

Appendix A ... segment I

LEGISLATIVE REFERENCE BUREAU
DRAFTING HISTORY RESEARCH APPENDIX

☞ The drafting file for 2019 LRB-3862/P6 (For: Rep. Summerfield)
has been copied/transferred to the drafting file for
2019 LRB-5351 (For: Rep. Summerfield)



☞ Are These “Companion Bills” ?? ... No

RESEARCH APPENDIX -
PLEASE KEEP WITH THE DRAFTING FILE

☞ Request Made By: MES

☞ Date: 01/14/~~2019~~
2020

2019 DRAFTING REQUEST

Bill

For: **Rob Summerfield (608) 266-1194** Drafter: **mshovers**
 By: **Matalin** Secondary Drafters:
 Date: **8/2/2019** May Contact:

Same as LRB:

Submit via email: **YES**
 Requester's email: **Rep.Summerfield@legis.wisconsin.gov**
 Carbon copy (CC) to: **Erika.Lunder@legis.wisconsin.gov**

Pre Topic:

No specific pre topic given

Topic:

Older housing rehabilitation tax credit

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/P1	mshovers 8/16/2019	ccarmich 8/8/2019	mbarman 8/8/2019		State S&L
/P2	mshovers 9/3/2019	ccarmich 8/20/2019	dwalker 8/20/2019		State S&L
/P3	mshovers 9/16/2019	ccarmich 9/4/2019	dwalker 9/4/2019		State S&L
/P4	mshovers 11/20/2019	ccarmich 9/17/2019	mbarman 9/17/2019		State S&L
/P5	mshovers	ccarmich	lparisi		State

LRB-3862

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	12/12/2019	11/22/2019	11/22/2019		S&L
/P6		ccarmich 12/13/2019	dwalker 12/13/2019		State S&L

FE Sent For: 11/25/2019

<END>

Lunder, Erika

From: Schoone, Matalin
Sent: Wednesday, July 31, 2019 9:39 AM
To: Lunder, Erika
Subject: OHRTC Bill Draft Request

Good Morning Erika,

Our office is looking to draft legislation creating an Older Housing Rehabilitation Tax Credit.

The OHRTC:

- Applies to single-family housing:
 - Built before 1980.
 - With a fair market value equal to or lesser than the price of the median value home the prior fiscal year in the County in which the housing is located.
 - Median value of housing determined by County.
- Owners of the housing are eligible for an income tax credit up to 10% of the investment directly related to the rehabilitation of the housing.
 - Total project costs for the rehabilitation may not exceed \$150,000 per housing unit.
- Building permits must be obtained for all eligible rehabilitation expenses*.
 - The tax credit is earned when the rehabilitation is complete and all building permits receive final approval.
 - *"Eligible rehabilitation expenses" section TBD (please add note).

If you have any questions, please let me know!

Thanks,

Matalin Schoone
Research Assistant
State Representative Rob Summerfield
67th Assembly District
608-266-1194

Shovers, Marc

From: Schoone, Matalin
Sent: Tuesday, August 06, 2019 12:30 PM
To: Shovers, Marc
Subject: RE: OHRTC Bill Draft Request

Hi Marc,

Sorry for the delay, had to circle back with a few individuals before I could reply...

Below in red are our initial thoughts on your questions. Please let us know if you have any more!

Thanks,

Matalin Schoone
Research Assistant
State Representative Rob Summerfield
67th Assembly District
608-266-1194

From: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Sent: Friday, August 02, 2019 4:09 PM
To: Schoone, Matalin <Matalin.Schoone@legis.wisconsin.gov>
Cc: Lunder, Erika <Erika.Lunder@legis.wisconsin.gov>
Subject: FW: OHRTC Bill Draft Request

Hi Matalin:

I just want to let you know that I'll be drafting this request for Rep. Summerfield, and I have a couple questions.

My understanding from your instructions is that a claimant may claim 10% of the amount they spend on "eligible rehabilitation expenses" (definition TBD), up to \$15,000. When you say that the total project costs of the rehabilitation "may not exceed \$150,000" per single-family house, do you mean if the rehabilitation cost is \$151,000, the individual/couple could not claim any credit whatsoever, or do you mean that they could claim up to 10% of \$150,000 of the eligible rehabilitation expenses?

