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ASSEMBLY BILL 223 PASSES THROUGH COMMITTEE

MADISON – Today Assembly Bill 223 passed through the Assembly Ways and Means Committee, with each committee member voting yes. Assembly Bill 223 is bipartisan legislation which would eliminate a tax disparity between retired federal workers receiving social security and former federal employees not receiving social security, but instead receiving a pension.

Prior to 1984, all federal employees were covered by the Civil Service Retirement System (CSRS) rather than social security. Beginning in 1984, all new federal employees and those who chose to change plans were covered by the Federal Employees Retirement System (FERS), which is covered by social security.

State law exempts social security benefits from the state income tax. It also provides an exemption for CSRS pensions for employees who were members prior to 1964. However, post-1964 CSRS federal employees are excluded from this provision and their pensions are taxed in Wisconsin.

While the number of retirees affected by this provision will decrease over time, the bill currently impacts about 20,000 Wisconsinites including postal workers, civilian employees of the armed forces, the Army Corps of Engineers, Department of Veterans' Affairs employees, and Treasury Department employees, among others.

In response to the committee action, Representative Ohnstad issued the following statement:

“I’ve been working on this bill since last session and I’m pleased the committee unanimously passed this important bill. We currently have a donut-hole in our state tax laws where certain federal retirees are still being taxed based on their older plans. This bill will provide level treatment among these retired workers and how their benefits are taxed by the state.”

“I want to thank Representative Armstrong for working together with me in a bipartisan manner to move this bill forward. The passage of this bill is a shining example of what can be done when we work together in the Legislature. It is my hope Assembly Bill 223 gets brought to the floor for a vote this session and the Governor signs this bipartisan legislation into law before the end of the year.”

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