

2001 DRAFTING REQUEST

Bill

Received: 10/22/2001

Received By: **shoveme**

Wanted: **As time permits**

Identical to LRB:

For: **John Ainsworth (608) 266-3097**

By/Representing: **Carol**

This file may be shown to any legislator: **NO**

Drafter: **shoveme**

May Contact:

Addl. Drafters:

Subject: **Tax Credits (inc) - homestead
Tax Credits (inc) - farmland**

Extra Copies:

Submit via email: **NO**

Pre Topic:

No specific pre topic given

Topic:

Modify the definition of "income" under the homestead tax credit and farmland preservation tax credit

Instructions:

See Attached. Turn b1792 into a bill.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	shoveme 10/22/2001	rschluet 11/15/2001		_____			State
/1			pgreensl 11/16/2001	_____	lrb_docadmin 11/16/2001	lrb_docadmin 12/20/2001	

FE Sent For: *At intro.*

<END>

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1?	shoveme	<i>Q 10-23-01</i>	<i>11/15</i>	<i>11/15</i>			
<i>1/1</i>	<i>MES 10/22</i>	<i>11/10</i>	<i>11/15</i>	<i>pg 120</i>			
		<i>11-14 kmg</i>	<i>pg 8</i>				

FE Sent For:

<END>

John Ainsworth

State Representative

The attached is provided for your information.

Please let me know if I can be of further assistance.

Marc-

Pursuant to our conversation. Please call if you have questions.

Thank you -

Carol Redell

Rep. Ainsworth's Office

P.O. Box 8952, State Capitol • Madison, Wisconsin 53708-8952
(608) 266-3097 • Legislative Hotline: (Toll-Free) 1 800-362-9472

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Representative Ainsworth - 2001-03 ARC Budget Amendment

Subtract Certain Home Interest for Homestead Credit

This amendment adds a sentence to the definition of "income" in s. 71.52(6), Stats., stating that interest expense on the portion of a loan taken out for the purpose of purchasing a homestead may be subtracted from the portion of "income" constituting interest from an installment sale of business, farm or rental real property of which the claimant's former homestead was a part. The definition of "income" for the farmland preservation credit, s.71.58(7), Wis. Stats., would be modified to exclude the above provision.

BACKGROUND: For homestead credit purposes, "income" includes interest income received from the sale of property, including business, farm or rental property, on an installment basis. A claimant who sells this type of property, when his or her homestead is a part of the property, and then must borrow money to purchase a replacement homestead, must include the interest income from the sale but cannot offset it by the interest expense on the loan to purchase the new homestead.

This amendment would permit a homestead credit claimant who sells homestead/business property on an installment basis, to offset the interest expense on the part of a loan used to purchase a new homestead (but not on any part of a loan used to purchase a business or rental portion of property) against the interest income on the sale.

DEPARTMENT: Department of Revenue

FISCAL IMPACT: According to the Department of Revenue, processing costs would minimally increase, because additional verification would likely be required before homestead credit benefits were allowed.

It is unknown by how much this proposal would reduce state tax revenues.



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-40857/

MES:.....

FMNR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

CS King

gm

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AN ACT ... relating to: modifying the definition of "income" under the homestead tax credit and the farmland preservation tax credit.

Analysis by the Legislative Reference Bureau

Under current law, the definition of "income" under the homestead tax credit is the sum of Wisconsin adjusted gross income (AGI) and a number of items that are not otherwise includable in Wisconsin AGI, such as certain public assistance payments, nontaxable interest received on state and municipal bonds, and certain retirement benefits.

preservation

Under this bill, the definition of "income" under the homestead tax credit and the farmland tax credit is modified such that interest income received from the installment sale of certain real property which includes a claimant's former homestead, up to the amount of interest that is paid by the claimant on a mortgage to purchase another homestead, may be subtracted from income in determining the claimant's homestead tax credit or farmland preservation tax credit.

