



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-5346/1
MES:cdc

2019 SENATE BILL 792

February 6, 2020 - Introduced by Senators TESTIN, BERNIER and OLSEN, cosponsored by Representatives SUMMERFIELD, PETERSEN, DITTRICH, PLUMER, SKOWRONSKI, TUSLER and VANDERMEER. Referred to Committee on Agriculture, Revenue and Financial Institutions.

1 **AN ACT to amend** 71.10 (4) (i); and **to create** 20.835 (2) (cb) and 71.07 (8m) of
2 the statutes; **relating to:** creating a refundable individual income tax credit for
3 certain expenses incurred in the rehabilitation of an older home and making an
4 appropriation.

Analysis by the Legislative Reference Bureau

Subject to a number of limitations and conditions, this bill creates a refundable individual income tax credit of 10 percent of the amount spent by the claimant on qualified rehabilitation expenditures on a construction or reconstruction project on eligible housing. Under the bill, eligible housing is defined as a single-family residence that is the claimant's primary residence, provided that the initial construction of the residence was completed before 1980 and the fair market value of the residence is equal to or less than the median price of a single-family residence located in the same county.

The maximum credit amount is \$15,000 per claimant, which is 10 percent of up to \$150,000 spent on qualified rehabilitation expenditures. If a married couple files a joint return, only one spouse may claim the credit. If the eligible housing is owned by two or more individuals who are not married and do not have equal ownership, the credit may be claimed based on the individual who incurs costs and the ownership interest. For a project benefitting one owner, the credit may be claimed by that individual based on qualified rehabilitation expenditures incurred individually or, for projects benefitting two or more owners, the credit may be claimed by each owner in proportion to the individual's ownership interest. A claimant may

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not file a claim for the credit until the project is complete, which is evidenced by the claimant providing information to the Department of Revenue demonstrating that all permits required by the state or local governments have been issued and all building inspections related to the project have been completed and approved by a state or local building inspector. In addition, the bill requires that the basis of the eligible housing be reduced by the amount of the credit received, and a claimant may not claim qualified rehabilitation expenditures under this credit if the claimant used those same expenditures to claim the supplement to the federal historic rehabilitation credit or the state historic rehabilitation credit. Because the credit is refundable, if the amount of the credit for which the individual is eligible exceeds his or her tax liability, the difference will be refunded to the claimant.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.835 (2) (cb) of the statutes is created to read:

2 20.835 (2) (cb) *Older housing rehabilitation credit.* A sum sufficient to pay the
3 claims approved under s. 71.07 (8m).

4 **SECTION 2.** 71.07 (8m) of the statutes is created to read:

5 71.07 (8m) **OLDER HOUSING REHABILITATION CREDIT.** (a) *Definitions.* In this
6 subsection:

7 1. "Claimant" means an individual who files a claim under this subsection.

8 2. "Eligible housing" means a single-family residence that is the primary
9 residence of a claimant and which meets the conditions specified in par. (c) 5. and 6.

10 3. "Fair market value" means the estimated fair market value of a
11 single-family residence as shown on the property tax bill prepared for the prior year
12 under s. 74.09.

13 4. "Municipality" means a city, village, or town.

14 5. "Project" means a construction or reconstruction project on eligible housing.

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1 6. “Qualified rehabilitation expenditure” means costs and expenses incurred
2 by a claimant to complete a project.

3 (b) *Filing claims.* Subject to the limitations and conditions provided in this
4 subsection, a claimant may claim as a credit against the tax imposed under s. 71.02
5 an amount equal to 10 percent of the amount the claimant spent on qualified
6 rehabilitation expenditures on a single residence. If the allowable amount of the
7 claim exceeds the income taxes otherwise due on the claimant’s income, the amount
8 of the claim not used as an offset against those taxes shall be certified by the
9 department of revenue to the department of administration for payment to the
10 claimant by check, share draft, or other draft drawn from the appropriation account
11 under s. 20.835 (2) (cb).

