Property Tax Deferral Loan Program

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Introduction

The Wisconsin property tax deferral loan program allows low- and moderate-income elderly homeowners and veterans to convert home equity into income to pay property taxes. The program provides cash income to individuals who have little disposable income and a significant amount of home equity. Loans help pay property tax bills, thereby helping owners remain in their homes. In the 2015-16 program year ending June 30, 2016, 16 persons or households received a total of $41,000 in loans averaging $2,563.

State statutes specify a homeowner 65 years of age or older, or a qualifying veteran of any age, with total household income of no more than $20,000 may annually apply to the Wisconsin Housing and Economic Development Authority (WHEDA) for a loan equal to the amount of property taxes and special assessments levied on the home. The maximum annual loan to an individual borrower is $3,525, which has been the maximum amount since 2011. Loans may be used to pay all or a portion of current property taxes and special assessments due and may include any interest or penalties on delinquent property taxes.

The principal and interest due for tax deferral loans do not have to be repaid until the ownership of the property transfers or the loan recipient no longer lives in the home. Upon transfer of ownership of the property, or the participant ceases to live in the residence, the total loan, with interest, is repaid from the proceeds of the estate or sale of the property. The interest rate on loans made in 2017 for taxes levied in 2016 is 4.5%.

The property tax deferral loan program is funded from WHEDA's surplus fund. State law requires WHEDA to maintain this surplus fund, which consists of any Authority assets in excess of operating costs and required reserves, and a portion of the surplus is required to be allocated to property tax deferral loans. The Authority is also authorized under statute to use up to $10 million in bonds or notes to fund property tax deferral loans, although WHEDA has never issued bonds to fund the program.

The following section provides background information on the program. Next, a summary of eligibility requirements is presented with other current provisions of the property tax deferral loan program. A description of the characteristics of 2016 program applicants follows. Appendix I contains a history of the property tax deferral loan program. Appendix II lists the eligibility criteria under the statutes for classification as a veteran, which would qualify a person for participation in the property tax deferral loan program, regardless of age. Appendix III provides a detailed listing of the types of income included as household income under the program.

Background

U.S. Census data[1] indicate an estimated 28% of the approximately 1.5 million owner-occupied households in Wisconsin are headed by persons 65 years of age and older. Further, Census data suggest 77% of Wisconsin households headed by persons at least age 65 are owner-occupied. The

[1] U.S. Census data in this section are reported from the U.S. Census Bureau 2015 American Community Survey--1-Year Estimates.

property tax deferral loan program was created to assist elderly homeowners who have resided in their homes for a substantial period of time and whose current incomes are insufficient to cover property taxes.

The need for the property tax deferral loan program was based primarily on arguments about the special needs of the elderly. It was argued that although Social Security benefits, a primary income source for senior citizens, are adjusted annually for inflation, items such as energy or health care that figure prominently in the costs of living for senior citizens had increased more rapidly than the general rate of inflation. Thus, it was argued that such financial pressures made it difficult for low-income elderly persons to afford the taxes and special assessments levied on their homes, as well as pay for home maintenance and repairs. It was also thought that elderly persons on average are more likely to have few, if any, mortgage obligations outstanding on their residences. (U.S. Census data show about 54% of all owner-occupied housing units in Wisconsin without mortgages are headed by persons age 65 or older.) The property tax deferral program was viewed as a way to allow low-income elderly to convert the equity in their homes into increased cash income to pay these taxes and remain in their own homes.

Eligibility Requirements

Statutory Requirements

The program eligibility conditions specified in the statutes are listed below. An applicant must meet all of the conditions to qualify for a loan.

Age or Veteran Status. An applicant must be 65 years of age or older on the date of application, or a qualifying veteran of any age. Any co-owner must be at least 60 years of age on the date of application. If married, the applicant's spouse must qualify as a co-owner. However, a spouse can be any age if the spouse or the applicant is permanently disabled.

