



Wisconsin Tax Information for Military Personnel and Veterans

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1. INTRODUCTION

This publication provides information on the Wisconsin tax treatment of income, deductions, and credits available for military personnel and veterans. This publication does not discuss the federal income tax treatment for military personnel and veterans, unless indicated otherwise. For additional information on the federal tax treatment, the following publications are available from the Internal Revenue Service (IRS) by calling 1-800-829-3676 or from the IRS website at [irs.gov](https://www.irs.gov):

- [Publication 3](#), *Armed Forces' Tax Guide*
- [Publication 907](#), *Tax Highlights for Persons With Disabilities*

2. FILING YOUR WISCONSIN RETURN

A. Filing Requirements

If you are a full-year resident of Wisconsin, refer to the [Form 1 instructions](#) to see if you are required to file a Wisconsin individual income tax return.

If you are a part-year resident or nonresident of Wisconsin, refer to the [Form 1NPR instructions](#) to see if you are required to file a Wisconsin individual income tax return. In general, a part-year resident or nonresident of Wisconsin must file a Wisconsin income tax return if their gross income reportable to Wisconsin (including income eligible for a Wisconsin subtraction) was \$2,000 or more.

B. Extensions

Federal extension

The regular due date for filing your Wisconsin income tax return is the same as the regular due date for filing your federal income tax return, generally April 15 of the following year. If April 15 falls on a Saturday, Sunday, or legal holiday, the due date is the next business day that is not a Saturday, Sunday, or legal holiday. For 2023 tax returns, the due date is April 15, 2024. Any extension of time allowed under federal law for filing your federal income tax return also applies for Wisconsin.

Military or naval service outside the U.S. extension

If you are on duty in military or naval service outside the United States and Puerto Rico on April 15, you are allowed an automatic two-month extension and an additional four-month extension of time to file your federal return. To request the four-month extension, submit a copy of federal [Form 4868](#), *Application for Automatic Extension of Time To File U.S. Individual Income Tax Return*, with your Wisconsin return when it is filed. If you qualify, enter "18" in the Special Conditions box located under the Tax District section on page 1 of Form 1 or page 1 of Form 1NPR.

Combat zone extension

In addition, extensions relating to serving in a combat zone are also available. If you qualify for this extension, complete the Special Conditions box on Form 1 or Form 1NPR by entering "02" if you qualify because of service in a combat zone or contingency operation.

This extension is available to a taxpayer who served in, or in support of, the armed forces in a combat zone. For purposes of this extension, "combat zone" includes a qualified hazardous duty area. It is also available to the qualifying individual's spouse filing a separate tax return, for tax years beginning two years or less after the last day the area qualifies as a combat zone. However, it is not available to the spouse for any period the qualifying



individual is hospitalized in the United States for injuries incurred in a combat zone. The extension period for an extension related to combat zone service is the total of:

- 180 days after the later of the following:
 - The last day a taxpayer is in a combat zone (or the last day the area qualifies as a combat zone)
 - The last day of continuous qualifying hospitalization for injuries from service in the combat zone
- The number of days in the filing period (until the original due date), or the number of days that were left in the filing period when the taxpayer entered the combat zone

For additional extensions, see Wisconsin [Publication 401](#), *Extensions of Time to File*.

Interest charges during extension period

You will be charged interest on any amount not paid by the regular due date. However, you will not be charged interest during an extension period if one of the following applies:

- You served in support of Operation Enduring Sentinel
- You qualify for a federal extension because of service in a combat zone or contingency operation
- You qualify for a federal extension due to a federally declared disaster

C. Residence or Domicile

Your domicile is the permanent legal home you intend to use for an indefinite or unlimited period, and to which, when absent, you intend to return. It is not always where you presently live. You can be physically present or residing in one state but maintain a domicile in another. "Domicile" is often referred to as "legal residence." You can have only one domicile at a time.

Your domicile, once established, is never lost unless all three of the following occur or exist:

- You specifically intend to abandon your old domicile and take actions consistent with such intent
- You intend to acquire a new domicile and take actions consistent with such intent
- You are physically present in the new domicile

Actions which express intent may include, but are not limited to:

- Changing legal documents, such as a will or insurance policies, to reflect the new legal residence
- Changing home of record upon reenlistment
- Registering to vote in the new locality
- Paying state taxes in the new locality
- Applying for a driver's license in the new state of residence and relinquishing the Wisconsin driver's license
- Registering a car in the new state of residence and relinquishing Wisconsin car registration
- Purchasing a home in the new state of residence and selling a Wisconsin home
- Consistently using the new permanent address on all appropriate records and correspondence

Note: Moving from one duty station to another does not by itself constitute a change of legal residence.