- "Up to 10% of \$150,000 of the eligible rehab expenses" would probably encourage more development, as the type of housing eligible is already limited to <1980s and fair market value of the County and some old houses may cost more to repair.

With regard to the credit amount that may be claimed, would you like the credit amount to be refundable or nonrefundable? If the credit is refundable, a claimant would receive a check from the state in the amount by which the claimant's eligible credit exceeds his or her tax liability. A nonrefundable credit may be claimed only up to the amount of the taxpayer's tax liability.

- Refundable, so they get their full "up to 10%" back.



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-3862/P1
MES:cd

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

Fri, 2.

sla
x-ref
s/k

ge

certain

1 AN ACT ^{ge}...; **relating to:** creating a refundable individual income tax credit for ~~the~~
2 expenses incurred in the rehabilitation of an older home.

Analysis by the Legislative Reference Bureau

This is a preliminary draft. An analysis will be provided in a subsequent version of this draft.

For further information see the **state and local** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 SECTION 1. 20.835 (2) (cb) of the statutes is created to read:
4 20.835 (2) (cb) *Older housing rehabilitation credit.* A sum sufficient to pay the
5 claims approved under s. 71.07 (8m).

6 SECTION 2. 71.07 (8m) of the statutes is created to read:
7 71.07 (8m) OLDER HOUSING REHABILITATION CREDIT. (a) *Definitions.* In this
8 subsection:

- 1 1. "Claimant" means an individual who files a claim under this subsection.
- 2 2. "Eligible housing" means a single-family residence which is the primary
- 3 residence of a claimant and which meets the conditions specified in par. (c) 5. and 6.
- 4 3. "Eligible rehabilitation expenses" means ***

****NOTE: Per your instructions, the definition for this term is still being developed.

- 5 4. "Fair market value" means the estimated fair market value of a
- 6 single-family residence as shown on the property tax bill prepared for the prior year
- 7 under s. 74.09.
- 8 5. "Municipality" means a city, village, or town.
- 9 6. "Project" means a construction or reconstruction project on eligible housing
- 10 which ~~results~~^{that} results in the claimant incurring eligible rehabilitation expenses.

- 11 (b) *Filing claims.* Subject to the limitations and conditions provided in this
- 12 subsection, a claimant may claim as a credit against the tax imposed under s. 71.02
- 13 an amount equal to ~~ten~~¹⁰ percent of the amount the claimant spent on eligible
- 14 rehabilitation expenses during a single project. If the allowable amount of the claim
- 15 exceeds the income taxes otherwise due on the claimant's income, the amount of the
- 16 claim not used as an offset against those taxes shall be certified by the department
- 17 of revenue to the department of administration for payment to the claimant by check,
- 18 share draft, or other draft drawn from the appropriation account under s. 20.835 (2)
- 19 (cb).

****NOTE: Does the language in this paragraph meet your intent, particularly the part that limits a claimant to an amount spent on "eligible rehabilitation expenses during a single project"? Do you want to limit the number of times an individual may claim the credit for a single residence? If there's no limit, a claimant could complete multiple projects over the course of several years, each one being subject to the \$15,000 maximum claim.

- 20 (c) *Limitations and conditions.* 1. The maximum credit amount that a claimant
- 21 may claim under this subsection is \$15,000.

1 2. No credit may be claimed under this subsection by a part-year resident or
2 a nonresident of this state.

3 3. No credit may be allowed under this subsection unless it is claimed within
4 the period specified in s. 71.75 (2).

5 4. No credit may be allowed under this subsection for a taxable year covering
6 a period of less than 12 months, except for a taxable year closed by reason of the death
7 of the claimant.

8 5. No credit may be claimed under this subsection unless the initial
9 construction of the residence to which the claim relates was completed before 1980.

10 6. No credit may be claimed under this subsection unless the fair market value
11 of the residence to which the claim relates is equal to or less than the median price
12 of a single-family residence located in the same county, based on the most recent year
13 for which such data is available. For purposes of this subdivision, the median price
14 of a single-family residence in the applicable county shall be determined by the
15 county ~~assessor~~.

16 7. If a married couple files a joint return only one spouse may claim the credit
17 under this subsection.

18 8. If a married couple files separate returns, the maximum amount that each
19 spouse may claim under this subsection is \$7,500.