Provisions in 2011 Act 32 expanded program eligibility to living veterans, as defined in Chapter 45 of the statutes, regardless of age. 2013 Act 20 further provided WHEDA authority to establish alternative repayment terms for veterans younger than 65, rather than the standard provisions requiring repayment. This allowance is intended to keep program loan funds revolving, rather than being allocated to relatively younger participants for potentially abnormally long periods. Qualifications for veteran eligibility are described in Appendix II. While veterans under 65 are eligible for the program, WHEDA reports none under the age of 65 have been approved for a loan as of November, 2016.

Loan Purpose. The loan must be for property taxes and special assessments due on a single-family home, condominium or unit in a multi-unit dwelling of four or fewer units in Wisconsin. The applicant may apply for a loan for all or part of the previous year's property taxes and special assessments, payable in that year up to $3,525. Loans under $100 are not made except in situations of special financial hardship. Participants are liable for interest and penalty charges on delinquent taxes, but the principal amount requested may include the amount of these charges. To avoid late penalties, the applicant may pay the property taxes and special assessments and then receive a reimbursement loan from WHEDA upon proof of payment and approval of the loan. If the taxes and assessments have not yet been paid in full, WHEDA makes the loan check co-payable to both the participant and the appropriate municipal treasurer. Taxes and assessments on up to one acre of land surrounding the home may be included.

Residence Requirements. The applicant must be the owner of the subject property and

must have lived in the dwelling unit for at least six months during the preceding year. Temporary residence in a health care facility, such as a nursing home or hospital, may count toward the six-month residency requirement.

Outstanding Obligations. Total outstanding liens, judgments, mortgages and delinquent property taxes may not exceed 33% of the value of the housing unit. WHEDA considers property value to be the lower of either assessed value or the most recent broker price opinion, which is a program requirement discussed later in greater detail. Any previous property tax deferral loans and loans under the housing rehabilitation loan program, also administered by WHEDA, are excluded from this limitation.

Household Income. Applicants' prior year household income may not have exceeded $20,000. The definition of household income used in this program is the same as that used in the homestead tax credit program. Household income is broadly defined to reflect most cash resources available to claimants, and it includes all income that is taxable for Wisconsin income tax purposes plus nontaxable income sources such as Social Security, supplemental security income and pensions. Appendix III provides a complete listing of the income sources included in the definition of household income under this program.

Insurance Coverage. The applicant must have fire and extended casualty insurance policy coverage on the home and permit WHEDA to be named as a lienholder on the policy. If the home is located on a flood plain, flood plain insurance is required and WHEDA must be named as a lienholder on the policy.

Application Deadline. Applications for property tax deferral loans must be filed with WHEDA by June 30 of the year in which the taxes are due. For example, applications filed by June 30, 2017, if approved, would receive loans to pay 2016 property taxes payable in 2017. Receipt of a property tax deferral loan does not affect an applicant's eligibility for farmland preservation or homestead tax credits. WHEDA begins accepting applications approximately each December 1 for property taxes due beginning on the succeeding January 31.

Other Requirements

In addition to the statutory requirements described above, WHEDA has established additional program requirements.

Additional Outstanding Obligation Limit. The amount of outstanding liens and judgments on a dwelling may not exceed 50% of the value of the dwelling, as determined by the lower of assessed value or broker price opinion, including property tax deferral and housing rehabilitation loans. This is in addition to the statutory provision that limits outstanding obligations to 33% of the assessed value of the unit, not including property tax deferral and housing rehabilitation loans.

Application Fees. Since 2006, all applicants must pay a $75 title search fee each year a loan application is submitted. The title search fee is nonrefundable and may not be added to the loan amount. Since 2011, WHEDA also has charged a $30 fee for recording loans with registers of deeds, but since 2012, the fee is required only of first-time borrowers, or persons whose previous loans have been paid in full. Recording fees are to be refunded if the loans are denied or otherwise do not close.