If you were a Wisconsin resident on the date you entered military service, you are considered a Wisconsin resident during your entire military career unless (1) you take positive action to change your domicile to another state as described above or (2) you qualify and make an election to be a resident of another state under [50 U.S.C. 4001](#).

If you were a nonresident of Wisconsin on the date you entered military service, you are considered a nonresident of Wisconsin during your entire military career unless (1) you take positive action to change your domicile to Wisconsin as described above or (2) you qualify and make an election to be a resident of Wisconsin under [50 U.S.C. 4001](#).

If you are married, your spouse may qualify to elect their state of residence under [50 U.S.C. 4001](#).

For more information about the residency election under [50 U.S.C. 4001](#), see Part 2.D.

Note: Persons who change their residence (domicile) from Wisconsin to another state should file a "Legal Residence (Domicile) Questionnaire" form with the Wisconsin Department of Revenue. This form may be found on page 60 of the [2023 Form 1NPR instructions](#).

D. Residency or Domicile Election Under 50 U.S.C. 4001

Section [4001\(a\)\(3\)](#) of Title 50 of the United States Code provides:

For any taxable year of the marriage, a servicemember and the spouse of such servicemember may elect to use for purposes of taxation, regardless of the date on which the marriage of the servicemember and the spouse occurred, any of the following:

- (A) The residence or domicile of the servicemember.
- (B) The residence or domicile of the spouse.
- (C) The permanent duty station of the servicemember.

Example:

- Prior to 2023
 - Individual A is a resident of Illinois.
 - Individual B is a resident of Florida.
- On January 1, 2023
 - Individual A becomes a servicemember.
 - Individual A receives military orders with a permanent duty station in Wisconsin.
- On October 7, 2023
 - Individual A and Individual B get married.
 - Individual B moves to Wisconsin solely to be with Individual A.

Under [50 U.S.C. 4001\(a\)\(3\)](#), Individual A and Individual B can choose to be residents of Wisconsin, Illinois, or Florida for taxation purposes.

Note: If neither spouse is a full-year resident of Wisconsin for tax purposes, the following tax credits may not be claimed:

- Earned income credit
- Additional child and dependent care tax credit
- Homestead credit
- School property tax credit
- Credit for tax paid to another state
- Working families tax credit

3. MILITARY PERSONNEL

This section covers the federal and Wisconsin tax treatment of income received by military personnel. Military personnel include commissioned officers, warrant officers, and enlisted personnel in all regular and reserve units under control of the Secretaries of the Defense, Army, Navy, and Air Force. This also includes the Coast Guard, but not the U.S. Merchant Marine or the American Red Cross.

A. Military Pay

The following sections discuss the federal and Wisconsin treatment of the taxation of certain military pay. Each section will identify whether Wisconsin follows the federal treatment.

(1) Items included in gross income

Federal treatment

Certain items must be included in federal adjusted gross income. Some of these items include:

- Active duty pay
- Reserve training pay
- Training duty pay
- Career status pay
- Hazardous duty pay
- Accrued leave pay

For more information on items which must be included in federal adjusted gross income, see Table 1 of federal [Publication 3](#).

Wisconsin treatment

Wisconsin follows the federal treatment of military pay which must be included in federal adjusted gross income. This income is also included in Wisconsin income, unless one of the subtractions in [Part 3.B](#) applies.

(2) Items excluded from gross income

Federal treatment

Certain items may be excluded from federal adjusted gross income. Some of these items include:

- Certain disability pension payments (see [Part 4.B](#).)
- Family allowances for certain educational expenses for dependents
- Basic allowances for housing and subsistence
- Combat zone pay

If you are an enlisted member, warrant officer, or commissioned warrant officer, all your combat pay is excluded from your federal adjusted gross income for tax purposes.

If you are a commissioned officer (other than a commissioned warrant officer), there is a limit to the amount of combat pay you can exclude. The amount of your exclusion is limited to the highest rate of enlisted pay (plus imminent danger/hostile fire pay you received) for each month during any part of which you served in a combat zone or were hospitalized as a result of your service there.

