



WISCONSIN LEGISLATIVE COUNCIL  
AMENDMENT MEMO

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

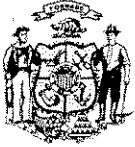
**Assembly Bill 70** modifies the definition of “household income” for purposes of the homestead tax credit program to exclude interest income received from the installment sale of business, farm, or rental real property that includes a person’s former homestead, up to the amount of interest that is 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



# State of Wisconsin • DEPARTMENT OF REVENUE

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*Jim Doyle*  
Governor

*Michael L. Morgan*  
Secretary of Revenue

## Senate Homeland Security, Veterans and Military Affairs and Government Reform Hearing, October 15, 2003

AB 70 As Amended by Assembly Amendment 1 – 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

October 14, 2003

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