Additionally, WHEDA currently requires a flood hazard determination for all properties new to the program to comply with federal lending requirements. The determination costs $10, but this cost currently is absorbed by WHEDA.

Broker Price Opinion. In 2011, WHEDA began requiring an appraisal for the property covered by the loan. Because borrowers' homes serve as collateral on loans, appraisals were in-

tended to ensure homes are in livable conditions and therefore have value as collateral should a loan come due. Prior to 2011, WHEDA had customarily evaluated applications using homes' assessed values. However, in some past instances, the market values of borrowers' homes have been worth significantly less than assessed values, with some homes later being subject to condemnation. Such an occurrence exposes the Authority to losses, as the statutes automatically make a loan due in full in case of condemnation, but the borrower may not have sufficient assets to pay the loan.

Beginning in 2012, WHEDA replaced the annual appraisal with a required broker price opinion (BPO). The BPO functions as an appraisal, but is a less rigorous review of the property and less costly to the prospective borrower. BPOs are obtained at a typical cost of $140 and are required every other year. As a result, total annual fees for persons continuing in the program are either: (1) $75 for a title search; or (2) $215 per application, if a new BPO is due on the property. Owners of properties participating in the program for the first time would pay an additional $30 for recording fees.

WHEDA reports BPO fees are refundable if a title search proves an applicant does not meet requirements for outstanding obligations on the property. These fees are not refundable, however, if a BPO occurred but the loan otherwise does not close.

Phone Consultation. First-time borrowers complete a phone consultation to inform them of the loan process and their obligations under the program, but that typically does not cover other considerations regarding the loan relative to their circumstances. WHEDA also answers participant questions as they are received.

Interest Rates

From the program's inception in 1986 through 1993, the statutes provided that the interest rate to be charged on property tax deferral loans was to be set by the agency administering the program. Under this authority, the interest rate on loans in each year through 1993 was set at 8% and calculated as simple interest.

Subsequently, 1993 Act 16 required that the WHEDA Executive Director set the loan interest rate by October 15 of each year. By law, the rate must be 1% over the prime lending rate established by the Federal Reserve at the time the rate is set. This provision was first effective for 1994 loans. For 2017 loans, the interest rate is set at 4.5%.

The statutes do not specify how interest accrues, and through 2011, WHEDA elected to charge compound interest rather than simple interest on program loans. The Authority began charging simple interest with loans issued in 2012 covering the 2011 tax year. The change is intended to provide more favorable lending terms to borrowers. It should be noted simple interest is only valid for loans issued beginning with 2012. Past loans outstanding continue to accrue compounding interest, per the terms of those loans.

Repayment of the Loan

Upon entering the loan agreement, a lien is attached to the dwelling unit on which the property taxes are paid. The lien is filed with the county register of deeds and allows WHEDA to secure repayment of the principal, interest and fees due on all property tax deferral loans made to the participant. If WHEDA funds loans under the program through the sale of revenue bonds or

notes, its right under such liens accrues to the benefit of the holders of the bonds or notes. The lien reduces the equity or ownership value in the home by the loan amounts outstanding, plus interest. The lien remains on the home until WHEDA receives payment in full on all loans and charges.

Repayment of the loan is due under any of the following conditions:

1. Sale or transfer of the home, except upon transfer to a co-owner who resides in the home and is permitted to assume the participant's account.

2. Death of the participant, if the participant is the sole owner, or death of the last surviving eligible co-owner.

3. Condemnation or involuntary conversion of the dwelling unit.

4. At the request of the participant or co-owner.

5. Inability of the participant to continue to comply with all eligibility requirements.

6. Discovery by WHEDA that a participant or co-owner has made a false statement on the application or otherwise in respect to the program.

WHEDA reports repayments mostly occur as a result of property sale or the participant's passing, with earlier repayments being less common. If a participant in the program ceases to meet the eligibility requirements, WHEDA may request full or partial repayment of the loan, or may allow the participant to continue in the program but be ineligible for additional loans.