- Certain moving expenses

In general, employer reimbursements for qualified moving expenses are taxable. An exception is available for members of the armed forces of the United States on active duty who move due to a military order and the result of a permanent change in station. In addition, the subtraction from federal income for unreimbursed moving expenses is only allowed for these same members of the armed forces.

For more information on items which may be excluded from federal adjusted gross income, see Table 2 of federal [Publication 3](#).

Wisconsin treatment

Military pay that is exempt for federal tax purposes is also exempt for Wisconsin tax purposes.

(3) Military pay excluded under 50 U.S.C. 4001

Federal and Wisconsin treatment

Under [50 U.S.C. 4001\(b\)](#), a Wisconsin resident in the armed forces cannot be taxed on military pay by any other state. However, a Wisconsin resident can be taxed as a nonresident by another state on income, other than military pay, earned from employment or property in that state. In such a case, a tax credit would usually be allowed by Wisconsin. For additional information on this credit, see Wisconsin [Publication 125](#), *Credit for Tax Paid to Another State*.

A legal resident of another state, who is stationed in Wisconsin on military orders, is not liable for Wisconsin income taxes on military pay. The amount of wages should not be included in either the federal column (Column A) or Wisconsin column (Column B) of Wisconsin Form 1NPR. However, this person is liable for Wisconsin income taxes and must file a Wisconsin Form 1NPR if the total of the following income is \$2,000 or more:

- Income, other than military pay, from employment in Wisconsin
- Income or loss from business conducted in Wisconsin
- Income from real or tangible property located in Wisconsin
- Wisconsin state lottery or a multi-jurisdictional lottery ticket purchased in Wisconsin
- Wisconsin pari-mutuel wager winnings and purses
- Winnings from a Native American casino or bingo hall located in Wisconsin

If your spouse is a legal resident of another state, they are not liable for Wisconsin income taxes on income from personal services performed in Wisconsin if they are in Wisconsin solely to be with you while you are in Wisconsin under military orders. See [Form W-221](#), *Nonresident Military Spouse Withholding Exemption*, and the related [instructions](#). While this amount is not taxable to Wisconsin, it must be included in the federal column (Column A) of Form 1NPR.



If your spouse is a resident of another state and solely in Wisconsin to be with you, they are liable for Wisconsin income taxes on:

- Business conducted in Wisconsin that is not derived from personal services of the spouse
- Property located in Wisconsin
- A Wisconsin state lottery or a multijurisdictional lottery ticket purchased in Wisconsin
- Wisconsin pari-mutuel wager winnings and purses
- Winnings from a Native American casino or bingo hall located in Wisconsin

Notes:

- Even though the nonresident spouse's personal service income may not be taxable to Wisconsin, it may be taxable to the nonresident spouse's state of legal residence
- A service member and their spouse may qualify to elect their state of residence under [50 U.S.C. 4001](#). For more information, see Part 2.D.

B. Military Pay Excluded From Wisconsin Income

This section covers Wisconsin subtractions from income. These subtractions do not apply for federal purposes.

- (1) Reserve or National Guard member's active duty pay under sec. [71.05\(6\)\(b\)34.](#), Wis. Stats.

Military pay received by certain members of the Reserves and National Guard may be exempt for Wisconsin tax purposes. To qualify for the subtraction, the military pay must have been received from the federal government after being called into active federal service under [10 USC 12302\(a\)](#), [10 USC 12304](#), or [10 USC 12304b](#), or into special state service authorized by the federal Department of Defense under [32 USC 502\(f\)](#). The pay must have been for a period of time during which the Reserve or National Guard member was on active duty. This active duty pay received after the active duty period ends is still eligible for this subtraction.

Example: You are a member of the Reserves and were called into active duty under 10 USC 12304 from April 1, 2023, through October 30, 2023. Your Leave and Earnings Statement (LES) and paycheck for the period of October 16 through October 30, 2023, was issued on November 5, 2023, after your active duty period ended. You may subtract the military pay received for the period of April 1 through October 30, 2023. Even though the paycheck for the period of October 16 through October 30, 2023, was issued while on inactive duty, the subtraction from income is allowed for pay earned during the period of active duty, regardless of when received.