20 9. A claimant may not file a claim under this subsection until the project to
21 which the claim relates is complete. For purposes of this subsection, a project is
22 complete when all of the following conditions are satisfied, and proof of satisfaction
23 is filed with the department, along with the claimant's income tax return, on a form
24 prepared by the department:

1 a. All building and other permits required by the state and the municipality
2 in which the eligible housing is located, which relate to the project, have been issued.

3 b. All building inspections related to the project have been completed and
4 approved by the municipal or state building inspector.

5 c. The claimant has received an occupancy permit for the eligible housing to
6 which the claim relates and the municipal or state building inspector verifies in
7 writing that the project is complete.

****NOTE: I'm not sure if any local or state official issues an occupancy permit
certifies completion for a single-family residential construction or reconstruction project. ^{that}

8 (d) *Administration*. Subsection (9e) (d), to the extent that it applies to the credit
9 under that subsection, applies to the credit under this subsection.

10 SECTION 3. 71.10 (4) (i) of the statutes is amended to read:

11 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
12 preservation credit under ss. 71.57 to 71.61, farmland preservation credit, 2010 and
13 beyond under s. 71.613, homestead credit under subch. VIII, farmland tax relief
14 credit under s. 71.07 (3m), dairy manufacturing facility investment credit under s.
15 71.07 (3p), jobs tax credit under s. 71.07 (3q), meat processing facility investment
16 credit under s. 71.07 (3r), woody biomass harvesting and processing credit under s.
17 71.07 (3rm), food processing plant and food warehouse investment credit under s.
18 71.07 (3rn), business development credit under s. 71.07 (3y), research credit under
19 s. 71.07 (4k) (e) 2. a., film production services credit under s. 71.07 (5f), film
20 production company investment credit under s. 71.07 (5h), veterans and surviving
21 spouses property tax credit under s. 71.07 (6e), older housing rehabilitation credit
22 under s. 71.07 (8m), enterprise zone jobs credit under s. 71.07 (3w), electronics and
23 information technology manufacturing zone credit under s. 71.07 (3wm), beginning

1 farmer and farm asset owner tax credit under s. 71.07 (8r), earned income tax credit
2 under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under
3 subch. X.

4 **SECTION 4. Initial applicability.**

5 (1) This act first applies to taxable years beginning on January 1 of the year
6 in which this subsection takes effect, except that if this subsection takes effect after
7 July 31, this act first applies to taxable years beginning on January 1 of the year
8 following the year in which this subsection takes effect.

9 (END)

Shovers, Marc

From: Schoone, Matalin
Sent: Monday, August 12, 2019 12:30 PM
To: Shovers, Marc
Subject: RE: OHRTC Bill Draft Request
Attachments: 19-3862_P1.pdf

Good Afternoon Marc,

Thank you for getting this P1 drafted for us! Here's our feedback in red regarding your comments on the draft:

- 1.) *Per your instructions, the definition for this term is still being developed.*
 - “Eligible rehab expenses” – please change the term to “qualified rehabilitation expenses” and reference the definition in the Internal Revenue Code 26 USC § 47(c)(2) (“as defined in 26 USC § 47(C)(2)”).
 - This is the definition used for eligible expenses for historic tax credits.

- 2.) *Does the language in this paragraph meet your intent, particularly the part that limits a claimant to an amount spent on “eligible rehabilitation expenses during a single project?” Do you want to limit the number of times an individual may claim the credit for a single residence? If there's no limit, a claimant could complete multiple projects over the course of several years, each one being subject to the \$15,000 maximum claim.*
 - Meets our intention for the most part. Changing the term “project” to “residence” would probably be better though.
 - Ex: “Qualified rehabilitation expenses incurred during the renovation of a single residence.”

- 3.) *I'm not sure if any local or state official issues an occupancy permit that certifies completion for a single-family residential construction or reconstruction project.*
 - Good point. We probably don't need this portion, as Subsection (b) (completion and approval of local building permits) seems to cover it.

We'd like to put in a request to have a P2 version drafted including these changes. Let us know if you have more questions!

