.

I would like to thank Chairman Macco and his staff for bringing a technical correction to our attention that can be found in the form of Assembly Amendment 1. This amendment simply deletes a portion of the statutes that is no longer necessary if this bill is enacted into law.

Mr. Chairman and members, I ask for your support of this legislation and thank you again for the opportunity to testify before you today.



ANDRÉ JACQUE

STATE SENATOR • 1ST SENATE DISTRICT

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*Testimony before the Assembly Committee on Ways and Means
Senator André Jacque
March 2, 2021*

Chairman Macco and Committee Members,

Thank you for holding this hearing on Assembly Bill 39, legislation that is critical to strengthening Wisconsin's workforce and respecting the active duty service of our men and women in uniform by exempting military income received by active duty members of the U.S. armed forces and sunseting the armed forces member tax credit.

Assembly Bill 39 brings Wisconsin in line with most of the rest of the country by eliminating state income taxation of active duty military pay for state residents, and at the same time significantly increases our ability to retain and recruit trained military personnel for Wisconsin's workforce needs.

Wisconsin does not tax retirement income from the U.S. military, however it is one of the minority of states that generally imposes income tax on active duty military pay for residents, even if they are stationed out of state or even overseas. Our neighboring states of Illinois, Michigan, Iowa and Minnesota do not collect income tax on active duty military pay.

Regarding state income tax of active duty military pay, nine states do not impose a tax on earned income at all. Among the remaining 41 states:

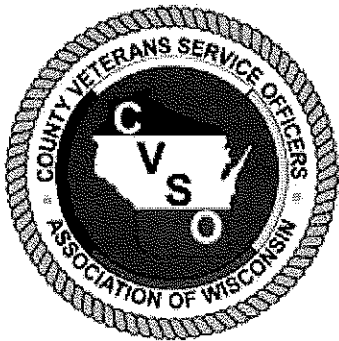
- 11 states generally do not tax active duty military income for residents.
- 15 other states exempt some active duty military pay from income tax or exempt active duty military pay in specific circumstances.

Under current law, military personnel are able to receive the non-refundable armed forces member tax credit and claim up to \$300 dollars for military income for services performed while on active duty stationed outside the United States, although this definition prevents service members who are on active duty but stationed within the United States from receiving this same tax credit.

This has led to many service members changing their legal address to outside the state of Wisconsin to avoid being taxed while on active duty. After leaving active service, many individuals find it difficult to transition back to civilian life and the workforce within the State of Wisconsin after having officially relocated to a different state.

Assembly Bill 39 will sunset the armed forces member tax credit and instead exempt all military income received by an individual during the period they are on active duty in the U.S. armed forces. The economic benefits of keeping veterans in our state should more than make up for any lost revenue, and retaining veterans will both help Wisconsin fill thousands of open jobs and honor the service of those who put their lives on the line to defend our freedom.

Thank you for your consideration of Assembly Bill 39.



Reply to:
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February 26, 2021

ASSEMBLY BILL 39, Relating to: exempting military income received by active duty members of the U.S. Armed Forces and sunseting the armed forces member tax credit.

1. The County Veterans Service Officers Association of Wisconsin supports tax exemption for military income. This legislation would directly improve the wellbeing of the approximately 18,000 Wisconsinites and their family members, serving in our Nation's Armed Forces.
2. When members of the Armed Forces choose where to live after completing their time on active duty, they take many things into consideration. Not least of these considerations is the reputation a state has regarding its treatment of currently serving military members, and military veterans.
3. Twenty-two states do not tax active-duty military wages including our neighboring states of Illinois, Michigan, and Minnesota. Thirteen other states have at least some degree of tax exemption for military wages. This leaves Wisconsin among the fifteen states that continue to tax military wages.
4. By exempting military income received by active duty members of the U.S. Armed Forces, Wisconsin will further its reputation as a State friendly to military members and military veterans, thereby increasing the likelihood these men and women will choose Wisconsin as their home when leaving active duty.
5. Thank you for the opportunity to provide input. Please free contact the undersigned at 262-741-4250 regarding this matter or any other veteran or military related matters.