Note

Caution: This subtraction does not apply to the following:

- Military pay that members of the Reserves or National Guard receive during their **weekend and two-week annual training**, or
- A person **serving on active duty or full-time duty in the active guard reserve (AGR) program**. However, persons in the AGR program may qualify for a subtraction for U.S. Armed Forces Active Duty Pay under (2) below.

If you qualify for this subtraction, report the amount of eligible military pay as a subtraction on Schedule SB, line 17, if filing Form 1 or Schedule M, line 51, if filing Form 1NPR. **Note:** Any wages subtracted under this provision must be excluded from earned income for computing Wisconsin's married couple credit.

(2) U.S. Armed Forces members active duty pay under sec. [71.05\(6\)\(b\)56](#), Wis. Stats.

If you were a member of the U.S. Armed Forces, you may subtract the amount of basic, special, and incentive pay received from the federal government under 37 USC chapters [3](#) and [5](#) for active duty. Members should refer to their Leave and Earning Statements (LES) and military orders to determine the pay eligible for the subtraction.

The subtraction is taken on line 18 of Schedule SB, if filing Form 1 or line 52 of Schedule M, if filing Form 1NPR. The amount subtracted cannot exceed the active duty pay included in federal adjusted gross income on Form 1 or in column B (Wisconsin Income) of Form 1NPR. **Note:** Any wages subtracted under this provision must be excluded from earned income for computing Wisconsin's married couple credit.

Caution: Reserves or National Guard members subtracting their active duty pay under [Part 3.B.\(1\)](#) above may not take an additional subtraction for the same pay described in this section.

(a) Active duty

"Active duty" for purposes of this subtraction means full-time duty as a uniformed service member in the active service of the U.S. Armed Forces and includes full-time training duty, annual training duty, full-time National Guard duty, and attendance, while in the active service, at a school designated as a federal military service academy. Active duty does not include training while on inactive duty or attendance for training not required by the U.S. Armed Forces.

(b) Eligible branches of the U.S. Armed Forces

Members of the U.S. Armed Forces under [26 USC 7701\(a\)\(15\)](#) include regular and reserve components of the uniformed services, including commissioned officers and enlisted personnel, which are subject to the jurisdiction of:

- Secretary of Defense
- Secretary of the Army
- Secretary of the Navy
- Secretary of the Air Force
- Coast Guard

(c) Eligible members

Pay received by the following members of the uniformed services of the U.S. Armed Forces for active duty may be eligible for the subtraction:

- Members in the regular components of the uniformed services as described in Part 3.B.(2)(b) above
- Members in the reserve components under [37 USC 101\(24\)](#), including:
 - Army Reserve
 - Navy Reserve
 - Marine Corps Reserve
 - Air Force Reserve
 - Coast Guard Reserve
 - Reserve Corps of the Public Health Service
 - Army National Guard of the United States
 - Air National Guard of the United States

Reserve and national guard members include:

- Active guard reserve members (AGR)

- Traditional guard members (traditional reservist (TR) or National Guard) for annual training, including dual-status technicians if called to attend military school or annual training
- Full-time national guard members (FTNG)
- Members attending in-person or remote military schools when the member is in federal service and on active-duty military orders

(d) Ineligible pay

Pay received by the following members that is not eligible for the subtraction include:

- Persons solely performing duties under civil service positions
- Traditional guard members (traditional reservist (TR) or National Guard) for inactive duty training (IDT) drill weekend training
- Members attending military schools or correspondence courses while the member is not in federal service on active duty
- Dual-status technicians, and Individual Ready Reserves (IRR), unless they receive pay for active duty as described above

(e) Eligible pay

Active duty pay received by an eligible member of the U.S. Armed Forces, as described above, that qualifies for the subtraction includes:

- Basic pay received under [37 USC chapter 3](#)
- Special pay received under [37 USC chapter 5](#)
- Incentive pay received under [37 USC chapter 5](#)

Example 1: You are a member of the Army Reserve and are called to active duty from January 1, 2023, through June 1, 2023. You receive basic pay under 37 USC chapter 3 for the whole year. You may subtract any basic pay received for active duty for the period January 1, 2023, through June 1, 2023.