Thanks,

Matalin Schoone
Research Assistant
State Representative Rob Summerfield
67th Assembly District
608-266-1194

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Sent: Tuesday, August 06, 2019 12:30 PM
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With regard to the credit amount that may be claimed, would you like the credit amount to be refundable or nonrefundable? If the credit is refundable, a claimant would receive a check from the state in the amount by which the claimant's eligible credit exceeds his or her tax liability. A nonrefundable credit may be claimed only up to the amount of the taxpayer's tax liability.

- Refundable, so they get their full "up to 10%" back.

Do you want the maximum credit amount to be the same for single individuals and married couples who file a joint return?

- The same amount. (Presumably, a couple will be living in the same house.)

I'm not sure what you mean when you say a claimant may not claim the credit until the "rehabilitation is complete and all building permits receive final approval". I'm not positive how building permits work, but don't the permits just authorize someone to proceed with a project? Is there some other standards that you'd like to use, such as the project is complete, all required permits have been issued, and all required building inspections have been completed and approved

by the local or state building inspector? Also, how would "completion" be determined – would it be sufficient for the claimant to assert the project is complete?

- You can use the phrase "the project is complete, all required permits have been issued, and all required building inspections have been completed and approved by the local or state building inspector," and "completion" would be determined once the individual/couple have received an occupancy permit and/or the local or state building inspector verifies the work is complete.

Thanks,

Marc

Marc Shovers
Senior Legislative Attorney
Legislative Reference Bureau
608-504-5876
marc.shovers@legis.wisconsin.gov

From: Lunder, Erika <Erika.Lunder@legis.wisconsin.gov>
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 - **"Eligible rehabilitation expenses" section TBD (please add note).

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Matalin Schoone

Research Assistant

State Representative Rob Summerfield

67th Assembly District

608-266-1194



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-3862/P1
MES:cdc *ME5*

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

*Tues?
Wed?*

regm

1 AN ACT *to amend* 71.10 (4) (i); and *to create* 20.835 (2) (cb) and 71.07 (8m) of
2 the statutes; **relating to:** creating a refundable individual income tax credit for
3 certain expenses incurred in the rehabilitation of an older home.

*INS
ANL*

Analysis by the Legislative Reference Bureau

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4 3. "Eligible rehabilitation expenses" means ***

****NOTE: Per your instructions, the definition for this term is still being developed.

5 4. "Fair market value" means the estimated fair market value of a
6 single-family residence as shown on the property tax bill prepared for the prior year
7 under s. 74.09.

8 5. "Municipality" means a city, village, or town.

9 6. "Project" means a construction or reconstruction project on eligible housing
10 that results in the claimant incurring eligible rehabilitation expenses.

INS
2-10

11 (b) *Filing claims.* Subject to the limitations and conditions provided in this
12 subsection, a claimant may claim as a credit against the tax imposed under s. 71.02
13 an amount equal to 10 percent of the amount the claimant spent on eligible
14 rehabilitation expenses during a single project. If the allowable amount of the claim
15 exceeds the income taxes otherwise due on the claimant's income, the amount of the
16 claim not used as an offset against those taxes shall be certified by the department
17 of revenue to the department of administration for payment to the claimant by check,
18 share draft, or other draft drawn from the appropriation account under s. 20.835 (2)

19 (cb).

****NOTE: Does the language in this paragraph meet your intent, particularly the part that limits a claimant to an amount spent on "eligible rehabilitation expenses during a single project?" Do you want to limit the number of times an individual may claim the credit for a single residence? If there's no limit, a claimant could complete multiple projects over the course of several years, each one being subject to the \$15,000 maximum claim.

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4 the period specified in s. 71.75 (2).

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6 a period of less than 12 months, except for a taxable year closed by reason of the death
7 of the claimant.

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9 construction of the residence to which the claim relates was completed before 1980.

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11 of the residence to which the claim relates is equal to or less than the median price
12 of a single-family residence located in the same county, based on the most recent year
13 for which such data is available. For purposes of this subdivision, the median price
14 of a single-family residence in the applicable county shall be determined by the
15 county.

16 7. If a married couple files a joint return only one spouse may claim the credit
17 under this subsection.

18 8. If a married couple files separate returns, the maximum amount that each
19 spouse may claim under this subsection is \$7,500.