Regards,

Nathan M. Bond
Chair,
Legislative Committee
CVSO Association of Wisconsin



Chairman Macco

Assembly Committee on Ways and Means

Subj: Support of AB-039

The Wisconsin Veterans of Foreign Wars would like to express their support for AB-039, Military Income Exemption. This bill reflects the appreciation Wisconsin has for military members from the state stationed both in Wisconsin and across the country. We firmly believe that the sacrifice our military members make to support and defend the constitution of the United States should be recognized by removing the tax burden from military pay.

We further thank the authors and co-sponsors of this bill for thinking about those that put their lives on hold for military service. The VFW is committed to serving veterans and military members across the nation and this bill aligns with that commitment. We apologize that we could not be present in person, but please know our absence does not reduce our support for this bill.

Please contact me with any questions at legislativechair@vfwwi.org or by phone at (760) 587-6175. Again, thank you for this bill and your commitment to improving the lives of military members from Wisconsin.

Jason Dean

Jason Dean

Chairman,

Veterans of Foreign Wars Legislative Committee

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March 2, 2021

Chairman Macco and Committee Members,

Thank you for the opportunity to provide testimony on Assembly Bill 39, regarding exempting military income received by Wisconsin service members.

There has been some confusion for National Guard members on recent missions regarding tax exemptions. Certain codes allow benefits while similar codes do not, making it hard for members to identify which category they fall into. This exemption would simplify the process while allowing our service members the same pay benefits of surrounding states.

An income tax exemption for military pay would be an important benefit for our National Guard members as we want them to continue serving and living in Wisconsin. It is in the best interest of the State of Wisconsin that we retain our current service members and incentivize others to join. Wisconsin is in the minority of states that impose an income tax on military service pay. Therefore, we risk losing current and potential service members due to better economic prospects elsewhere.

We have heard from many of our soldiers and airmen, your constituents, about the financial struggles impacting them over the course of deployments. Citizen soldiers and airmen have seen an unprecedented amount of activations this past year due to the Covid-19 pandemic, election support and increasing cases of civil unrest. Many are unaware that service members providing this valuable resource, often do so with negative effects to their household incomes as they leave their day jobs to serve the state in times of need.

As we continue to rely on this tremendous resource, recognizing the sacrifice these members are making through this legislation is a great way to show gratitude for their hard work and dedication.

Thank you again for your consideration of Assembly Bill 39 and the opportunity to submit testimony to the committee.

Very respectfully,

PAUL E. KNAPP
Maj Gen, Wisconsin National Guard
The Adjutant General

The American Legion,
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Founded on four pillars:
• Veterans Affairs &
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• National Security
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• Children & Youth

The mission of The American Legion, Department of Wisconsin is to provide service to veterans, their families and their communities.

Mr. Chair and members of the Committee,

Thank you for holding this hearing on AB 39 The Active Duty Fairness Act. I also want to thank the authors and their staffs for the work they have put into this important proposal.

The American Legion is the largest Veterans Service Organization in the Nation. In Wisconsin, we have over 50,000 members. We have just over a century of advocating for veterans and service members.

This bill will be a benefit to the service members who have listed Wisconsin as their home of record at the time they joined the service.

Over five decades ago I changed my home of record to California and my brother changed his to South Dakota because of Wisconsin tax policy with regard to active duty military members. This only makes sense to the many career military members from Wisconsin. The only tie we had to Wisconsin was a tax bill.

Under current law, if you have changed your home of record and eventually return to Wisconsin you may have a long wait or not be eligible for some state veteran benefits. This is a disincentive for some wanting to return to Wisconsin. Currently Wisconsin business is having difficulty finding labor. We need the service members to return.

With respect to the activated members of the guard and reserve, these citizen soldiers and sailors at times see a decrease in income when activated. This bill will provide those families with a small amount of increased cash when it is needed most.

We thank you for your consideration of this issue and urge you to recommend to the Senate adoption.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Paul Fisk". The signature is fluid and cursive.

Paul Fisk
Legislative Chair
The American Legion, Department of Wisconsin