

**WISCONSIN DEPARTMENT OF REVENUE
DIVISION OF INCOME, SALES, AND EXCISE TAX**

NOTICE OF PROPOSED GUIDANCE DOCUMENTS

Pursuant to sec. 227.112, Wis. Stats., the Wisconsin Department of Revenue, Division of Income, Sales, and Excise Taxes hereby seeks comment on the proposed guidance document listed in the table below.

SUBMITTING PUBLIC COMMENTS

Public comments on proposed or adopted guidance documents may be submitted online at: <https://www.revenue.wi.gov/Pages/contactUs/proposed-Guidance.aspx>.

DEADLINE FOR SUBMISSION

The period for public comment for proposed guidance documents ends 21 days after publication in the Administrative Register, unless the Governor approves a shorter commenting period.

Document Number	Document Title
100198	Individual Income Tax Retired Persons - Common Questions

State of Wisconsin
Department of Revenue

Individual Income Tax Retired Persons

This is a proposed guidance document. The document has been submitted to the Legislative Reference Bureau for publication in the Administrative Register for public comment as provided by sec. 227.112(1), Wis. Stats.

1. Are my retirement benefits taxable?
2. Are my military or uniformed services retirement benefits taxable?
3. If I live in another state for a portion of the year, how much of my income is taxable by Wisconsin?
4. How much of my social security benefits are taxable by Wisconsin?
5. As a retired person, do I qualify for homestead credit?
6. If I received taxable non-wage income, do I need to make estimated tax payments?
7. The federal government allows for an increased standard deduction for taxpayers age 65 or older. Does Wisconsin allow for any type of benefit for older or retired taxpayers?
8. Does Wisconsin allow a subtraction from income on Form 1 for the amount that I pay for health insurance?
9. What is the Wisconsin retirement income exclusion?

1. Are my retirement benefits taxable?

- If you are a full-year resident of Wisconsin, generally the same amount of your pension and annuity income that is taxable for federal tax purposes is taxable by Wisconsin.
- If you are a nonresident of Wisconsin, your pension and annuity income is generally nontaxable by Wisconsin.
- If you are a part-year resident of Wisconsin, the pension and annuity income you receive while a Wisconsin resident is generally taxable in the same manner as it is for federal tax purposes. The pension and annuity income you receive while a nonresident is generally nontaxable.

Exceptions to the taxation of retirement income described above are as follows:

- Social security benefits are not taxable by Wisconsin.

- Payments received from the retirement systems listed below are not taxable by Wisconsin provided any of the following apply:
 - You were retired from the system before January 1, 1964
 - You were a member of the system as of December 31, 1963, retiring at a later date and payments you receive are from an account established before 1964
 - You are receiving payments from the system as the beneficiary of an individual who met either of the two conditions listed above

The specific retirement systems are:

Local and state retirement systems: Milwaukee City Employees, Milwaukee City Police Officers, Milwaukee Fire Fighters, Milwaukee Public School Teachers, Milwaukee County Employees, Milwaukee Sheriff, and Wisconsin State Teachers retirement systems.

Federal retirement systems: United States government civilian employee retirement systems. Examples include the Civil Service Retirement System and the Federal Employees' Retirement System.

Note: The following payments are **not** exempt from Wisconsin income tax:

- Payments received as a result of voluntary tax-sheltered annuity deposits in any of the retirement systems listed above.
- Payments received from one of the retirement systems listed above if you first became a member after December 31, 1963. This applies even though pre-1964 military service may have been counted as creditable service in computing your retirement benefit.
- Payments from the federal Thrift Savings Plan.

Caution: Only retirement benefits based on qualified membership in one of the retirement systems listed above may be subtracted from Wisconsin income. Qualified membership is membership that began before January 1964 as explained above. Any portion of your retirement benefit that is based on membership in other retirement systems, or based on employment which began after December 31, 1963, is taxable and may not be subtracted from federal income.

- Military and uniformed services retirement benefits are not taxable for Wisconsin tax purposes
- Railroad retirement benefits are not taxable for Wisconsin purposes

Note: Payments you receive from a nonqualified pension or annuity or a nonqualified deferred compensation plan are taxable by Wisconsin when received by a Wisconsin resident. Such payments may be taxable or may be exempt when received by a nonresident of Wisconsin. For more information on this issue, see [Wisconsin Publication 106, Wisconsin Tax Information for Retirees](#), and [Wisconsin Publication 126, How Your Retirement Benefits are Taxed](#).