Revenue received from repayment of property tax deferral loans issued by WHEDA is returned to the Authority's general reserves. Table 1 shows repayments made by fiscal year since 2008-09 for property tax deferral loans. The number of loans represents individual loans, and may include multiple loans made over multiple years to a single property.

Table 1: Property Tax Deferral Loan Repayments

Fiscal Year	Number of Loans Repaid in Full	Repaid Amount
2008-09	179	$523,800
2009-10	203	748,800
2010-11	45	135,000
2011-12	110	422,600
2012-13	60	282,800
2013-14	92	391,800
2014-15	91	289,200
2015-16	86	467,400
Total	866	$3,261,400

As of July 1, 2016, WHEDA has established an encumbrance of $1,685,000 for the program in its general reserves. For loans issued prior to 1994, the portfolio of which was purchased by WHEDA using housing rehabilitation program reserves in 1992, repayment revenue is returned to the housing rehabilitation program reserve.

Factors such as the initial property tax rate, growth in the property tax rate, appreciation in home value and interest rate charged on loans all affect the borrower's level of equity in a home on which a lien is secured. Also, it should be noted that while median home values have generally increased during the program's existence, in many cases the value of an elderly homeowner's property may increase more slowly than average due to its location, or because it may be older and not receiving needed repairs on a timely basis. Therefore, elderly borrowers who receive consecutive property tax deferral loans could lose equity during participation in the program. Most loans in recent years have customarily gone to repeat participants in the program. WHEDA reports two borrowers in 2015 and six borrowers in 2016 were first-time borrowers.

Characteristics of Participants

The tables in this section provide historical data about program activity and program participants, as well as data on participants in the 2015-16 state fiscal year. It should be noted that two of 18 applications in the 2016 program year did not proceed to closure.

Table 2 shows the number of participants, total amount of loans received and the average loan amount received for each year since the property tax deferral loan program began in 1986. Since the program's inception, 6,626 loans have been issued for $11.1 million. Further, the annual average loan amount has increased 131% between 1986 and 2016, although average loans decreased in each of 2015 and 2016. As of June 30, 2016, WHEDA reports 258 loans were outstanding with total balances of $1,105,500, which includes principal and, for loans with compounding interest, accrued interest.

Table 3 shows the age distribution of program participants for 2016. Although the age distribution of participants generally has increased since the program began, recent years have seen the distribution remain mostly stable, as has the average participant's age. In 1986, 36.2% of loan recipients were under age 70. This percentage was 18.8% in 2016. In contrast, 13.0% of recipients in 1986 were age 80 or older. This percentage was 31.2% of participants in 2016, with all being older than 85. The average participant age reported in 2016 was 78.3 years old, which is comparable to recent averages.

Table 4 shows the distribution of reported household income among participants. The average income reported was $15,136 in 2016, which represents an increase from an average of $14,486 in 2014 and $14,037 in 2015. Average household income for loan recipients was $10,611 when the program began in 1986.

Table 2: Property Tax Deferral Loan History

Year*	Number	Total Amount	Average Loan Amount
1986	295	$327,200	$1,109
1987	298	354,800	1,191
1988	313	393,400	1,257
1989	311	394,800	1,269
1990	307	407,300	1,327
1991	394	541,800	1,375
1992	464	628,300	1,354
1993	486	687,300	1,414
1994	438	778,900	1,778
1995	402	733,700	1,825
1996	356	663,900	1,865
1997	314	553,900	1,764
1998	276	498,500	1,806
1999	242	473,100	1,955
2000	217	417,300	1,923
2001	200	401,800	2,009
2002	179	365,900	2,044
2003	173	360,400	2,083
2004	173	360,600	2,084
2005	173	370,200	2,139
2006	158	338,300	2,139
2007	101	215,900	2,138
2008	76	164,900	2,169
2009	59	130,600	2,214
2010	59	129,800	2,200
2011	38	101,600	2,673
2012	38	104,000	2,738
2013	30	82,300	2,742
2014	24	63,100	2,629
2015	16	41,500	2,594
2016	16	41,000	2,563
Total	6,626	$11,126,100	$1,679

* Totals reflect loans made for applications received by June 30 of the year noted.