20 9. A claimant may not file a claim under this subsection until the project to
21 which the claim relates is complete. For purposes of this subsection, a project is
22 complete when all of the following conditions are satisfied, and proof of satisfaction
23 is filed with the department, along with the claimant's income tax return, on a form
24 prepared by the department:

1 a. All building and other permits required by the state and the municipality
2 in which the eligible housing is located, which relate to the project, have been issued.

3 b. All building inspections related to the project have been completed and
4 approved by the municipal or state building inspector.

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6 which the claim relates and the municipal or state building inspector verifies in
7 writing that the project is complete.

****NOTE: I'm not sure if any local or state official issues an occupancy permit that certifies completion for a single-family residential construction or reconstruction project.

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9 under that subsection, applies to the credit under this subsection.

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11 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
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14 credit under s. 71.07 (3m), dairy manufacturing facility investment credit under s.
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17 71.07 (3rm), food processing plant and food warehouse investment credit under s.
18 71.07 (3rn), business development credit under s. 71.07 (3y), research credit under
19 s. 71.07 (4k) (e) 2. a., film production services credit under s. 71.07 (5f), film
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3 subch. X.

4 **SECTION 4. Initial applicability.**

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6 in which this subsection takes effect, except that if this subsection takes effect after
7 July 31, this act first applies to taxable years beginning on January 1 of the year
8 following the year in which this subsection takes effect.

9 (END)

2019-2020 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3862/P2ins
MES:cde

INS ANL

Subject to a number of limitations and conditions, this bill creates a refundable individual income tax credit of 10 percent of the amount spent by the claimant on qualified rehabilitation expenditures, as that term is defined under federal law, on a construction or reconstruction project on eligible housing. Under the bill, eligible housing is defined as a single-family residence which is the claimant's primary residence, provided that the initial construction of the residence was completed before 1980 and the fair market value of the residence is equal to or less than the median price of a single-family residence located in the same county.

The maximum credit amount is \$15,000 per claimant, which is 10 percent of up to \$150,000 spent on qualified rehabilitation expenditures. If a married couple files a joint return, only one spouse may claim the credit. A claimant may not file a claim for the credit until the project is complete, which is evidenced by the claimant providing information to the department of revenue demonstrating that all permits required by the state or local governments have been issued and all building inspections related to the project have been completed and approved by a state or local building inspector. Because the credit is refundable, if the amount of the credit for which the individual is eligible exceeds his or her tax liability, the difference will be refunded to the claimant.

INS 2-10

6. "Qualified rehabilitation expenditure" has the meaning given in 26 USC 47
(c) (2).

Shovers, Marc

From: Schoone, Matalin
Sent: Thursday, August 22, 2019 1:06 PM
To: Shovers, Marc
Subject: RE: OHRTC Bill Draft Request
Attachments: 19-3862_P2.pdf

Good Afternoon Marc,

Thank you for the P2!

The credit is limited to Wisconsin residents; however, some concerns were raised about potential house flipping schemes by wealthier individuals/couples misusing the credit. While Rep. Summerfield was initially open to allowing house flipping, we would like to avoid a scenario where working-class individuals/couples are priced out of communities due to others abusing the credit. Therefore, we would like to add another stipulation that those doing the renovations need to live at the residence for a minimum of two years (with an exception for military personnel who have to move for military service).

Could you draft us a P3 with this additional stipulation?

Thanks,

Matalin Schoone
Research Assistant
State Representative Rob Summerfield
67th Assembly District
608-266-1194

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 - This is the definition used for eligible expenses for historic tax credits.
- 2.) *Does the language in this paragraph meet your intent, particularly the part that limits a claimant to an amount spent on “eligible rehabilitation expenses during a single project?” Do you want to limit the number of times an individual may claim the credit for a single residence? If there's no limit, a claimant could complete multiple projects over the course of several years, each one being subject to the \$15,000 maximum claim.*

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 - Ex: “Qualified rehabilitation expenses incurred during the renovation of a single residence.”

3.) *I'm not sure if any local or state official issues an occupancy permit that certifies completion for a single-family residential construction or reconstruction project.*

- Good point. We probably don't need this portion, as Subsection (b) (completion and approval of local building permits) seems to cover it.

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Thanks,

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Research Assistant
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Hi Marc,

Sorry for the delay, had to circle back with a few individuals before I could reply...

Below in red are our initial thoughts on your questions. Please let us know if you have any more!