For further information see the *state* 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:

(END)

Handwritten mark

ARC:.....Emerson - AM114, Homestead tax credit; offset interest income from installment sales of homestead against interest paid on new homestead

FOR 2001-03 BUDGET - NOT READY FOR INTRODUCTION

CAUCUS ASSEMBLY AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 2001 SENATE BILL 55

At the locations indicated, amend the substitute amendment as follows:

1. Page 831, line 23: after that line insert:

SECTION 2195m. 71.52 (6) of the statutes is amended to read:

71.52 (6) "Income" means the sum of Wisconsin adjusted gross income and the following amounts, to the extent not included in 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 (not including credit granted under this subchapter and amounts under s. 46.27), cash benefits paid by counties under s. 59.53 (21), the gross

1 amount of any pension or annuity (including railroad retirement benefits, all
2 payments received under the federal social security act, and veterans disability
3 pensions), nontaxable interest received from the federal government or any of its
4 instrumentalities, nontaxable interest received on state or municipal bonds,
5 worker's compensation, unemployment insurance, the gross amount of "loss of time"
6 insurance, compensation and other cash benefits received from the United States for
7 past or present service in the armed forces, scholarship and fellowship gifts or
8 income, capital gains, gain on the sale of a personal residence excluded under section
9 121 of the ~~internal revenue code~~, Internal Revenue Code, dividends, income of a nonresident or part-year
10 resident who is married to a full-year resident, housing allowances provided to
11 members of the clergy, the amount by which a resident manager's rent is reduced,
12 nontaxable income of an American Indian, nontaxable income from sources outside
13 this state, and nontaxable deferred compensation. Intangible drilling costs,
14 depletion allowances and depreciation, including first-year depreciation allowances
15 under section 179 of the ~~internal revenue code~~, amortization, contributions to
16 individual retirement accounts under section 219 of the ~~internal revenue code~~,
17 contributions to Keogh plans, net operating loss carry-forwards and capital loss
18 carry-forwards deducted in determining Wisconsin adjusted gross income shall be
19 added to "income". "Income" does not include gifts from natural persons, cash
20 reimbursement payments made under title XX of the federal social security act,
21 surplus food or other relief in kind supplied by a governmental agency, the gain on
22 the sale of a personal residence deferred under section 1034 of the ~~internal revenue~~
23 ~~code~~ or nonrecognized gain from involuntary conversions under section 1033 of the
24 ~~internal revenue code~~. Amounts not included in adjusted gross income but added to
25 "income" under this subsection in a previous year and repaid may be subtracted from

LPS: No
change
here

← score com. after code

1 income for the year during which they are repaid. Scholarship and fellowship gifts
 2 or income that are included in Wisconsin adjusted gross income and that were added
 3 to household income for purposes of determining the credit under this subchapter in
 4 a previous year may be subtracted from income for the current year in determining
 5 the credit under this subchapter. Interest income received from the installment sale
 6 of business, farm, or rental real property which includes a claimant's former
 7 homestead, up to the amount of interest that is paid by the claimant on a mortgage
 8 to purchase another homestead, may be subtracted from income in determining the
 9 credit under this subchapter, except that notwithstanding s. 71.58 (7) (a) this
 10 provision does not apply to the definition of "income" under s. 71.58 (7). A marital
 11 property agreement or unilateral statement under ch. 766 has no effect in computing
 12 "income" for a person whose homestead is not the same as the homestead of that
 13 person's spouse.

14 2. Page 1403, line 12: after that line insert:

15 ~~DEFINITION OF INCOME UNDER THE HOMESTEAD CREDIT. The treatment of~~
 16 ~~section 71.52 (6) of the statutes~~ ^(#) ~~first~~ ^{this act} applies to claims filed for taxable years
 17 beginning on January 1 of the year in which this subsection takes effect, except that
 18 if this subsection takes effect after July 31 ^{this act} ~~the treatment of section 71.52 (6) of the~~
 19 ~~statutes~~ first applies to claims filed for taxable years beginning on January 1 of the
 20 year following the year in which this subsection takes effect.