Table 3: Participant Age - 2016

Age	Number of Applicants	Percent of Applicants
65-69	3	18.8%
70-74	4	25.0
75-79	4	25.0
80-84	0	0.0
85-89	2	12.5
90-94	2	12.5
95+	1	6.2
Total	16	100.0%

Table 4: Household Income - 2016 Participants

Household Income	Number of Applicants	Percent of Applicants
$0 to 3,000	0	0.0%
6,001 to 9,000	0	0.0
9,001 to 12,000	4	25.0
12,001 to 15,000	3	18.8
15,001 to 18,000	7	43.7
18,001 to 20,000	2	12.5
Total	16	100.0%

Table 5 provides information on the number of loans by amount for 2016. Since the maximum loan increased to $3,525 beginning with loans made in 2011, annual requested loan amounts generally have been less concentrated at or near the maximum loan amount. In the 2016 program year, two participants, or 12.5% of the total, received a maximum loan. In 2010, 43 applicants, or 57.3%, sought a loan at or within $100 of the maximum amount of $2,500. Similar concentration had been seen in the program under the $1,800 loan maximum in effect until 1994; 206 participants (42.4% of the total) in 1993 sought the maximum loan at that time, which was an increase from 40 participants (13.3% of the total) seeking the maximum loan in 1986. For 2016, WHEDA reports the average loan was $2,563. Average loan requests have decreased since 2013 when the average request was $2,708.

Table 5: 2016 Loan Amounts

Amount Requested	Applicants	Percent
Less than $1,000	0	0.0%
1,000 to < 1,200	2	12.5
1,200 to < 1,400	0	0.0
1,400 to < 1,600	0	0.0
1,600 to < 1,800	0	0.0
1,800 to < 2,000	1	6.2
2,000 to < 2,200	0	0.0
2,200 to < 2,400	2	12.5
2,400 to < 2,600	3	18.8
2,600 to < 2,800	2	12.5
2,800 to < 3,000	1	6.2
3,000 to < 3,200	1	6.2
3,200 to < 3,400	1	6.2
3,400 to 3,525	3	18.8
Totals	16	100.0%

Table 6 shows the distribution of values of participants' dwelling units. Values reported may be either assessed values or broker price opinions, depending on which value is lower for a property. The average value reported for 2016 was $117,463. Average value of covered properties was $51,812 in 1986 when the program began.

Table 6: Values of Dwelling Units - 2016 Participants

Assessed Value	Number of Properties	Percent of Total
Less than $40,000	0	0.0%
40,000 to 70,000	2	12.5
70,001 to 100,000	2	12.5
100,001 to 125,000	4	25.0
125,001 to 150,000	6	37.5
150,001 to 175,000	0	0.0
175,001 to 200,000	2	12.5
Total	16	100.0%

Table 7 shows participants by county in 2016. Outagamie County had the highest number of participants with three. Of Wisconsin's 72 counties, 59 had no applicants.

Table 7: 2016 Participants by County

County	Participants
Ashland	1
Dane	1
Juneau	1
Kenosha	1
Marathon	1
Milwaukee	1
Monroe	1
Outagamie	3
Pierce	1
Portage	1
Rock	1
Walworth	1
Waukesha	2
Total	16

APPENDIX I

History of the Property Tax Deferral Loan Program

Chapter 20, Laws of 1981 (the 1981-83 biennial budget act), authorized the creation of the property tax deferral loan program in the Department of Revenue (DOR). However, the program was not implemented until 1986 due to funding issues. As originally created, the deferred loan program was to be funded through the proceeds of revenue bonds issued by DOR and through revenues received in repayment of loans.