Example 2: You are a member of the Air Force Reserve and are called to active duty from May 1, 2023, through September 30, 2023. You receive a paycheck which qualifies for the subtraction because the pay is received for active duty. You receive \$1,500 of basic pay under 37 USC chapter 3 and \$150 of subsistence allowance and \$300 of basic allowance for housing under 37 USC chapter 7 for a total of \$1,950 before deductions. Your LES statement shows a Thrift Savings Plan (TSP) contribution to a traditional qualified retirement plan of \$50 which reduced your taxable wages to \$1,450. The amount of pay eligible for the subtraction is the gross amount of basic pay less any pre-tax deductions shown on your LES statement.

Example 3: You are a member of the Navy Reserve and attend annual training under active duty status from May 6, 2023, through May 29, 2023. You also attend inactive duty training from May 29, 2023, to May 31, 2023.

Sample LES:

DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT																		
ID	NAME (Last, First, MI)		SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	ETS	BRANCH	ADSN/DSSN	PERIOD COVERED								
	1		2	3	4	5	6	7	8	9								
ENTITLEMENTS			DEDUCTIONS				ALLOTMENTS				SUMMARY							
Type	Amount		Type	Amount		Type	Amount											
A	10		11		12				+Amt Fwd	13								
B									+TOT ENT	14								
C									-TOT DED	15								
D									-TOT ALMT	16								
E									=NET AMT	17								
F									-CR FWR	18								
G									=EOM PAY	19								
H									DIEMS	23		RET PLAN			24			
I																		
J							TOTAL		20		21		22					
FED TAXES		Wage Period	Wage YTD	M/S/H	Mult Jobs	Dep 17 Under	Other Dep	Add'l Tax	Other Deds	Other Income	Tax YTD							
		25	26	27	28	29	30	31	32	33	34							
FICA TAXES		Wage Period	Soc Wage YTD	Soc Tax YTD	Med Wage YTD	Med Tax YTD	STATE TAXES	St	Wage Period	Wage YTD	M/S	Ex	Tax YTD					
		35	36	37	38	39	40	41	42	43	44	45						
PAY DATA		BAQ Type	BAQ Depn	VHA Zip	Rent Amt	Share	Stat	JFTR	Depns	2D JFTR	BAS Type	Charity YTD	TPC	PACIDN				
		46	47	48	49	50	51	52	53	54	55	56	57	58				
TRADITIONAL PLAN (TSP)		Base Pay Rate	Base Pay Current	Spec Pay Rate	Spec Pay Current	Inc Pay Rate	Inc Pay Current	Bonus Pay Rate	Bonus Pay Current									
		59	60	61	62	63	64	65	66									
ROTH PLAN		Base Pay Rate	Base Pay Current	Spec Pay Rate	Spec Pay Current	Inc Pay Rate	Inc Pay Current	Bonus Pay Rate	Bonus Pay Current									
		67	68	69	70	71	72	73	74									
CONTRIBUTIONS TOTALS		YTD Deductions	YTD TSP Deferred	YTD TSP Exempt	YTD Roth	YTD TSP AGCY-AUTO	YTD TSP AGCY-MATCH											
		75	76	77	78	79	80											
CM AGCY CONTR		AGCY-AUTO	AGC-MATCH	LEAVE	BF Bal	Ernd	Used	Cr Bal	ETS Bal	Lv Lost	Lv Paid	Use/Lose						
		81	82	83	84	85	86	87	88	89	90	91						
REMARKS: YTD ENTITLE _____ YTD DEDUCT _____																		
92		93		94														

Your LES shows the following fields filled in:

- Field 92: Inactive Duty Training 29 May 23 to 31 May 23 (5 UTAs)
- Field 92: Annual Training 06 May 23 to 29 May 23
- Field 10: Basic Pay: \$3,200.00
- Field 11: TSP Contribution: \$100.00

The amount of inactive duty training pay is not eligible for the subtraction. The amount of the annual training pay under active duty status is eligible for the subtraction. Use the *Military Reserve Drill Pay* table at https://www.dfas.mil/Portals/98/Documents/militarymembers/militarymembers/pay-tables/2023%20AC_RC%20Pay%20Table1.pdf to identify your pay for each drill unit training assembly (UTA).

You are a pay grade E5 with over 10 years of service. Based on the *Enlisted Members* portion of the chart, the pay is \$128.39 per drill (1 drill = 1 UTA). The UTA would be calculated at \$128.39 x 5 = \$641.95

to calculate the inactive duty training component of the LES. The amount of subtraction allowed is \$2,458.05, which is figured as follows:

\$3,200.00	Total gross basic pay
(\$ 641.95)	Basic pay for inactive duty training
<u>(\$ 100.00)</u>	Pre-tax Thrift Savings Plan (TSP) contribution deduction
\$2,458.05	Subtraction allowed

- (3) Combat zone related death under sec. [71.05\(6\)\(b\)48.](#) and [48m.](#), Wis. Stats.

