

Appendix A ... segment II

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



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-3862/F3
MES:cdc

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

wed/Thurs?

reign

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. 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

and

must be completed

of their military service. 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.

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

1 an amount equal to 10 percent of the amount the claimant spent on qualified
2 rehabilitation expenditures on a single residence. If the allowable amount of the
3 claim exceeds the income taxes otherwise due on the claimant's income, the amount
4 of the claim not used as an offset against those taxes shall be certified by the
5 department of revenue to the department of administration for payment to the
6 claimant by check, share draft, or other draft drawn from the appropriation account
7 under s. 20.835 (2) (cb).

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

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

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

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

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

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

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

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

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

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

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

14 10. Except as provided in subd. 11., a claimant may not submit a claim under
15 this subsection until ^{all of the following conditions are met: #a.} the claimant has lived in the eligible housing for at least 24
16 consecutive months, ^{following completion of the project as described under subd. 9.} ~~following completion of the project~~ ^{is completed,} ~~as described under subd. 9.~~

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

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

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

24 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
25 preservation credit under ss. 71.57 to 71.61, farmland preservation credit, 2010 and

1 beyond under s. 71.613, homestead credit under subch. VIII, farmland tax relief
2 credit under s. 71.07 (3m), dairy manufacturing facility investment credit under s.
3 71.07 (3p), jobs tax credit under s. 71.07 (3q), meat processing facility investment
4 credit under s. 71.07 (3r), woody biomass harvesting and processing credit under s.
5 71.07 (3rm), food processing plant and food warehouse investment credit under s.
6 71.07 (3rn), business development credit under s. 71.07 (3y), research credit under
7 s. 71.07 (4k) (e) 2. a., film production services credit under s. 71.07 (5f), film
8 production company investment credit under s. 71.07 (5h), veterans and surviving
9 spouses property tax credit under s. 71.07 (6e), older housing rehabilitation credit
10 under s. 71.07 (8m), enterprise zone jobs credit under s. 71.07 (3w), electronics and
11 information technology manufacturing zone credit under s. 71.07 (3wm), beginning
12 farmer and farm asset owner tax credit under s. 71.07 (8r), earned income tax credit
13 under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under
14 subch. X.

15 **SECTION 4. Initial applicability.**

16 (1) This act first applies to taxable years beginning on January 1 of the year
17 in which this subsection takes effect, except that if this subsection takes effect after
18 July 31, this act first applies to taxable years beginning on January 1 of the year
19 following the year in which this subsection takes effect.

20

(END)

Shovers, Marc

From: Schoone, Matalin
Sent: Tuesday, November 12, 2019 2:40 PM
To: Shovers, Marc
Subject: RE: OHRTC Bill Draft Request
Attachments: 19-3862_P4.pdf

Good Afternoon Marc,

I apologize for this, but... Reps. Allen and Summerfield have chosen to part ways on this bill idea (LRB 4805) and instead go back to focusing on this issue as separate pieces of legislation (LRB 3862, LRB 4320).

That being said, we would like the P4 of LRB 3862 re-drafted as a P5 to incorporate the following (gathered from the email below and DOR technical memo on LRB 4805):

- A refundable individual income tax credit of 10% of the amount spent by a claimant on qualified rehabilitation expenditures on a construction or reconstruction project on eligible housing.
 - Eligible expenditure: Any amount incurred during and properly chargeable in connection with the rehabilitation of eligible housing
 - **NOTE:** This is in response to DOR's concern over using the definition in 26 USC 47 (c) (2).
 - If there is another definition at the State or Federal level, we are open to using that.
 - Eligible housing: Single-family, owner-occupied residence which is the claimant's primary residence, provided that the initial construction of the residence was completed before 1980.
 - Eliminate the "24 consecutive month" provision and military exemption.
 - The maximum credit amount is \$15,000 per claimant per year, which is 10% of up to \$150,000 spent per year on eligible expenditures, for up to three years, which must be consecutive.
 - "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."
 - Include a provision that adjusts the basis of the home by the amount of the credit.
 - Include a provision that individuals cannot claim this credit in conjunction with any other (historical or otherwise) housing tax credit.
 - If a married couple files a joint return, only one spouse may claim the credit.
 - If the spouses file separate returns, each spouse may claim a maximum of 50% of the maximum allowable credit.
 - If the home is owned by 2 or more individuals that hold legal title or equitable title as a land contract vendee and are not joint tenants, tenants in common or spouses owning marital property, the credit may be claimed as follows:
 - For projects benefitting one owner, an individual may claim the credit based on eligible costs incurred individually.

- For projects benefitting 2 or more owners, an individual may claim the credit based on eligible costs incurred by the benefitting owners in proportion to the individual's ownership interest.

- Initial applicability: "This act first applies to taxable years beginning on Jan. 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31, this act first applies to taxable years beginning on Jan. 1 of the year following the year in which this subsection takes effect."