The combination of a federal tax law change (the Mortgage Subsidy Bond Tax Act) and an inability to arrange an acceptable interest rate with conventional bond financing prevented DOR from securing funding for the deferral loan program in 1983. The federal law change was designed to restrict the use of tax-exempt state revenue bonds to finance single-family home purchases. However, the law was written in such a way that tax deferral bonds were technically disqualified from a federal tax exemption. Without the federal exemption, interest earned on bonds issued by the state to fund the deferral loan program would probably have been subject to federal taxation, necessitating a higher interest rate on the deferred property tax loans. In addition, the deferred nature of the loan repayments would have created difficulties in finding interested bond purchasers.

Consequently, the 1985-87 biennial budget (1985 Act 29) created a segregated fund in DOR, funded by a $10 million loan from the general fund, to implement the property tax deferral loan program effective for property taxes levied in 1985 (payable in 1986). In addition, revenues received from a 1985 tax amnesty program were to be deposited in the fund. The general fund loan was to be repaid after 10 years, without interest. Subsequently, 1985 Act 120 (the 1985-87 budget adjustment bill) repealed the provision directing deposit of the proceeds from the tax amnesty program into the fund. In addition, Act 120 directed that $7.5 million from the balance in the fund be lapsed to the general fund. These actions left the deferral loan fund with a balance of $2.5 million from the general fund loan.

In the 1987-89 biennial budget (1987 Act 27), the $2.5 million loan from the general fund was forgiven. It was intended that this general fund startup funding plus loan repayments would fund the program for 1987-89 and thereafter.

1991 Act 39 (the biennial budget) required DOR to include information regarding the program in the homestead tax credit application.

In the 1991-93 budget adjustment bill (1991 Act 269), administration of the program transferred from DOR to the Division of Housing in DOA effective July 1, 1992. Act 269 also required that the balance in the program's trust fund ($1,147,047) be transferred to the state's general fund on July 1, 1992. To fund the program, a 1992-93 appropriation of $550,000 GPR was provided for funding new loans and a separate 1992-93 appropriation of $78,800 GPR was authorized for administrative costs of the program. A half-time position that had been funded from the program's trust fund was converted to general fund revenues and transferred to DOA, also effective July 1, 1992. Subsequently, in May 1993, the original appropriation was increased by a one-time supplement of $250,000 GPR from the program supplementation appropriation of the Joint Committee on Finance to meet increased loan demand in the program in that year.

1991 Act 269 also provided that WHEDA purchase, by December 31, 1992, the portfolio of existing property tax deferral loans and that the

proceeds of that sale be deposited into the state's general fund. A total of $2,714,832 was provided by WHEDA at the end of December and deposited in the general fund.

Under provisions of 1993 Act 16 (the 1993-95 biennial budget), the property tax deferral loan program was transferred from DOA to WHEDA, effective with the 1993-94 fiscal year. The GPR appropriations, which had been created in 1992-93 to fund new loans and to administer the program, were repealed. Instead, WHEDA was permitted to make loans under the program either from proceeds of the sale of bonds or notes under its general corporate-purpose bonding authority, or from WHEDA surplus funds. The Act also required that WHEDA allocate at least a portion of its surplus funds to the property tax deferral program. WHEDA has encumbered $1,685,000 in surplus reserves for the program.

1993 Act 16 also made several modifications to the statutory criteria for the program: (1) eligibility provisions for the program were modified by increasing outstanding lien limits from $5,000 to 33% of the assessed value of the applicant's house; (2) the maximum loan amount was increased from $1,800 to $2,500 annually; (3) loan funds were permitted to be used to pay special assessments, in addition to or in lieu of property taxes; and (4) the interest rate for loans was required to be set at 1% over the prime lending rate established by the Federal Reserve at the time the rate is set. Under previous law, the interest rate was set by the agency administering the program.

