

Assembly Republican Majority Bill Summary

AB 70: The Definition of Income Under the Homestead Tax 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. 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" would increase the number of filers eligible for the homestead tax 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.

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