



FOR IMMEDIATE RELEASE
September 12, 2019

Contact: Rep. Ohnstad, 608-266-0455

Ohnstad Seeks Fairness for Federal Retirees

Bipartisan Bill Gets Committee Hearing

MADISON – Today Representative Tod Ohnstad (D-Kenosha) testified in committee in support of bipartisan legislation he has authored to eliminate a tax disparity between retired federal workers receiving social security and former federal employees not receiving social security, but instead receiving a pension.

Representative Ohnstad was joined by the bill’s Republican co-author, Representative Mike Kuglitsch (R-New Berlin), as well as a number of federal retirees from across the state as they testified before the Assembly Committee on Ways and Means. Senators Dale Kooyenga (R-Brookfield) and Fred Risser (D-Madison) are also lead sponsors of Assembly Bill 221, which currently has a total of 26 cosponsors.

“I was made aware of the inequitable treatment of these two types of federal retirement plans by Rick Gallo and local Kenosha members of the National Active and Retired Federal Employees Association,” Rep. Ohnstad said. “This seemed like a common sense issue of fairness, and I was happy to work with my constituents to develop the legislation.”

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.

“The state’s tax laws create a donut-hole where certain federal retirees are still being taxed based on their older plans,” Ohnstad said. “Our bill aims to provide level treatment among these retired workers and how their benefits are taxed by the state. Neighboring Illinois, for example, exempts both social security and federal pensions from state taxes.”

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.

###