A Wisconsin subtraction from income is available for those filing a return for an individual who was on active duty in the U.S. Armed Forces, who died in 2023 while on active duty, and the death occurred while they were serving in a combat zone or as a result of wounds, disease, or injuries incurred while serving in the combat zone.

The subtraction amount is equal to all income received by the individual during the year of death. The certification made by the Department of Defense, [DD Form 1300, Report of Casualty](#), must be included with the return. For persons who died in 2023 as a result of service in a combat zone, the income subtraction also applies for 2022 if the service member did not previously file a 2022 income tax return.

4. MILITARY VETERANS

A. Retirement Payments Exempt From Wisconsin Income Tax

- (1) Military and uniformed services retirement payments under sec. [71.05\(1\)\(am\)](#) and [\(an\)](#), Wis. Stats.

All retirement payments received from the U.S. military retirement system, including payments from the Survivor Benefit Plan, are exempt from Wisconsin income tax. These retirement payments are paid from the Defense Finance and Accounting Service.

In addition, all payments received from 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 are exempt from Wisconsin income tax.

To exclude these payments from Wisconsin income, subtract qualified payments on Schedule SB, line 12, if filing Form 1, or Schedule M, line 46, if filing Form 1NPR. Your subtraction cannot be more than the amount of such retirement payment that you included in your federal adjusted gross income on Form 1 or in column B (Wisconsin Income) of Form 1NPR.

- (2) Federal retirement payments under sec. [71.05\(1\)\(a\)](#), Wis. Stats.

If you received retirement payments from the federal Civil Service Retirement System, these amounts may be exempt from Wisconsin income tax. Payments from the Civil Service Retirement System are paid from the U.S. Office of Personnel Management. However, this exclusion does not include payments from the federal Thrift Savings Plan.

For these retirement payments to be exempt from Wisconsin income tax, you must meet one of the following qualifications:

- You were retired from the system before January 1, 1964
- You were a member of the system as of December 31, 1963, retiring later and payments you received are from an account established before 1964

- You are receiving payments from the system as the beneficiary of an individual who met either condition 1 or 2

Only payments based on qualified membership in the specified federal retirement system are exempt. Any portion of your retirement payment based on membership in other retirement systems is taxable.

The following formula may be used to determine the exempt portion that you may subtract:

$$\frac{\text{Years of creditable service in an exempt plan}}{\text{Total years of creditable service}} \times \text{Payments included in federal income} = \text{Portion of payments that are exempt}$$

Note: If you received separate federal Forms 1099-R for the taxable and exempt portions of your retirement payments, you may use that information instead of the formula.

Example 1: You served in the U.S. Army from 1960-1980. You began receiving a military retirement benefit in 1980. In 1983 you began working for the U.S. Postal Service. You retired from the Postal Service and elected to combine your 20 years of military service with your 19 years of service for the Postal Service. As a result, you receive a single retirement benefit from the federal Civil Service Retirement System (CSRS), and you no longer receive a retirement benefit from the military retirement system.

Although your military retirement benefit qualifies for the exemption, the retirement benefit you receive from your Postal Service employment does not because you were not a member of the CSRS as of December 31, 1963. Only the portion of your retirement benefit that is attributable to your military retirement benefit is exempt from Wisconsin income tax. Use the above formula to determine the exempt portion of your retirement benefit.

Any payments from the federal retirement system that you receive as a result of having made additional contributions for a tax-sheltered annuity do *not* qualify for the exemption.

Example 2: You are a federal employee and make contributions to a Thrift Savings Plan. The contributions are matched to some extent by the government. All contributions to the Thrift Savings Plan are made using *before* tax dollars. Distributions from the Thrift Savings Plan are tax-sheltered annuity payments and are taxable by Wisconsin.

In order to exclude these eligible retirement payments from Wisconsin income, subtract the payments on Schedule SB, line 14, if filing Form 1, or Schedule M, line 48, if filing Form 1NPR. Your subtraction cannot be more than the amount of such retirement payment that you included in your federal adjusted gross income on Form 1 or in column B (Wisconsin Income) of Form 1NPR.

