

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2003-04

(session year)

Assembly

(Assembly, Senate or Joint)

**Committee on
Housing
(AC-Ho)**

File Naming Example:

Record of Comm. Proceedings ... RCP
➤ 05hr_AC-Ed_RCP_pt01a
➤ 05hr_AC-Ed_RCP_pt01b
➤ 05hr_AC-Ed_RCP_pt02

Published Documents

➤ Committee Hearings ... CH (Public Hearing Announcements)

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Record of Comm. Proceedings ... RCP

➤ **

*Information Collected For Or
Against Proposal*

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

**

➤ Hearing Records ... HR (bills and resolutions)

➤ **03hr_ab0309_AC-Ho_pt01**

➤ Miscellaneous ... Misc

➤ **

TO: Rep. Steve Wieckert, Assembly Committee on Housing
Committee members
FROM: Rep. Dan Schooff
DATE: Tuesday, June 10, 2003

RE: Written testimony on Assembly Bill 309

Thank you for allowing me the opportunity to submit written testimony in lieu of speaking on Assembly Bill 309, which I authored. I regret that I cannot attend today's public hearing. I would like to thank the chair for scheduling AB 309 for a public hearing.

To provide you with some background, I introduced this bill as Assembly 840 last session. For a couple of years, I have been working closely with the Wisconsin Historical Society Division of Historic Preservation to draft this bill as a way to provide greater incentive for the rehabilitation of historic properties. Rehabilitating historic properties in our communities throughout Wisconsin is an important tool to fuel the growth of our local economies.

For income-producing properties

Let me explain how this bill works. Current law provides a state historic rehabilitation tax credit for income-producing properties equal to 5 percent of the qualified expenses for rehabilitation. This is in addition to a federal tax credit. Under this bill, a person who is eligible to receive the federal income tax credit for rehabilitating an historical property in Wisconsin may claim a supplemental state income tax credit or franchise tax credit that is equal to 20 percent of the qualified expenses related to rehabilitation.

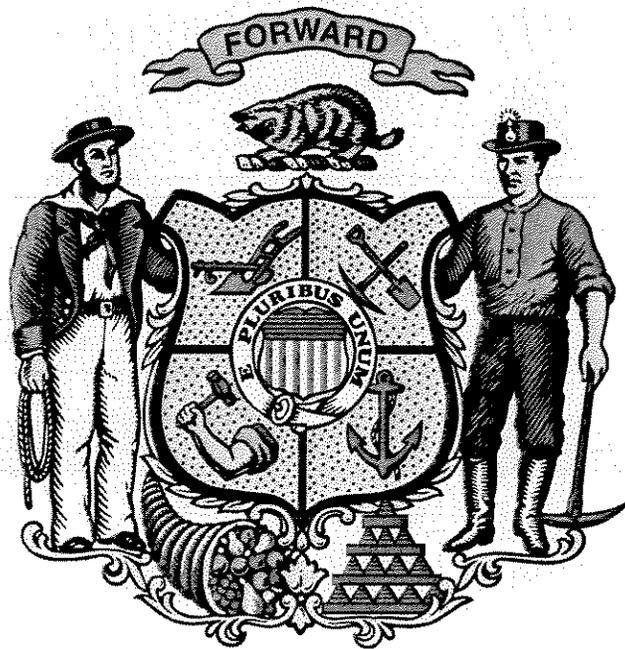
A person who is not eligible to claim the federal rehabilitation tax credit because his or her qualified expenses do not satisfy the adjusted basis requirement under federal law is eligible to claim the state rehabilitation tax credit if his or her qualified expenses are at least \$10,000 and the State Historical Society approves the rehabilitation and certifies the expenses.

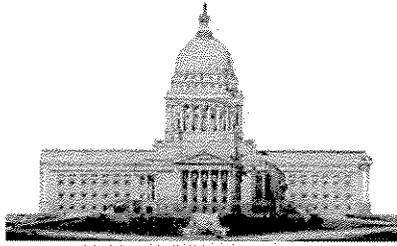
Additionally, the Wisconsin Historical Society would be authorized to charge a fee for the certification required to claim the state tax credit on an income-producing property. The fee would be calculated as 1 percent of the total qualified expenses, but not less than \$150 and not more than \$10,000.

For owner-occupied properties

Also, under current law a person may claim an income tax credit equal to 25 percent of qualified expenses to preserve or rehabilitate an historic property that is an owner-occupied personal residence. AB 309 would increase the credit to 30 percent and authorize the Wisconsin Historical Society to charge a \$150 fee for the certification required to claim the credit.

This bill would apply beginning in taxable year 2004.





DAN SCHOOFF

STATE REPRESENTATIVE
WISCONSIN STATE ASSEMBLY

September 10, 2003

Rep. Wieckert, Chairman
Committee on Housing
16 West State Capitol
Madison, WI 53703

Dear Chairman Wieckert:

I am writing today to request that Assembly Bill 309 be scheduled for executive action in your Committee on Housing.

Rehabilitating historic properties in communities throughout Wisconsin is an important tool to fuel the growth of our local economies. I have been working very closely with the Wisconsin Historical Society Division of Historic Preservation to draft this bill as a way to provide greater incentive for the rehabilitation of historic properties.

Current law provides a state historic rehabilitation tax credit for income-producing properties equal to 5 percent of the qualified expenses for rehabilitation. This is in addition to a federal tax credit. Under this bill, a person who is eligible to receive the federal income tax credit for rehabilitating an historical property in Wisconsin may claim a supplemental state income tax credit or franchise tax credit that is equal to 20 percent of the qualified expenses related to rehabilitation.

A person who is not eligible to claim the federal rehabilitation tax credit because his or her qualified expenses do not satisfy the adjusted basis requirement under federal law is eligible to claim the state rehabilitation tax credit if his or her qualified expenses are at least \$10,000 and the State Historical Society approves the rehabilitation and certifies the expenses.

Additionally, the Wisconsin Historical Society would be authorized to charge a fee for the certification required to claim the state tax credit on an income-producing property. The fee would be calculated as 1 percent of the total qualified expenses, but not less than \$150 and not more than \$10,000.

Also, under current law a person may claim an income tax credit equal to 25 percent of qualified expenses to preserve or rehabilitate an historic property that is an owner-occupied personal residence. Assembly Bill 309 would increase the credit to 30 percent and authorize the Wisconsin Historical Society to charge a \$150 fee for the certification required to claim the credit. This bill would apply in taxable year 2004.

Thank you for your consideration of this request. If you have further questions regarding this bill, please do not hesitate to contact me at 266.9967

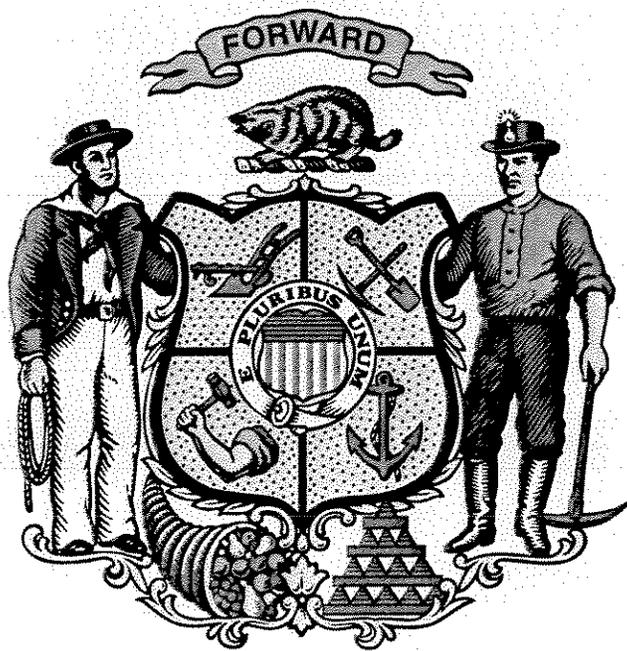
Sincerely,



Dan Schooff
State Representative
45th Assembly District

cc: Members Committee on Housing

DS: ajp



**ECONOMIC ROI
FOR EACH DOLLAR SPENT ON HISTORIC REHABILITATION**

RESIDENTIAL AND OTHER TOTAL DIRECT SPENDING	DIRECT AND MULTIPLIED INDUSTRY SPENDING	TOTAL INDUSTRY VALUE ADDED MULTIPLIERS	NUMBER OF ADDITIONAL DOLLARS SPENT IN STATE FOR EACH DOLLAR INVESTED IN HISTORIC REHABILITATION	ECONOMIC ROI
\$1,849,703,223	\$3,142,164,837	0.698740	\$0.70	70%
INDUSTRY TOTAL		0.698740	\$0.70	70%

**STATE REVENUE GENERATED ANNUALLY
FROM HISTORIC REHABILITATION**

CATEGORY OF REVENUE	ECONOMIC IMPACT	AVERAGE PROPORTION	STATE REVENUE
LABOR INCOME	\$1,385,040,270	5%	\$69,034,593
OTHER PROPERTY TYPE INCOME*	\$295,421,761	2%	\$6,088,580
INDIRECT BUSINESS TAXES**	\$85,793,224	73%	\$62,831,042
TOTAL			\$137,954,215

* Other Property Type Income consists of payments for rents, royalties, and dividends.

** Indirect Business Taxes consist of excise taxes, property taxed, fees, licenses, and sales taxes paid by businesses. These taxes occur during the normal operation of businesses but do not include taxes on profit or income.

**ANNUAL ECONOMIC IMPACTS
HERITAGE TOURISM
IN WISCONSIN**

BASED ON STATE OF WISCONSIN LEISURE TOURISM STUDY 2001 DATA

ECONOMIC IMPACT	DIRECT	INDIRECT	INDUCED	TOTAL
VALUE ADDED:				
LABOR INCOME	\$ 346,055,440	\$ 84,371,882	\$ 134,291,259	\$ 564,718,581
OTHER PROPERTY TYPE INCOME*	\$ 121,772,234	\$ 33,035,918	\$ 64,142,953	\$ 218,951,105
INDIRECT BUSINESS TAXES**	\$ 80,542,994	\$ 9,255,150	\$ 21,597,183	\$ 111,395,327
TOTAL INDUSTRY VALUE ADDED:	\$ 548,370,668	\$ 126,662,950	\$ 220,031,395	\$ 895,065,013
EMPLOYMENT***	20,308	2,745	4,915	27,968
OUTPUT****	\$ 1,190,520,000	\$ 242,290,810	\$ 378,411,036	\$ 1,811,221,846
TOTAL MEASURABLE IMPACT				\$ 1,811,221,846

**STATE REVENUE GENERATED ANNUALLY
RESULTANT FROM HERITAGE TOURISM**

CATEGORY OF REVENUE	ECONOMIC IMPACT	AVERAGE TAX RATE	STATE REVENUE
LABOR INCOME	\$564,718,581	5%	\$27,938,066
OTHER PROPERTY TYPE INCOME*	\$218,951,105	2%	\$4,014,702
INDIRECT BUSINESS TAXES**	\$111,395,327	73%	\$81,580,853
TOTAL			\$113,533,621

* Other Property Type Income consists of payments for rents, royalties, and dividends.

** Indirect Business Taxes consist of excise taxes, property taxed, fees, licenses, and sales taxes paid by businesses. These taxes occur during the normal operation of businesses but do not include taxes on profit or income.

SUMMARY

BACKWARD LINKAGES

**MEASURABLE ANNUAL ECONOMIC IMPACTS YEAR 2000
OF HISTORIC REHABILITATION
IN WISCONSIN**

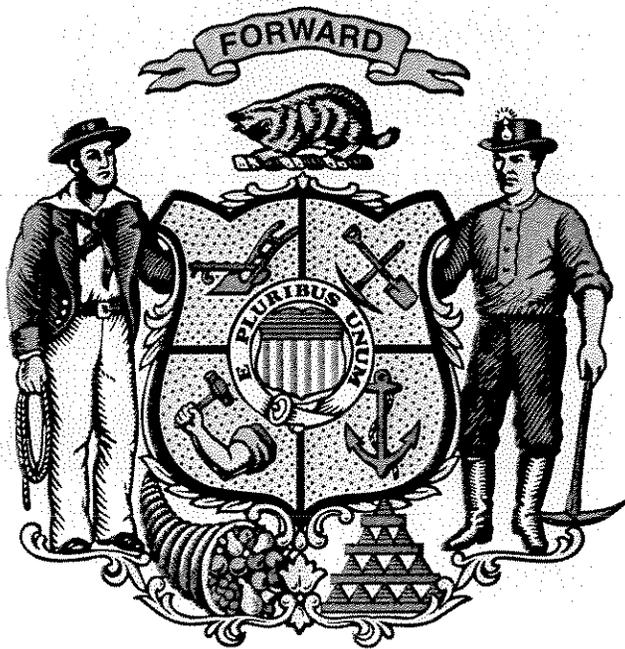
ECONOMIC IMPACT	DIRECT	INDIRECT	INDUCED	TOTAL INDUSTRY
VALUE ADDED:				
LABOR INCOME	\$ 905,931,968	\$ 202,657,370	\$ 276,450,932	\$ 1,385,040,270
OTHER PROPERTY TYPE INCOME*	\$ 90,413,334	\$ 64,259,710	\$ 140,748,699	\$ 295,421,743
INDIRECT BUSINESS TAXES**	\$ 8,312,682	\$ 30,179,469	\$ 47,301,073	\$ 85,793,224
OUTPUT****	\$ 1,849,703,232	\$ 531,693,776	\$ 760,767,837	\$ 3,142,164,845
TOTAL SPENDING	\$ 1,849,703,232	\$ 531,693,776	\$ 760,767,837	\$ 3,142,164,845
EMPLOYMENT***	21,151	6,405	10,511	38,067

* Other Property Type Income consists of payments for rents, royalties, and dividends.

** Indirect Business Taxes consist of excise taxes, property taxed, fees, licenses, and sales taxes paid by businesses. These taxes occur during the normal operation of businesses but do not include taxes on profit or income.

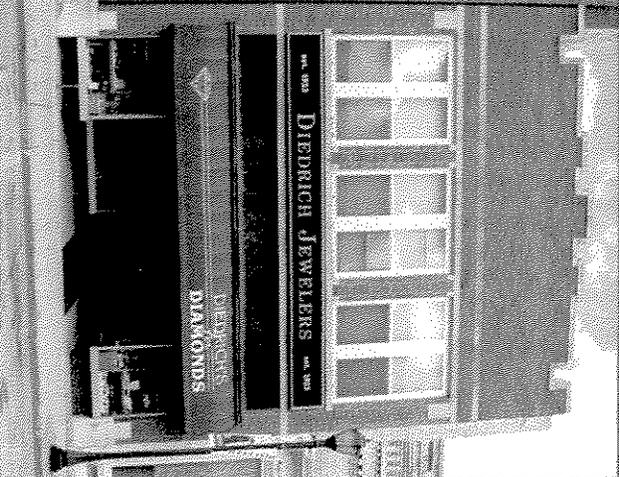
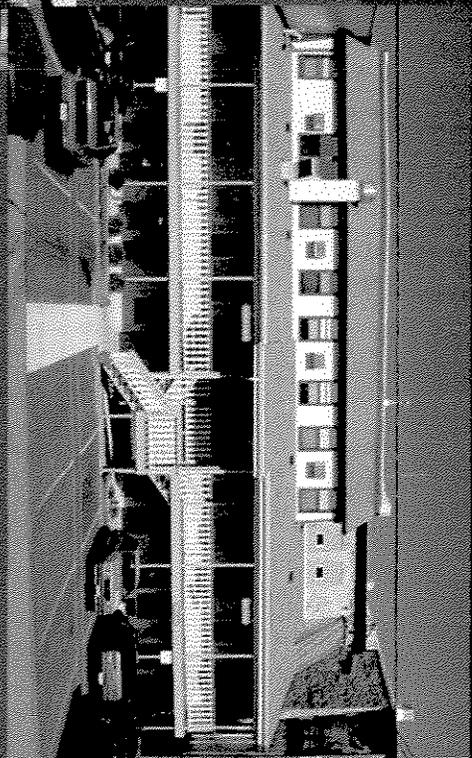
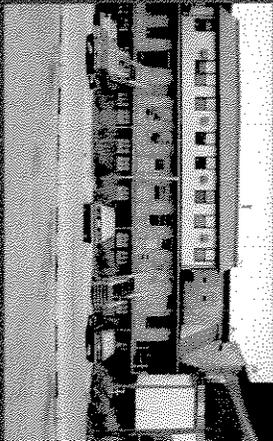
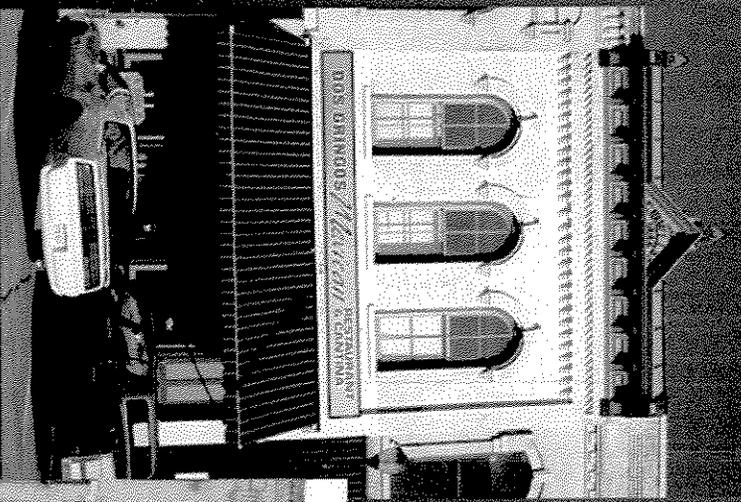
*** Employment is listed as a single number of full-time and part-time jobs for the Historic Preservation Industry.

**** Output is a single number in dollars representing the value of the Historic Preservation Industry's total production



Historic Preservation

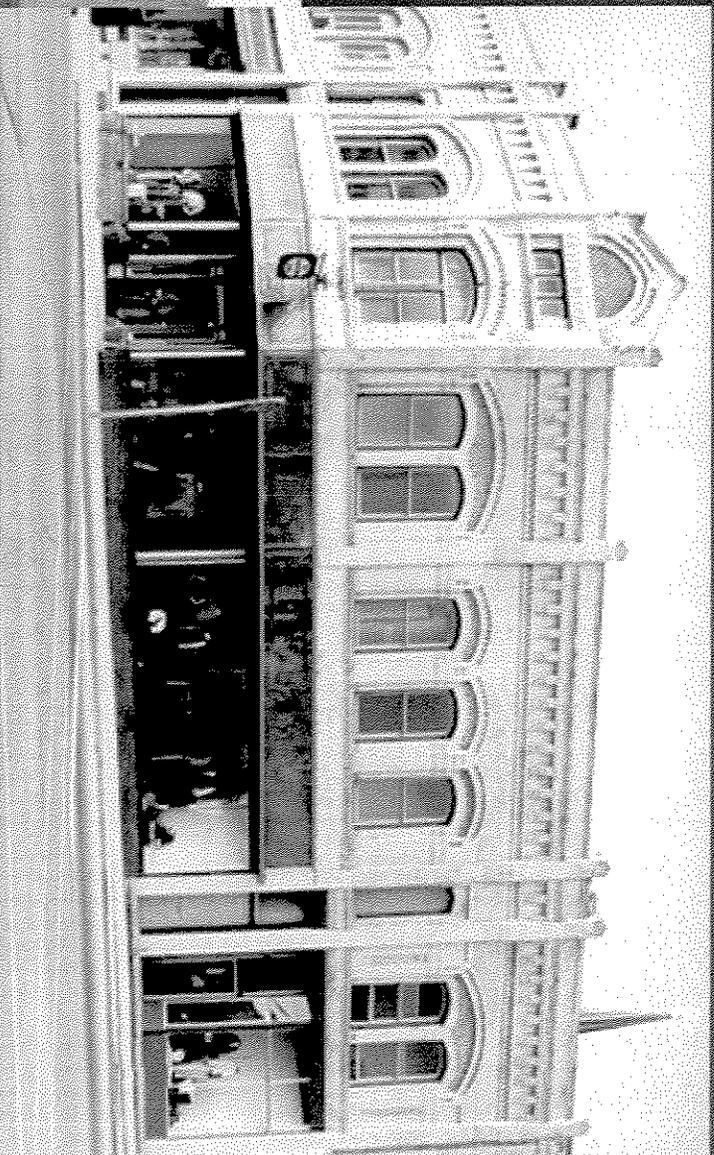
Award Winning Restoration

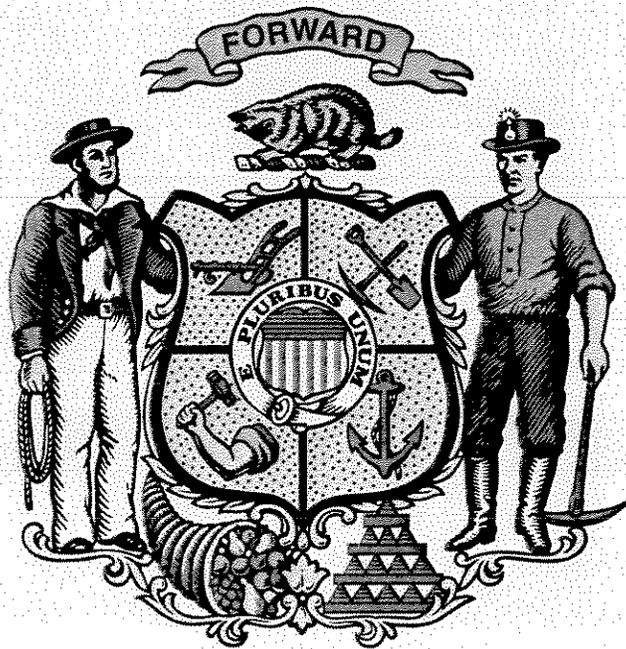


Community Initiated Development

Pratt's Block

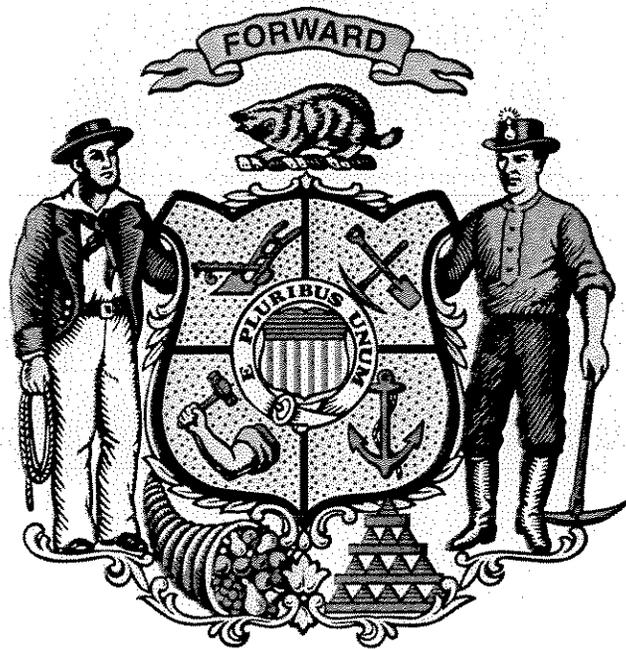
200 Watson Street





AB 309 Summary

- Current law provides a **5%** state “piggyback” credit for people eligible for the 20% federal rehabilitation tax credit. (This federal credit applies to **income-producing historic buildings**.) Under the bill, a person eligible to claim the federal income tax credit may claim a **20%** state “piggyback” credit. In addition if the person is not eligible for the federal tax credit because the person’s expenditures do not satisfy **the adjusted-basis requirement**, and their qualified expenditures are at least \$10,000, they may claim the state 20% piggyback credit.
- The Wisconsin Historical Society is authorized to **charge a fee** for the certification required to claim the state supplemental credit. The fee is calculated at 1% of the total qualified expenses, but not less than \$150 or more than \$10,000.
- Current law also provides a **25%** state income tax credit for the rehabilitation of **owner-occupied historic residences**. The bill will increase the credit to **30%** and authorize the Wisconsin Historical Society to charge a \$150 fee for the certification required to claim the credit.
- Current law allows for **recapture** of a prorated portion of the federal credit if a historic property is sold or altered. The bill extends this recapture to the state supplemental or franchise tax credits.
- The bill allows a person who has rehabilitated a historic property and is not a Wisconsin resident and/or does not file Wisconsin taxes to **transfer the Wisconsin credits** to another person who may claim the credit.



To the members of the Committee on Housing, Representative Wieckert, Chair:

Good morning Representative Wieckert and members of the Committee on Housing. My name is Alicia Goehring and I am the Administrator of the Division of Historic Preservation at the Wisconsin Historical Society. The Division of Historic Preservation serves as Wisconsin's federally recognized State Historic Preservation Office, and as such, has administered the federal rehab tax credit program since 1978 and the state rehab tax credit programs since 1992. The Wisconsin Historical Society wholeheartedly endorses Assembly Bill 309, which we believe would improve the effectiveness of the historic rehabilitation tax credit programs in Wisconsin.

Rehabilitation tax credit programs have been used throughout the country as ways to stimulate reinvestment in historic buildings and thereby revitalizing older business districts and neighborhoods. During the past 10 years in Wisconsin, the income producing tax credit program has stimulated over \$410 million of reinvestment in Wisconsin's historic commercial districts and over \$26 million in Wisconsin's older residential neighborhoods. Projects benefiting from the income producing program vary from the Eric's Diamonds building in Chippewa Falls to the Hausmann and Schoerer Buildings on Martin Luther King Jr. Blvd. in Milwaukee. Owner-occupied residential projects include a vernacular house in Evansville, the Classical Revival Wahle-Laird House in Marshfield, and an 1858 Italianate house in Beloit.

The Wisconsin Historical Society supports this bill for several reasons. First, the measures in this bill will help Wisconsin be more competitive with other states in attracting investors to our central business districts. By increasing the percentage of tax credit and by allowing non-

Wisconsin taxpayers to invest in our historic neighborhoods and business districts and then transfer the credits earned to Wisconsin tax payers, additional developers will be attracted to invest in historic properties from Racine to Eau Claire.

Second, by eliminating the adjusted basis requirement for the state tax credit program, the incentive will be available to new, entrepreneurial property owners in Wisconsin's smaller cities and villages.

Finally, by allowing the Wisconsin Historical Society to charge a fee for the projects it administers, two things will be accomplished: the Wisconsin Historical Society will earn revenue to help administer the program, and, the cost of administering the program will be shared by those that benefit most directly, developers and homeowners, and by the taxpayers that benefit by having more livable, economically viable communities in which to live.

Thank you.