Thanks,

Matalin Schoone
Research Assistant
State Representative Rob Summerfield
67th Assembly District
608-266-1194

From: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Sent: Friday, August 02, 2019 4:09 PM
To: Schoone, Matalin <Matalin.Schoone@legis.wisconsin.gov>
Cc: Lunder, Erika <Erika.Lunder@legis.wisconsin.gov>
Subject: FW: OHRTC Bill Draft Request

Hi Matalin:

I just want to let you know that I'll be drafting this request for Rep. Summerfield, and I have a couple questions.

My understanding from your instructions is that a claimant may claim 10% of the amount they spend on "eligible rehabilitation expenses" (definition TBD), up to \$15,000. When you say that the total project costs of the rehabilitation "may not exceed \$150,000" per single-family house, do you mean if the rehabilitation cost is \$151,000, the individual/couple could not claim any credit whatsoever, or do you mean that they could claim up to 10% of \$150,000 of the eligible rehabilitation expenses?

- "Up to 10% of \$150,000 of the eligible rehab expenses" would probably encourage more development, as the type of housing eligible is already limited to <1980s and fair market value of the County and some old houses may cost more to repair.

With regard to the credit amount that may be claimed, would you like the credit amount to be refundable or nonrefundable? If the credit is refundable, a claimant would receive a check from the state in the amount by which the claimant's eligible credit exceeds his or her tax liability. A nonrefundable credit may be claimed only up to the amount of the taxpayer's tax liability.

- Refundable, so they get their full "up to 10%" back.

Do you want the maximum credit amount to be the same for single individuals and married couples who file a joint return?

- The same amount. (Presumably, a couple will be living in the same house.)

I'm not sure what you mean when you say a claimant may not claim the credit until the "rehabilitation is complete and all building permits receive final approval". I'm not positive how building permits work, but don't the permits just authorize someone to proceed with a project? Is there some other standards that you'd like to use, such as the project is complete, all required permits have been issued, and all required building inspections have been completed and approved by the local or state building inspector? Also, how would "completion" be determined – would it be sufficient for the claimant to assert the project is complete?

- You can use the phrase "the project is complete, all required permits have been issued, and all required building inspections have been completed and approved by the local or state building inspector," and "completion" would be determined once the individual/couple have received an occupancy permit and/or the local or state building inspector verifies the work is complete.

Thanks,

Marc

Marc Shovers
Senior Legislative Attorney
Legislative Reference Bureau
608-504-5876
marc.shovers@legis.wisconsin.gov

From: Lunder, Erika <Erika.Lunder@legis.wisconsin.gov>
Sent: Friday, August 02, 2019 1:32 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: FW: OHRTC Bill Draft Request

From: Schoone, Matalin <Matalin.Schoone@legis.wisconsin.gov>
Sent: Wednesday, July 31, 2019 9:39 AM
To: Lunder, Erika <Erika.Lunder@legis.wisconsin.gov>
Subject: OHRTC Bill Draft Request

Good Morning Erika,

Our office is looking to draft legislation creating an Older Housing Rehabilitation Tax Credit.

The OHRTC:

- Applies to single-family housing:
 - Built before 1980.
 - With a fair market value equal to or lesser than the price of the median value home the prior fiscal year in the County in which the housing is located.
 - Median value of housing determined by County.
- Owners of the housing are eligible for an income tax credit up to 10% of the investment directly related to the rehabilitation of the housing.
 - Total project costs for the rehabilitation may not exceed \$150,000 per housing unit.
- Building permits must be obtained for all eligible rehabilitation expenses*.
 - The tax credit is earned when the rehabilitation is complete and all building permits receive final approval.
 - **"Eligible rehabilitation expenses" section TBD (please add note).

If you have any questions, please let me know!

Thanks,

Matalin Schoone
Research Assistant
State Representative Rob Summerfield
67th Assembly District
608-266-1194



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-3862/P2
MES:cdc

03
RNF

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

wed/Thurs.?

ref

- 1 AN ACT *to amend* 71.10 (4) (i); and *to create* 20.835 (2) (cb) and 71.07 (8m) of
- 2 the statutes; **relating to:** creating a refundable individual income tax credit for
- 3 certain expenses incurred in the rehabilitation of an older home.