2. Are my military or uniformed services retirement benefits taxable?

Payments you receive from the following are not taxable for Wisconsin:

- The U.S. military retirement system (including payments from the Retired Serviceman's Family Protection Plan and the Survivor Benefit Plan)
- Payments from Defense Finance and Accounting Service (DFAS) for military retirement pay
- The U.S. government that relate to service with the Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, or the commissioned corps of the Public Health Service

3. If I live in another state for a portion of the year, how much of my income is taxable by Wisconsin?

It depends on whether or not you remained a legal resident of Wisconsin for the entire year. During the time that you are a legal Wisconsin resident, Wisconsin taxes your income from all sources. During the time that you aren't a legal Wisconsin resident, Wisconsin taxes only your income from Wisconsin sources.

You are considered a part-year resident only if you were domiciled in Wisconsin for part of the year and in another state for the rest of the year.

Your domicile is your true, fixed, and permanent home where you intend to remain permanently and indefinitely and to which, whenever absent, you intend to return. It is often referred to as "legal residence." You can be physically present or residing in one state but maintain a domicile in another. You can have only one domicile at a time. For more information, see [☞ Wisconsin Publication 122, Tax Information for Part-Year Residents and Nonresidents of Wisconsin for 2019.](#)

4. How much of my social security benefits are taxable by Wisconsin?

Wisconsin does not tax social security benefits.

5. As a retired person, do I qualify for homestead credit?

Retirees age 62 years of age or older who are full-year legal residents of Wisconsin may qualify for homestead credit if they meet certain conditions. One of the qualifications is that your total household income (both taxable and nontaxable income) must be less than \$24,680 for 2019. Retirees under age 62 may qualify if they are disabled or have earned income. For more information about the homestead credit, see the Wisconsin [☞ Schedule H Instructions.](#)

6. If I received taxable non-wage income, do I need to make estimated tax payments?

If you have income from which Wisconsin tax is not withheld, such as interest income or pension or annuity income, you may be required to prepay your tax in installments. Generally, you must pay estimated tax if your tax return will show a balance due of \$500 or more. For more information regarding estimated tax payments and how to make them, see the Wisconsin [☞ Form 1-ES instructions.](#) You may be subject to an underpayment interest charge if you do not make required payments of estimated tax.

7. The federal government allows for an increased standard deduction for taxpayers age 65 or older. Does Wisconsin allow for any type of benefit for

older or retired taxpayers?

Yes. Persons age 65 or older on December 31, 2019, are allowed a \$700 personal exemption for themselves, and an additional personal exemption deduction of \$250.

If you are married filing a joint return and both you and your spouse were age 65 or older on December 31, 2019, you are allowed an additional exemption deduction of \$250 for yourself and \$250 for your spouse.

8. Does Wisconsin allow a subtraction from income on Form 1 for the amount that I pay for health insurance?

You may claim a subtraction from income for the amount you paid for medical care insurance in 2019. The amount allowed depends on whether you were employed, unemployed or self-employed.

For more information on the subtraction from income for medical care insurance premiums paid in 2019, see the Wisconsin [Form 1 instructions](#).

9. What is the Wisconsin retirement income exclusion?

Individuals who receive income from a qualified retirement plan or an individual retirement account (IRA) are allowed to subtract up to \$5,000 of such retirement benefits when computing their Wisconsin income tax.

To qualify for the subtraction, the individual must be at least 65 years of age before the close of the taxable year for which the subtraction is being claimed, and meet the following income limitations for that year:

- If the individual is single or files as head of household, his or her federal adjusted gross income is less than \$15,000
- If the individual is married and files a joint return, the couple's federal adjusted gross income is less than \$30,000
- If the individual is married and files a separate return, the sum of both spouse's federal adjusted gross income is less than \$30,000

The subtraction does not apply to retirement benefits that are otherwise exempt from Wisconsin income tax. For example, an individual is receiving military retirement benefits that are exempt from Wisconsin income tax. The individual may not claim the \$5,000 subtraction based on the military retirement benefits.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of November 1, 2019: Sections 71.01, 71.03, 71.04, 71.05, 71.09 and 71.54, Wis. Stats., secs. Tax 2.94 and 14.03, Wis. Adm. Code, and 26 U.S. Code § 401.

Laws enacted and in effect after November 1, 2019, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to November 1, 2019, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

FOR QUESTIONS OR COMMENTS CONTACT:

MS 5-77

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