(3) Retirement income exclusion under sec. [71.05\(6\)\(b\)54.](#), Wis. Stats.

If you meet certain requirements, all or a portion of a distribution from a qualified retirement plan or an individual retirement account (IRA) may be subtracted from Wisconsin income tax. The maximum amount that is subtracted from income is \$5,000. To qualify for the exclusion, you must meet all the following conditions:

- Are at least 65 years of age before the close of the taxable year
- If single or head of household, federal adjusted gross income is less than \$15,000
- If married and filing a joint return, the couple's federal adjusted gross income is less than \$30,000

- If married and filing a separate return, the sum of both spouses' federal adjusted gross income is less than \$30,000

The \$5,000 subtraction does not apply to retirement payments that are exempt under another provision of law. See Part [4.A.\(1\)](#) and [\(2\)](#) for information on exempt retirement payments.

The subtraction applies separately to each spouse. If both spouses qualify and have taxable income from a qualified retirement plan or an IRA, up to \$10,000 may be subtracted on a joint return. If you qualify for the subtraction, complete the worksheet found in the Schedule SB or Schedule M instructions.

B. Federal Disability Payments

Federal treatment

If you retired on disability, you must include in income any disability pension you receive under a plan that is paid for by your employer. Certain military and government disability pensions aren't taxable for federal purposes. For more information, see federal [Publication 907](#), *Tax Highlights for Persons With Disabilities*.

Wisconsin treatment

Wisconsin follows the federal treatment of these disability pensions. If you have disability pension income that is taxable, you may also qualify for the Wisconsin disability income exclusion as described in Part [4.C](#).

C. Wisconsin Disability Income Exclusion Under Sec. [71.05\(6\)\(b\)4.](#), Wis. Stats.

If you are retired on permanent and total disability and your disability income is taxable on your federal income tax return, you may be able to exclude up to \$5,200 of your disability income on your Wisconsin income tax return.

To qualify, you must meet all the following conditions:

- You were under age 65 on December 31 of the taxable year
- You did not reach mandatory retirement age before January 1 of the taxable year, (the age when your employer's retirement program would have required you to retire)
- You were permanently and totally disabled when you retired
- You did not, in any year prior to 1984, choose to treat your disability income as a pension instead of taking the exclusion
- Your federal adjusted gross income is less than \$20,200 (\$25,400 if married and both spouses are eligible)
- If you were married at the end of the taxable year, you must file a joint return

If you are a full-year resident of Wisconsin, claim the exclusion on line 22 of Schedule SB (Form 1) or line 56 of Schedule M (Form 1NPR). You must include [Schedule 2440W](#), *Disability Income Exclusion*, with your return.

See Schedule 2440W for further information on the Wisconsin disability income exclusion.

D. Social Security Benefits Under Sec. [71.05\(6\)\(b\)21.](#), Wis. Stats.

Social security benefits are not taxable by Wisconsin. Any amount included in federal adjusted gross income for Wisconsin on Form 1 may be subtracted on line 4 of Schedule SB (Form 1).

E. Medical Care Insurance Subtraction Under Secs. [71.05\(6\)\(b\)19.](#), [35.](#), [38.](#), and [42.](#), Wis. Stats.

You may be able to subtract all or a portion of the cost of your medical care insurance. "Medical care insurance" means a medical care insurance policy that covers you, your spouse, and dependents and provides surgical, medical, hospital, major medical, or other health service coverage (including dental insurance). If you are receiving social security benefits, the amount paid for medical care insurance includes the amount deducted from your monthly benefit for Medicare insurance (for example, Parts B and D).

Do not include premiums for medical care insurance if you elected to pay those premiums with tax-free distributions from a retirement plan. In this case, the premiums would have been made directly to the insurance provider by the retirement plan.

Do not include:

- Medical care insurance premiums paid by your employer
- Amounts paid by you through payroll deductions, unless the premiums are included as wages in box 1 of your Form W-2
- Medical care insurance premiums that are deducted pre-tax.

Example: Do not include employer-provided medical care insurance identified on your Form W-2 in Box 12 with Code DD.

If you are filing Form 1, subtract the amount on line 6 of Schedule SB. If you are filing Form 1NPR, subtract the amount on Schedule M, line 40.