12 (c) *Limitations and conditions.* 1. Except as provided in subd. 8., the maximum
13 credit amount that a claimant may claim under this subsection is \$15,000.

14 2. No credit may be claimed under this subsection by a part-year resident or
15 a nonresident of this state.

16 3. No credit may be allowed under this subsection unless it is claimed within
17 the period specified in s. 71.75 (2).

18 4. No credit may be allowed under this subsection for a taxable year covering
19 a period of less than 12 months, except for a taxable year closed by reason of the death
20 of the claimant.

21 5. No credit may be claimed under this subsection unless the initial
22 construction of the residence to which the claim relates was completed before 1980.

23 6. No credit may be claimed under this subsection unless the fair market value
24 of the residence to which the claim relates is equal to or less than the median price
25 of a single-family residence located in the same county, based on the most recent year

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1 for which such data is available. For purposes of this subdivision, the median price
2 of a single-family residence in the applicable county shall be determined by the
3 county.

4 7. If a married couple files a joint return only one spouse may claim the credit
5 under this subsection.

6 8. If a married couple files separate returns, the maximum amount that each
7 spouse may claim under this subsection is \$7,500.

8 9. A claimant may not file a claim under this subsection until the project to
9 which the claim relates is complete. For purposes of this subsection, a project is
10 complete when all of the following conditions are satisfied, and proof of satisfaction
11 is filed with the department, along with the claimant's income tax return, on a form
12 prepared by the department:

13 a. All building and other permits required by the state and the municipality
14 in which the eligible housing is located, which relate to the project, have been issued.

15 b. All building inspections related to the project have been completed and
16 approved by the municipal or state building inspector.

17 10. The Wisconsin adjusted basis of the eligible housing shall be reduced by the
18 amount of any credit received under this subsection.

19 11. No credit may be claimed under this subsection for any qualified
20 rehabilitation expenditure that is also used as the basis to claim the credit under s.
21 71.07 (9m) or (9r).

22 12. If the eligible housing is owned by 2 or more individuals who hold legal title
23 or equitable title as a land contract vendee and are not joint tenants, tenants in
24 common, or spouses owning marital property, the credit under this subsection may
25 be claimed as follows:

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1 a. For projects benefitting one owner, an individual may claim the credit based
2 on qualified rehabilitation expenditures incurred individually.

3 b. For projects benefitting 2 or more owners, an individual may claim the credit
4 based on qualified rehabilitation expenditures incurred by the benefitting owners in
5 proportion to the individual's ownership interest.

6 (d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit
7 under that subsection, applies to the credit under this subsection.

8 **SECTION 3.** 71.10 (4) (i) of the statutes, as affected by 2019 Wisconsin Act 54,
9 is amended to read:

10 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
11 preservation credit under ss. 71.57 to 71.61, farmland preservation credit, 2010 and
12 beyond under s. 71.613, homestead credit under subch. VIII, farmland tax relief
13 credit under s. 71.07 (3m), dairy manufacturing facility investment credit under s.
14 71.07 (3p), jobs tax credit under s. 71.07 (3q), meat processing facility investment
15 credit under s. 71.07 (3r), woody biomass harvesting and processing credit under s.
16 71.07 (3rm), food processing plant and food warehouse investment credit under s.
17 71.07 (3rn), business development credit under s. 71.07 (3y), research credit under
18 s. 71.07 (4k) (e) 2. a., film production services credit under s. 71.07 (5f), film
19 production company investment credit under s. 71.07 (5h), veterans and surviving
20 spouses property tax credit under s. 71.07 (6e), older housing rehabilitation credit
21 under s. 71.07 (8m), enterprise zone jobs credit under s. 71.07 (3w), electronics and
22 information technology manufacturing zone credit under s. 71.07 (3wm), beginning
23 farmer and farm asset owner tax credit under s. 71.07 (8r), earned income tax credit
24 under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under
25 subch. X.