Analysis by the Legislative Reference Bureau

Subject to a number of limitations and conditions, this bill creates a refundable individual income tax credit of 10 percent of the amount spent by the claimant on qualified rehabilitation expenditures, as that term is defined under federal law, on a construction or reconstruction project on eligible housing. Under the bill, eligible housing is defined as a single-family residence which is the claimant's primary residence, provided that the initial construction of the residence was completed before 1980 and the fair market value of the residence is equal to or less than the median price of a single-family residence located in the same county.

The maximum credit amount is \$15,000 per claimant, which is 10 percent of up to \$150,000 spent on qualified rehabilitation expenditures. If a married couple files a joint return, only one spouse may claim the credit. A claimant may not file a claim for the credit until the project is complete, which is evidenced by the claimant providing information to the Department of Revenue demonstrating that all permits required by the state or local governments have been issued and all building inspections related to the project have been completed and approved by a state or local building inspector. Because the credit is refundable, if the amount of the credit for which the individual is eligible exceeds his or her tax liability, the difference will be refunded to the claimant.

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For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.835 (2) (cb) of the statutes is created to read:

2 20.835 (2) (cb) *Older housing rehabilitation credit.* A sum sufficient to pay the
3 claims approved under s. 71.07 (8m).

4 **SECTION 2.** 71.07 (8m) of the statutes is created to read:

5 **71.07 (8m) OLDER HOUSING REHABILITATION CREDIT.** (a) *Definitions.* In this
6 subsection:

7 1. "Claimant" means an individual who files a claim under this subsection.

8 2. "Eligible housing" means a single-family residence which is the primary
9 residence of a claimant and which meets the conditions specified in par. (c) 5. and 6.

10 3. "Fair market value" means the estimated fair market value of a
11 single-family residence as shown on the property tax bill prepared for the prior year
12 under s. 74.09.

13 4. "Municipality" means a city, village, or town.

14 5. "Project" means a construction or reconstruction project on eligible housing
15 that results in the claimant incurring qualified rehabilitation expenditures.

16 6. "Qualified rehabilitation expenditure" has the meaning given in 26 USC 47
17 (c) (2).

18 (b) *Filing claims.* Subject to the limitations and conditions provided in this
19 subsection, a claimant may claim as a credit against the tax imposed under s. 71.02
20 an amount equal to 10 percent of the amount the claimant spent on qualified
21 rehabilitation expenditures on a single residence. If the allowable amount of the

1 claim exceeds the income taxes otherwise due on the claimant's income, the amount
2 of the claim not used as an offset against those taxes shall be certified by the
3 department of revenue to the department of administration for payment to the
4 claimant by check, share draft, or other draft drawn from the appropriation account
5 under s. 20.835 (2) (cb).

6 (c) *Limitations and conditions.* 1. ^{Except as provided in subd. 8,} The maximum credit amount that a claimant
7 may claim under this subsection is \$15,000.

8 2. No credit may be claimed under this subsection by a part-year resident or
9 a nonresident of this state.

10 3. No credit may be allowed under this subsection unless it is claimed within
11 the period specified in s. 71.75 (2).

12 4. No credit may be allowed under this subsection for a taxable year covering
13 a period of less than 12 months, except for a taxable year closed by reason of the death
14 of the claimant.

15 5. No credit may be claimed under this subsection unless the initial
16 construction of the residence to which the claim relates was completed before 1980.

17 6. No credit may be claimed under this subsection unless the fair market value
18 of the residence to which the claim relates is equal to or less than the median price
19 of a single-family residence located in the same county, based on the most recent year
20 for which such data is available. For purposes of this subdivision, the median price
21 of a single-family residence in the applicable county shall be determined by the
22 county.

23 7. If a married couple files a joint return only one spouse may claim the credit
24 under this subsection.

1 8. If a married couple files separate returns, the maximum amount that each
2 spouse may claim under this subsection is \$7,500.

3 9. A claimant may not file a claim under this subsection until the project to
4 which the claim relates is complete. *and the condition under subd. 10a is met* For purposes of this subsection, a project is
5 complete when all of the following conditions are satisfied, and proof of satisfaction
6 is filed with the department, along with the claimant's income tax return, on a form
7 prepared by the department:

8 a. All building and other permits required by the state and the municipality
9 in which the eligible housing is located, which relate to the project, have been issued.