F. Long-Term Care Insurance Under Sec. [71.05\(6\)\(b\)26.](#), Wis. Stats.

If you paid long-term care insurance costs during the taxable year, you may be able to subtract all or a portion of the cost of a long-term care insurance policy which covers you or your spouse.

"Long-term care insurance policy" means a disability insurance policy or certificate advertised, marketed, offered, or designed primarily to provide coverage for care that is provided in your home or in an institutional or community-based setting. The care must be convalescent or custodial care or care for a chronic condition or terminal illness.

Do not include premiums for long-term care insurance if you elected to pay those premiums with tax-free distributions from a retirement plan. In this case, the premiums would have been made directly to the insurance provider by the retirement plan.

If you are filing Form 1, subtract the amount on line 7 of Schedule SB. If you are Form 1NPR, subtract the amount on Schedule M, line 41.

G. Eligible Veterans and Surviving Spouses Property Tax Credit Under Sec. [71.07\(6e\)](#), Wis. Stats.

An eligible veteran or eligible unremarried surviving spouse may claim the veterans and surviving spouses property tax credit.

An "eligible veteran" means an individual who is certified by the Wisconsin Department of Veterans Affairs as meeting all the following conditions:

- Served on active duty under honorable conditions in the U.S. Armed Forces or in forces incorporated in the U.S. Armed Forces

- Was a resident of Wisconsin at the time of entry into active service or who had been a resident of Wisconsin for any consecutive 5-year period after entry into that active duty service
- Is currently a resident of Wisconsin for purposes of receiving veterans benefits under ch. 45, Wis. Stats.
- Has a service-connected disability rating of 100% under [38 USC 1114](#) or [1134](#) or a 100% disability rating based on individual unemployability

An "eligible unremarried surviving spouse" means an unremarried surviving spouse of an individual who met all the following conditions:

- Served on active duty in the U.S. Armed Forces or in forces incorporated as part of the U.S. Armed Forces or in the National Guard or a reserve component of the U.S. Armed Forces
- Was a resident of Wisconsin at the time of entry into active service or who had been a resident of Wisconsin for any consecutive 5-year period after entry into that active duty service
- Met one of the following conditions:
 - Died while on active duty and while a resident of Wisconsin
 - Was a resident of Wisconsin at the time of their death and had either a service-connected disability rating of 100% under [38 USC 1114](#) or [1134](#) or a 100% disability rating based on individual unemployability
 - In the case of an individual who served in the National Guard or a reserve component, while a resident of Wisconsin died in the line of duty while on active or inactive duty for training purposes
 - Was a resident of Wisconsin at the time of their death and following the individual's death, their spouse began to receive, and continues to receive, dependency and indemnity compensation, as defined in [38 USC 101\(14\)](#)

The unremarried surviving spouse must also be certified by the Wisconsin Department of Veterans Affairs.

The credit is equal to the property taxes paid by the claimant during the year on the claimant's principal dwelling in Wisconsin. The credit is based on real and personal property taxes, exclusive of special assessments, delinquent interest, and charges for service. The credit does not include any property taxes that are properly includable as a trade or business expense.

"Principal dwelling" means any dwelling and the land surrounding it that is reasonably necessary for use of the dwelling as a primary dwelling, but not more than one acre. It may include a part of a multidwelling or multipurpose building and a part of the land upon which it is built that is used as the primary dwelling. For additional information on claiming the credit, see the Form 1 or 1NPR instructions.

If you are a full-year resident of Wisconsin, claim the credit on line 33 of Form 1. If you are a part-year resident, claim the credit on line 64 of Form 1NPR. Nonresidents are not eligible for the credit.

5. ADDITIONAL INFORMATION

If you have additional questions or need copies of tax forms, you may visit any [Department of Revenue office](#) or:

Visit our website . . . revenue.wi.gov

Email . . . DORIncome@wisconsin.gov

Write . . . Mail Stop 5-77
Wisconsin Department of Revenue
P.O. Box 8949
Madison, WI 53708-8949

Telephone . . . (608) 266-2486

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations enacted as of February 27, 2024: ch. [71](#), Wis. Stats., secs. 61, 104, 112, 134, 217, 7508, and 7701, IRC, 10 USC chs. 12302 and 12304, 32 USC 502, 37 USC 101(24), 37 USC chs. 3 and 5, 38 USC chs. 101, 1114 and 1134, and 50 USC 4001.

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