WHEDA has indicated several modifications in 2006 contributed to the significant decrease in the number of loans beginning around that time. WHEDA increased awareness of its use of compound interest rather than simple interest on property tax deferral loans. (WHEDA has since elected to assess simple interest on program loans.) The Authority also instituted a $75 search fee on titles of all applicants, regardless of a borrower's status as continuing or first-time. Title searches indicated a number of participants had outstanding obligations exceeding program limits, which resulted in the Authority both receiving fewer applications and approving fewer loans.

2009 Act 199 increased the maximum annual loan under the program to $3,525. The higher limit began applying to loans made in 2011, for 2010 property tax bills.

WHEDA also added a $250 appraisal fee and a $30 one-time recording fee for 2011 applicants. The recording fee applies only when a participant has no outstanding PTDL balances. Further, the annual appraisal has since been modified to a broker price opinion (BPO) with a cost of $140 once every two years. WHEDA in 2013 also began requiring a flood hazard determination, which currently applies to first-time borrowers. WHEDA absorbs the $10 cost of this determination.

For 2015, the fees required of first-time borrowers would be $245, or about 7% of the maximum loan possible under the program. This includes a title search fee ($75), a BPO ($140), and one-time fees for recording the loan with the register of deeds ($30). Yearly fees for continuing borrowers would be about 6% of the value of a maximum loan for those requiring a BPO, or about 2% for those requiring only a title search.

2011 Act 32 expanded program eligibility to veterans, regardless of age. 2013 Act 20 made further changes to the veteran-eligibility statutory language to clarify legislative intent. Included in the changes was language allowing the Authority to establish repayment policies for participating veterans who would not otherwise be age-eligible; this was intended to prevent a significant number of program loans from remaining outstanding potentially for longer than has been customary for the program. WHEDA fully implemented the veteran eligibility criteria in 2015 for 2014 property taxes.

APPENDIX II

Veterans Eligibility for the Property Tax Deferral Loan Program

For purposes of eligibility for the property tax deferral loan program, persons qualify as veterans if they meet any of the following:

- A person who has served on active duty for at least one qualifying term of service under honorable conditions in the U.S. armed forces, or units incorporated as part of the U.S. armed forces, during a war period or in a crisis zone. Qualifying terms of service are as follows:
  - Two years or more on active duty, or the full period of an initial service obligation, whichever is less;
  - Active duty for 90 days or more during a war period or for any period of service in reserve forces; or
  - Any term under honorable conditions that entitles the person to receive the Armed Forces Expeditionary Medal, the Vietnam Service Medal, the Navy Expeditionary Medal, the Marine Corps Expeditionary Medal, or an equivalent expeditionary or service medal.

- A person honorably discharged due to a service-connected disability or hardship; or

- A person honorably discharged due to a reduction in the U.S. armed forces.

War periods, not including earlier conflicts for which no survivors remain, are designated as follows:

- World War II, between August 27, 1940, and July 25, 1947;

- Korean conflict, between June 27, 1950, and January 31, 1955;

- Vietnam War, between August 5, 1964, and January 1, 1977, excepting service on active duty for training purposes only;

- Persian Gulf War, between August 1, 1990, and the ending date of Operation Desert Shield or Operation Desert Storm as established by the Department of Veterans Affairs (DVA) by rule;

- Afghanistan War, between September 11, 2001, and the ending date of Operation Enduring Freedom or an operation that is a successor to Operation Enduring Freedom, as established by rule;

- Iraq War, between March 19, 2003, and the ending date of Operation Iraqi Freedom or an operation that is a successor to Operation Iraqi Freedom, as established by DVA by rule; or

- Any subsequent period that DVA determines and designates by rule, after reviewing the criteria used to establish the war periods above, and after consultation with the U.S. Department of Defense, to be a period when the United States is in a conflict that places persons at such a risk that the period should be designated as a war period.

