

**Fiscal Estimate - 2023 Session**

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> 23-5707/1	<b>Introduction Number</b> SB-1034	
<b>Description</b> tax exemption for certain retirement benefits received from the Wisconsin Retirement System		
<b>Fiscal Effect</b>		
<b>State:</b>		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate		
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Create New Appropriations		
<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs		
<b>Local:</b>		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <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		
<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984	Michael Oakleaf (608) 261-5173	2/27/2024

## Fiscal Estimate Narratives

DOR 2/27/2024

LRB Number	23-5707/1	Introduction Number	SB-1034	Estimate Type	Original
<b>Description</b> tax exemption for certain retirement benefits received from the Wisconsin Retirement System					

### Assumptions Used in Arriving at Fiscal Estimate

This bill provides an income tax exemption for pension payments received from the Wisconsin Retirement System (WRS) by protective occupation participants, correctional officers, and frontline workers. The bill defines "frontline worker" to mean an individual who was a state, county, or municipal employee with regular job duties that, as determined by the Employment Relations Commission in consultation with the Department of Revenue, included interacting with members of the public or with large populations of people or directly involved the maintenance of public works. Elected state officials, constitutional officers, agency heads, and legislative staff are excluded from the definition of "frontline worker."

Under the bill, 25 percent of the pension payment received in 2024 is exempt; 50 percent of the payment received in 2025 is exempt; 75 percent of the payment received in 2026 is exempt; and 100 percent of the payment received in 2027 and thereafter is exempt. The bill provides that the amount exempted may not exceed the portion of the pension payment that is attributable to the period of time during which the individual was a protective occupation participant or frontline worker.

According to the Bureau of Labor Statistics Occupational Requirements Survey, approximately 79.2 percent of civilian workers' jobs required interaction with the general public in 2023. Based on simulations using 2021 income tax returns adjusted for implementation years in the bill, and using the 79.2 percent figure to reflect the share of WRS pension payments that qualify for exemption, the bill is expected to reduce revenue by \$76 million in fiscal year 2025, \$112 million in fiscal year 2026, \$153 million in fiscal year 2027, and \$182 million annually beginning in fiscal year 2028.

To the extent that the definition of frontline worker used by the Employment Relations Commission is significantly different from the one used in this estimate from the Occupational Requirements Survey, the fiscal effect of the bill would also differ.

According to Department of Administration net tax reduction calculations related to the American Rescue Plan Act (ARPA), the remaining margin for tax reductions before triggering potential SLFRF recoupment is \$97.0 million for fiscal year 2024 and \$326.6 million for fiscal year 2025. This bill would reduce these margins by the amount of fiscal effect.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 23-5707/1	<b>Introduction Number</b> SB-1034	
<b>Description</b> tax exemption for certain retirement benefits received from the Wisconsin Retirement System		
<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	\$See Text	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
DOR/ Bradley Caruth (608) 261-8984		2/27/2024
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