21 (END)

autonomous
 {sect#; (B) Initial applicability.



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
5TH FLOOR
MADISON, WI 53701-2037

STEPHEN R. MILLER
CHIEF

LEGAL SECTION: (608) 266-3561
LEGAL FAX: (608) 264-6948

November 16, 2001

MEMORANDUM

To: Representative Ainsworth

From: Marc E. Shovers, Senior Legislative Attorney

Re: LRB-4085/1 Modify the definition of "incomc" under the homestead tax credit and farmland preservation tax credit

The attached draft was prepared at your request. Please review it carefully to ensure that it is accurate and satisfies your intent. If it does and you would like it jacketed for introduction, please indicate below for which house you would like the draft jacketed and return this memorandum to our office. If you have any questions about jacketing, please call our program assistants at 266-3561. Please allow one day for jacketing.

ja JACKET FOR ASSEMBLY _____ JACKET FOR SENATE

If you have any questions concerning the attached draft, or would like to have it redrafted, please contact me at (608) 266-0129 or at the address indicated at the top of this memorandum.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will request that it be prepared after the draft is introduced. You may obtain a fiscal estimate on the attached draft before it is introduced by calling our program assistants at 266-3561. Please note that if you have previously requested that a fiscal estimate be prepared on an earlier version of this draft, you will need to call our program assistants in order to obtain a fiscal estimate on this version before it is introduced.

Please call our program assistants at 266-3561 if you have any questions regarding this memorandum.

CCC

01-4085/1

AB-756

#. Page 1, line 2: delete the material beginning with "and the" and ending with "credit" on line 3.

JMG:

MES



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-4085/1
MES:rs&kmg:pg

2001 BILL 756
AB756

CCC

per MES

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2
3

AN ACT to amend 71.52 (6) of the statutes; relating to: modifying the definition of income under the homestead tax credit and the farmland preservation tax credit.

Analysis by the Legislative Reference Bureau

Under current law, the definition of "income" under the homestead tax credit is the sum of Wisconsin adjusted gross income (AGI) and a number of items that are not otherwise includable in Wisconsin AGI, such as certain public assistance payments, nontaxable interest received on state and municipal bonds, and certain retirement benefits.

Under this bill, the definition of "income" under the homestead tax credit and the farmland preservation tax credit is modified such that interest income received from the installment sale of certain real property which includes a claimant's former homestead, up to the amount of interest that is paid by the claimant on a mortgage to purchase another homestead, may be subtracted from income in determining the claimant's homestead tax credit or farmland preservation tax credit.

For further information see the *state* 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:



State of Wisconsin
2001-2002 LEGISLATURE

CORRECTIONS IN:

2001 ASSEMBLY BILL 756

Prepared by the Legislative Reference Bureau
(January 31, 2002)

1. Page 1, line 2: delete the material beginning with "and the" and ending with "credit" on line 3.



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
P. O. BOX 2037
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
REFERENCE SECTION: (608) 266-0341
FAX: (608) 266-5648

STEPHEN R. MILLER
CHIEF

February 7, 2002

MEMORANDUM

To: Representative Ainsworth

From: Marc E. Shovers, Sr. Legislative Attorney, (608) 266-0129

Subject: Technical Memorandum to **2001 AB-756** (LRB-4085/1)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

February 5, 2002

TO: Marc Shovers
Legislative Reference Bureau

FROM: Brian Pahnke
Department of Revenue

SUBJECT: Technical Memorandum on AB 756: Modify the Definition of Income under the Homestead Tax Credit and Farmland Preservation Tax Credit

The analysis of the bill by the Legislative Reference Bureau indicates that certain installment sale interest may be subtracted from household income for purposes of the farmland preservation tax credit. According to the bill's proposed statutory language, this is not the case; this interest would be included in household income for purposes of the farmland credit.

If you have questions regarding this technical memorandum, please contact Meredith Krejny at 261-8984.

BP:MK: