



**WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO**

2003 Assembly Bill 70	Assembly Amendment 1
<i>Memo published: April 18, 2003</i> <i>Contact: William Ford, Senior Staff Attorney (266-0680)</i>	

Assembly Bill 70 modifies the definition of "household income" for purposes of the homestead tax credit program to exclude interest income received from the installment sale of business, farm, or rental real property that includes a person's former homestead, up to the amount of interest that is paid by the person on a mortgage to purchase another homestead.

Assembly Amendment 1 would narrow the exclusion from household income provided by the bill. It would provide that the amount of interest income excluded from household income is only the amount of income received from the portion of the installment sale related to the homestead, not the portion related to the sale of the business, farm, or rental property not related to the homestead.

Legislative History

The Assembly Committee on Ways and Means adopted Assembly Amendment 1 by a vote of Ayes, 13, Noes, 0, and recommended Assembly Bill 70, as amended, for passage by a vote of Ayes, 13, Noes, 0, on April 16, 2003.

WF:rv;wu

Assembly Ways & Means Committee Hearing, April 2, 2003

AB 70 – Modify the Definition of "Income" Under the Homestead Tax Credit (Rep. Ainsworth + 9)

Description of Current Law and Proposed Change

- This bill would modify the definition of "household income" under the Homestead tax credit so that interest income received from the installment sale of real property that includes a claimant's former homestead could be subtracted from income, up to the amount of interest paid by the claimant on a mortgage to purchase another homestead.

Fairness/Tax Equity

- The definition of "household income" for purposes of the Homestead tax credit is designed to reflect a person's ability to pay property taxes. Interest income received from the sale of property, when it is offset by interest paid on the mortgage to purchase a new homestead, cannot be used to pay property taxes. The bill would recognize this by excluding this interest from household income.

Administrative Impact/Fiscal Effect

- An unknown number of filers would become eligible for the Homestead credit under the proposed bill and the income of some filers already eligible for the credit would be lower, which would increase the existing credit claimed. Thus, the bill would increase existing appropriations by an unknown amount. About 800 primary residences are sold on an installment basis annually, but probably only a few of the sellers qualify for Homestead, so the increase is expected to be minimal. In implementation of this bill, the Department would incur minimal administrative costs that could be absorbed within the agency's budget.

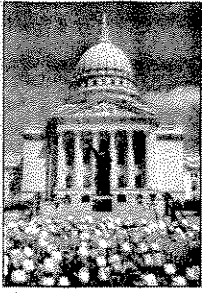
DOR Position

Support.

Prepared by: Karyn Kriz (608) 261-8984

March 17, 2003

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Michael (Mickey)
Lehman

State Representative
99th Assembly District

Committee Chair: Ways and Means

Memorandum

To: Ways & Means Committee Members

From: Rep. Michael "Mickey" Lehman *Mickey*

Date: April 10, 2003

Re: Amendments for April 16th Public Hearing/Executive Session

The following amendments will be considered by the Committee at our next Public Hearing/Executive Session:

An amendment to AB 48, relating to mailing property tax bills, requested by the author--Rep. Ladwig.

An amendment introduced by Rep. Ainsworth to his AB 70, relating to modifying the definition of income under the homestead tax credit.

Two amendments requested by Rep. Lehman to his AB 89, relating to installment payments of refunds of taxes on manufacturing property.

Copies are attached for your information.

Vote Record

Committee on Ways and Means

Date: 4/16/03

Moved by: W. Wood

Seconded by: Lehman

AB _____

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

(A/S Amdt 1 (0424/1))

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage
- Adoption
- Confirmation
- Concurrence
- Indefinite Postponement
- Introduction
- Rejection
- Tabling
- Nonconcurrence

Committee Member

Representative Michael Lehman

Aye No Absent Not Voting

Representative Jeffrey Wood

Representative Stephen Nass

Representative Eugene Hahn

Representative Frank Lasee

Representative Suzanne Jeskewitz

Representative Samantha Kerkman

Representative Thomas Lothian

Representative Wayne Wood

Representative Pedro Colon

Representative Terese Berceau

Representative Robert Ziegelbauer

Representative Johnnie Morris

Representative Tom Hebl

Totals: 13 0 1 _____

AB 70

Vote Record

Committee on Ways and Means

Date: 4/16/03

Moved by: Hahn

Seconded by: Morris

AB 70

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt _____

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage
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- Concurrence
- Indefinite Postponement
- Introduction
- Rejection
- Tabling
- Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Michael Lehman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Stephen Nass	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Eugene Hahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Frank Lasee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Suzanne Jeskewitz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Samantha Kerkman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Thomas Lothian	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Wayne Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Pedro Colon	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Terese Berceau	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Johnnie Morris	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Tom Hebl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 13 0 1 _____

Rec'd. from Bill
4/21

ASSEMBLY BILL 70

1. This bill would modify the definition of "income" used under the states homestead tax credit program so that interest income received from the installment sale of real property that includes a person's home would not be included in income, up to the amount of interest income paid by the claimant on a mortgage to purchase another home.
2. The homestead tax credit program provides property tax relief to low income homeowners and renters. The program is often referred to as a "circuit breaker" because it is intended to provide relief once property taxes exceed a taxpayers ability to pay them. Persons who are eligible for homestead tax credits receive the credit as either a reduction of their income taxes or as a check from the state.
3. An important part of the homestead tax credit formula is the definition of "income". Taxpayers with household income of \$8000 or less receive the greatest amount of property tax relief and no credit is received by taxpayers with income of \$24,500.
4. Under current law, the definition of income for the homestead tax credit program includes interest income received by a person from the sale of real property, where the buyer agrees to pay for the property over time and where the payments include interest.
5. Under ASSEMBLY BILL 70, interest income from the installment sale of real property that includes a person's home would not be included in income for purposes of the homestead tax credit up to the amount of interest paid by that person during the year on a mortgage to purchase a new home. This treatment would only be available if the property sold is a business, farm or rental real property that also includes a person's former homestead.
6. The department of revenues fiscal estimate is that this bill would increase state expenditures under the homestead tax credit program, but that the increase is expected to be minimal because only a few persons would qualify under this bill. The department of revenue also estimates that this bill would increase its administrative costs by \$82,300 annually.
7. There is an ^{introduced} amendment to this bill, ~~that has not been introduced~~ ^{AA!}. LRBa0424/1. The amendment clarifies that the amount of interest from the installment sale of property that may be excluded from household income is only the amount of interest that relates to the homestead.

Assembly Republican Majority Bill Summary

AB 70: The definition of income under the homestead credit

Relating to: Modifying the definition of income under the homestead tax credit.

By (Representative Ainsworth, Albers, Grothman, Gundrum, Hahn, Hines, Krawczyk, Owens, Seratti and J. Wood.)

Date: May 6, 2003

BACKGROUND

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.

SUMMARY OF AB 70 AS AMENDED BY COMMITTEE

Under Assembly Bill 70, the definition of "income under the homestead 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. AA1 provides that the amount of interest income excluded from household income is only the amount of income received from the portion of the installment sale related to the homestead.

AMENDMENTS

Assembly Amendment 1 to Assembly Bill 70 narrows the exclusion from household income provided by the bill. It provides that the amount of interest income excluded from household income is only the amount of income received from the portion of the installment sale related to the homestead, not the portion related to the sale of the business, farm, or rental property not related to the homestead. [adopted 13-0-1 (Rep. Berceau was absent)].

FISCAL EFFECT

A fiscal estimate prepared by the Department of Revenue indicates that the change in definition of "household income" for purposes of the homestead tax credit would increase the number of filers eligible for the credit. However, the number of filers receiving interest income from installment sales of real property and the amount of this interest is not known. Thus, the bill would increase existing appropriations by an unknown amount.

PROS

1. AB 70 as amended encourages the continuation of farming operations and small businesses that include residential property by allowing interest income received from the sale of the homestead to be excluded from household income -- up to the amount of interest that is paid by the person to purchase another homestead.

CONS

1. The bill would expand the Homestead Tax Credit and increase existing appropriations by an unknown amount.

SUPPORTERS

Rep. John Ainsworth, author; Jason Helgerson, WI Department of Revenue.

Date of Scheduled Floor Action
Bill #, page #

OPPOSITION

No one registered or testified against AB 70.

HISTORY

Assembly Bill 70 was introduced on February 18, 2003, and referred to the Assembly Committee on Ways and Means. A public hearing was held on April 2, 2003. On April 16, 2003, the Committee voted 13-0-1 [Rep. Berceau was absent] to recommend passage of AB 70 as amended.

CONTACT: Vicky Halverson, Office of Rep. Mickey Lehman