

Committee Name:

**Senate Committee – Economic Development, Job Creation and Housing
(SC-EDJCH)**

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Testimony of
State Representative Steve Wieckert
Before the
Senate Committee on Economic Development, Job Creation and
Housing
Regarding
AB 98, Double Tax Exempt Bonding for Senior and Multifamily
Housing (WHEDA)
August 14, 2003

Dear Madame Chairwoman and Members,

I appreciate this opportunity to present, for your consideration
Assembly Bill 98 which I believe would be of significant help to many
Wisconsin citizens encouraging the availability of multifamily and
elderly housing.

Currently, the Wisconsin Housing and Economic Development
Authority is operating at a disadvantage. Many different states and
bonding agencies allow these types of bonds to be double tax
exempt; however, not so for Wisconsin. This puts us at a competitive
disadvantage with other states. These states include our neighbors
of Minnesota, Michigan, and Illinois, which already have this double
exempt bonding.

This bill would put Wisconsin on a more equal footing making our bonds more competitive, encouraging multifamily and elderly housing projects, helping make a larger pool of affordable housing which is an ever increasing need, and adding to Wisconsin's economic recovery and growth.

It is true that this will reduce the amount of revenue coming into our state treasury by a small amount. I like to think that this is a good thing because we are cutting taxes for the citizens of an already excessively taxed state. This is also what will make these bonds more attractive.

However we must realize that Wisconsin is facing a deficit. The fiscal note indicates that between \$6,000 and \$42,000 a year may be the amount of tax savings.

To help with this situation, WHEDA has offered to reimburse the general treasury for any amount of revenue lost through this state tax exemption for three years based on an agreeable amount. In other

words, for three years, we will have all the advantages of double tax-exempt bonding without costing any additional tax dollars. This amendment was adopted in the Assembly committee on housing and is Assembly Amendment 1 to this bill, which is part of the package you are considering today.

This bill was approved by the Assembly housing committee on a vote of 6-0 this spring. The joint tax exemption committee passed this bill by a unanimous vote of 9-0. AB 98 was passed by the full assembly by a voice vote in early June.

This legislation, AB 98, is supported by the Coalition of Wisconsin Aging Groups (CWAG) and the American Association of Retired Persons (AARP).

This was strongly endorsed by WHEDA through executive director Fitz Ruf last session and is now endorsed by Executive Director of WHEDA, Antonio Riley.

After introduction of this bill last session, then-Governor Scott McCallum included this provision in his economic development plan.

The savings on interest would be passed along to customers through lower loan rates. As a result, the construction of multifamily, elderly, and assisted-living becomes more feasible. As Wisconsin's elderly and aging population continues to grow, we must make it easier for these facilities to be developed. Doing so also creates business for builders, architects, contractors, and others involves either directly or indirectly in the construction business. This bill is a stimulus to our economy. AB 98 will help increase the amount of affordable housing in Wisconsin.

Thank you for this opportunity to testify. I'd be happy to answer any questions.



State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

Senate Committee on Economic Development, Job Creation and Housing: August 14, 2003

AB 98 – Exempt From Taxation WHEDA Interest Income (Rep. Wieckert + 14, Sen. Stepp + 2)

Description of Current Law and Proposed Change

- The bill would provide an individual and corporate income tax exemption for interest on bonds and notes issued by the Wisconsin Housing and Economic Development Authority (WHEDA) for multifamily affordable housing and elderly housing projects.
- The bill would also repeal an exemption for bonds issued to fund a loan for the development of certain cultural and architectural landmarks; no bonds have been issued under this exemption.
- The bill as amended by Assembly Amendment 1 has been approved by the Assembly. Under Assembly Amendment 1, WHEDA would reimburse the state for the amount of revenue lost due to the exemption for the first three-years the exemption is in effect.

Fairness /Tax Equity

- Bondholders whose interest income would be exempt from tax under this bill tend to be higher-income taxpayers, since the amount of savings and thus interest received rise with income.

Impact on Economic Development

- An income tax exemption for interest from certain bonds is intended to encourage investment in the bonds and the activities the bonds support: affordable housing and elderly housing projects.

Administrative Impact/Fiscal Effect

- WHEDA estimates that approximately \$37.5 million in bonds are issued each year (including refunding bonds), that 5% of the bonds are held by Wisconsin residents and that the amount held in-state could increase to 35% if the bonds were exempt.
- If 5% of the bonds continue to be held by state residents, the estimated fiscal effect of exempting the bond interest is to reduce individual income tax revenues by \$6,100 annually (\$37.5 million x 5% x 5% x 6.5%). This amount would increase each year if more bonds were issued. After five years of issues, the fiscal effect would be \$30,500.
- If 35% of the bonds were held by state residents, the fiscal effect would be to reduce individual income tax revenues by \$42,700 annually (\$37.5 million x 5% x 35% x 6.5%). This

amount would increase each year if more bonds were issued. After five years, the fiscal effect would be \$213,000.

- *DOR Position*

- Support

Prepared by: Pam Walgren, (608) 266-7817
May 22, 2003

PW:skr
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Thomas L. Frazier, *Executive Director*

Coalition of Wisconsin Aging Groups

March 13, 2003

Representative Steve Wieckert
State Capitol - Room 16 West
P. O. Box 8953
Madison, Wisconsin 53707-8983

Dear Representative Wieckert:

On behalf of the Coalition of Wisconsin Aging Groups (CWAG), I am pleased to support your bill (AB98) to encourage the development of affordable housing for families and the elderly. I believe that the development of more affordable housing is one of the keys to expanding home and community-based long-term care options for older persons.

Thank you for giving us the opportunity to indicate CWAG's support for AB98.

Sincerely,

A handwritten signature in black ink, appearing to read "T. L. Frazier", is written in a cursive style.

Thomas L. Frazier
Executive Director



May 5, 2003

To: Members of the Wisconsin State Assembly

From: D'Anna Bowman, State Director, Wisconsin AARP

Re: Support AB 98, multifamily and elderly housing

AARP Wisconsin supports AB 98, related to multifamily affordable or elderly housing projects. We want to thank Rep. Wieckert for recognizing that the issue of affordable housing for families and the elderly is critical.

We hope AB 98 will create incentives for development of additional affordable housing projects in Wisconsin. Many seniors are living on fixed incomes. Unless they qualify for SeniorCare, Wisconsin's new prescription drug benefit for individuals over 65 years of age, they face ever increasing costs for prescription drugs and also have to pay more each year for food, housing and other expenses. The pool of affordable housing is dwindling. This bill creates an additional source of funds for housing and may make affordable housing more readily available throughout the state.

Thank you for your consideration.