Service in crisis zones includes the following:

- Service in Lebanon or Grenada, if the person was on active duty in Lebanon or its territorial

waters under honorable conditions between August 1, 1982, and August 1, 1984, or in Grenada between October 23, 1983, and November 21, 1983, and was entitled to receive the Armed Forces Expeditionary Medal, the Marine Corps or Navy Expeditionary Medal, or was not entitled to receive either medal, but submits other acceptable proof of service to DVA.

- Service in a Middle East crisis if, because of active duty in the U.S. armed forces or forces incorporated as a part of U.S. armed forces, any of the following applies:

  - The person was awarded the Humanitarian Service Medal for participating in the attempt to rescue American hostages in Iran;
  - The person was awarded the valor ribbon bar by the U.S. Department of State for having been a hostage in Iran during the Iranian hostage crisis in 1980 and 1981;
  - The person participated in the April 14, 1986, military action against Libya;
  - The person served on the U.S.S. Stark on May 17, 1987;
  - The person served in support of Operation Desert Shield or Operation Desert Storm under all of the following conditions:

    - Under an active duty order or a unit assignment order in the Middle East or in waters adjacent to the Middle East;
    - Under honorable conditions; and
    - Between August 1, 1990, and the ending date of Operation Desert Shield or Operation Desert Storm, as established by DVA by rule.

  - The person served for 90 days or more in support of Operation Enduring Freedom or a successor operation, or served in the Operation Enduring Freedom theater under all of the following conditions:

    - Under an active duty order or a unit assignment order;
    - Under honorable conditions; and
    - Between September 11, 2001, and the ending date of Operation Enduring Freedom or an operation that is a successor to Operation Enduring Freedom, as established by DVA by rule.

- Service in Panama, if the person was on active duty in the U.S. armed forces in Panama or its territorial waters under honorable conditions between December 20, 1989, and January 31, 1990.

- Service in Somalia, if the person was on active duty in the U.S. armed services in Somalia or in territorial waters adjacent to Somalia under honorable conditions between December 9, 1992, and the ending date of Operation Restore Hope, as established by DVA by rule.

- Service in Bosnia or other regional locations, if the person served for 90 days or more in support of Operation Balkan Endeavor, under all of the following conditions:

  - Under an active duty order, or a unit assignment order;
  - Under honorable conditions; and
  - Between December 1, 1995, and the ending date of Operation Balkan Endeavor or a successor operation, as established by DVA by rule.

APPENDIX III

Sources of Income Included in "Household Income" Under the Property Tax Deferral Loan Program

- Sum of Wisconsin adjusted gross income
- Maintenance payments, except foster care maintenance and supplementary payments excludable under section 131 of the Internal Revenue Code
- Support money
- Cash public assistance and general relief, not including homestead credits or amounts granted under the community options program
- Gross amount of any pension or annuity
- Railroad retirement benefits
- Social Security payments
- Veterans disability pensions
- Nontaxable interest on United States securities
- Nontaxable interest received from state and municipal bonds
- Worker's compensation
- Unemployment compensation
- Gross amount of "loss of time" insurance
- Compensation and other cash benefits received from the United States for past or present services in the armed forces
- Scholarship and fellowship gifts or income
- Capital gains
- Gain on the sale of a personal residence excluded under section 121 of the Internal Revenue Code
- Dividends
- Income of a nonresident or part-year resident who is married to a full-year resident
- Housing allowances provided to members of the clergy
- Amount by which a resident manager's rent is reduced
- Nontaxable income of an American Indian
- Nontaxable income from sources outside this state
- Nontaxable deferred compensation
- Intangible drilling costs
- Depletion allowances and depreciation, including first-year depreciation allowances under section 179 of the Internal Revenue Code
- Amortization
- Contributions to individual retirement accounts under section 219 of the Internal Revenue Code
- Contributions to Keogh plans
- Net operating loss carry-forwards
- Capital loss carry-forwards