

Fiscal Estimate Narratives

DOR 9/12/2011

LRB Number	11-1629/3	Introduction Number	AB-0244	Estimate Type	Original
Description Restricting eligibility for the homestead tax credit					

Assumptions Used in Arriving at Fiscal Estimate

Under this bill, a homestead credit claim is reduced by one-twelfth for each month the claimant or the claimant's spouse receives a housing subsidy under Section 8 of the federal government's general program of assisted housing. The bill also disallows individuals from filing amended tax returns to claim refunds for the homestead tax credit.

Data are not available to indicate the amount of homestead credits that are currently claimed by individuals receiving Section 8 housing subsidies, so the fiscal effect of this bill is unknown.

However, using data from the U.S. Department of Housing and Urban Development (HUD), in 2008 there were approximately 53,000 Wisconsin households receiving subsidies under the Housing Choice Voucher program, the Section 8 Moderate Rehabilitation program, and the Section 8 New Construction or Substantial Rehabilitation program. Using the Department of Revenue Aggregate Statistics, the average homestead credit was approximately \$503 for renters in FY10.

According to HUD, a family is eligible for Section 8 housing vouchers if the family's income does not exceed 50% of the median income for the county or metropolitan area in which they live. By law, a Public Housing Authority (PHA) must provide 75 percent of its vouchers to applicants whose incomes do not exceed 30 percent of the area median income. In all counties of the state, eligible income for a family of four exceeds the qualifying income ceiling for homestead. Depending on family size and location in the state, even recipients whose income is below 30% of median income could exceed homestead income limits.

Recognizing also that not all homestead eligible households apply for homestead, it is assumed that 50% of the Section 8 recipients are also homestead credit recipients receiving an average credit of \$503. Moreover, it is assumed that 80% of those households receive subsidies for the full year and 20% of those households receive subsidies for an average of half the year. Under these assumptions the bill could reduce homestead credit claims by approximately \$12 million annually ($53,000 \times 0.5 \times \$503 \times (80\% \times 1 \text{ year} + 20\% \times 0.5 \text{ years})$). To the extent that more or fewer homestead claimants also have a Section 8 subsidy, the fiscal effect would also differ. Similarly, if homestead claimants with a Section 8 subsidy have a higher or lower average credit than other homestead claimants, the fiscal estimate would be affected.

As noted above, the bill also prohibits individuals from filing an amended return in order to claim a refund for the homestead credit. An estimated \$260,000 in homestead credit refunds are claimed annually on returns amended to include the homestead credit.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Restricting eligibility for the homestead tax credit			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$SeeText		\$
Agency/Prepared By		Authorized Signature	Date
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