10 b. All building inspections related to the project have been completed and
11 approved by the municipal or state building inspector.

12 (d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit
13 under that subsection, applies to the credit under this subsection.

14 **SECTION 3.** 71.10 (4) (i) of the statutes is amended to read:

15 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
16 preservation credit under ss. 71.57 to 71.61, farmland preservation credit, 2010 and
17 beyond under s. 71.613, homestead credit under subch. VIII, farmland tax relief
18 credit under s. 71.07 (3m), dairy manufacturing facility investment credit under s.
19 71.07 (3p), jobs tax credit under s. 71.07 (3q), meat processing facility investment
20 credit under s. 71.07 (3r), woody biomass harvesting and processing credit under s.
21 71.07 (3rm), food processing plant and food warehouse investment credit under s.
22 71.07 (3rn), business development credit under s. 71.07 (3y), research credit under
23 s. 71.07 (4k) (e) 2. a., film production services credit under s. 71.07 (5f), film
24 production company investment credit under s. 71.07 (5h), veterans and surviving
25 spouses property tax credit under s. 71.07 (6e), older housing rehabilitation credit

1 under s. 71.07 (8m), enterprise zone jobs credit under s. 71.07 (3w), electronics and
2 information technology manufacturing zone credit under s. 71.07 (3wm), beginning
3 farmer and farm asset owner tax credit under s. 71.07 (8r), earned income tax credit
4 under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under
5 subch. X.

6 **SECTION 4. Initial applicability.**

7 (1) This act first applies to taxable years beginning on January 1 of the year
8 in which this subsection takes effect, except that if this subsection takes effect after
9 July 31, this act first applies to taxable years beginning on January 1 of the year
10 following the year in which this subsection takes effect.

11

(END)

**2019-2020 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-3862/P3ins
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NO \$ →

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In addition, the claimant must live in the eligible housing for at least 24 consecutive months following completion of the project before the claimant may submit a claim. This residency requirement does not apply to active duty military personnel who move from the residence due to being reassigned as part of their military service

INS 4-11

10. Except as provided in subd. 11., a claimant may not submit a claim under this subsection until the claimant has lived in the eligible housing for at least 24 consecutive months following completion of the project as described under subd. 9.

11. The residency requirement described under subd. 10. does not apply if the claimant is on active duty in the U.S. armed forces, as defined in 26 USC 7701 (a) (15), and moves from the eligible residence due to being reassigned as part of his or her military service.

Shovers, Marc

From: Schoone, Matalin
Sent: Thursday, September 12, 2019 10:58 AM
To: Shovers, Marc
Subject: RE: OHRTC Bill Draft Request
Attachments: 19-3862_P3.pdf

Good Morning Marc,

Thank you again for your work on this.

We noticed that the way the two year living requirement is drafted in the attached P3 states “...*the claimant must live in the eligible housing for at least 24 consecutive months following completion of the project before the claimant may submit a claim.*” Our intention was that the claimant(s) would have to prove they have lived there “for at least 24 consecutive months” to submit a claim in general. However, we do agree with the intent of the P3 for newer homebuyers.

Thus, could we request a P4 to be drafted along the lines of this:

In addition, the claimant must live in the eligible housing for at least 24 consecutive months prior to and/or following completion of the project before the claimant may submit a claim. This residency requirement does not apply to active duty military personnel who move from the residence due to being reassigned as part of their military service.

Thanks,

Matalin Schoone
Research Assistant
State Representative Rob Summerfield
67th Assembly District
608-266-1194

From: Schoone, Matalin
Sent: Thursday, August 22, 2019 1:06 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: RE: OHRTC Bill Draft Request

Good Afternoon Marc,

Thank you for the P2!

The credit is limited to Wisconsin residents; however, some concerns were raised about potential house flipping schemes by wealthier individuals/couples misusing the credit. While Rep. Summerfield was initially open to allowing house flipping, we would like to avoid a scenario where working-class individuals/couples are priced out of communities due to others abusing the credit. Therefore, we would like to add another stipulation that those doing the renovations need to live at the residence for a minimum of two years (with an exception for military personnel who have to move for military service).

Could you draft us a P3 with this additional stipulation?