Thanks,

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

From: Schoone, Matalin
Sent: Wednesday, October 30, 2019 8:55 AM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Cc: Hubert, Dan <Dan.Hubert@legis.wisconsin.gov>
Subject: RE: OHRTC Bill Draft Request

Good Morning Marc,

Since we last had our P4 drafted for LRB 3862, Rep. Allen's office approached us with a similar bill (LRB 4320). The Representatives would like to combine these two bill ideas into one comprehensive Older Housing Rehab Incentive bill.

We don't want the definition of "eligible housing" to overlap directly with the Federal or State Historic Rehabilitation Tax Credit. We want to target older homes that aren't necessarily classified as "historic". Individuals should not be able to claim both credits, just one or the other.

What we are looking to draft:

- An individual income tax deduction for certain amounts spent on qualified rehabilitation expenditures (as defined under federal law) for eligible housing.
 - Eligible housing: A multiunit building containing no more than four separate residential dwelling units, and the initial construction of the building was completed before 1961.
 - If the initial construction of the eligible housing was completed before 1900, 100% of the claimant's expenditures may be deducted.
 - 1900-1930: 50% of expenditures.
 - 1931-1960: 25% of expenditures.
 - The maximum amount of expenditures that a claimant may deduct from federal adjusted gross income is \$70,000 each year, for a maximum of three years, which must be consecutive.
 - If a married couple files a joint return, only one spouse may claim the deduction.
 - If the spouses file separate returns, each spouse may claim a maximum of 50% of the maximum allowable deduction.
 - Initial applicability: "This act first applies to taxable years beginning on Jan. 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31, this act

first applies to taxable years beginning on Jan. 1 of the year following the year in which this subsection takes effect.”

- A refundable individual income tax credit of 10% of the amount spent by a claimant on qualified rehabilitation expenditures (as defined under federal law) on a construction or reconstruction project on eligible housing.
 - Eligible housing: Single-family, owner-occupied residence which is the claimant’s primary residence, provided that the initial construction of the residence was completed before 1980.
 - The maximum credit amount is \$15,000 per claimant per year, which is 10% of up to \$150,000 spent per year on qualified rehabilitation expenditures, for up to three years, which must be consecutive.
 - “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.”
 - If a married couple files a joint return, only one spouse may claim the credit.
 - If the spouses file separate returns, each spouse may claim a maximum of 50% of the maximum allowable credit.
 - Initial applicability: “This act first applies to taxable years beginning on Jan. 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31, this act first applies to taxable years beginning on Jan. 1 of the year following the year in which this subsection takes effect.”

As always, please let us know if you have any questions!

Best,

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

From: Schoone, Matalin
Sent: Thursday, September 12, 2019 10:58 AM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: RE: OHRTC Bill Draft Request

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?

Thanks,

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

From: Schoone, Matalin
Sent: Monday, August 12, 2019 12:30 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: RE: OHRTC Bill Draft Request

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.



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-3862/PA
MES:cdc

P5
RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

Fri. 2.

*SIA ✓
x-ref ✓
s/c ✓

regr

- 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. In addition, ~~the claimant must live in the eligible housing for at least 24 consecutive months, and the project must be completed 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

INS
ANL-1

INS
ANL.

of their military service. 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.

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" ^(INS 2-16) has the meaning given in 26 USC 47

17 (c) (2) (h)

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

1 an amount equal to 10 percent of the amount the claimant spent on qualified
2 rehabilitation expenditures on a single residence. If the allowable amount of the
3 claim exceeds the income taxes otherwise due on the claimant's income, the amount
4 of the claim not used as an offset against those taxes shall be certified by the
5 department of revenue to the department of administration for payment to the
6 claimant by check, share draft, or other draft drawn from the appropriation account
7 under s. 20.835 (2) (cb).

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

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

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

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

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

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

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

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

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

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

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

14 10. Except as provided in subd. 11. a claimant may not submit a claim under
15 this subsection until ~~all~~ the following conditions are met:

16 a. The claimant has lived in the eligible housing for at least 24 consecutive
17 months.

18 ~~The~~ project is completed as described under subd. 9.

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

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

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

INS
4-2-23

1 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
2 preservation credit under ss. 71.57 to 71.61, farmland preservation credit, 2010 and
3 beyond under s. 71.613, homestead credit under subch. VIII, farmland tax relief
4 credit under s. 71.07 (3m), dairy manufacturing facility investment credit under s.
5 71.07 (3p), jobs tax credit under s. 71.07 (3q), meat processing facility investment
6 credit under s. 71.07 (3r), woody biomass harvesting and processing credit under s.
7 71.07 (3rm), food processing plant and food warehouse investment credit under s.
8 71.07 (3rn), business development credit under s. 71.07 (3y), research credit under
9 s. 71.07 (4k) (e) 2. a., film production services credit under s. 71.07 (5f), film
10 production company investment credit under s. 71.07 (5h), veterans and surviving
11 spouses property tax credit under s. 71.07 (6e), older housing rehabilitation credit
12 under s. 71.07 (8m), enterprise zone jobs credit under s. 71.07 (3w), electronics and
13 information technology manufacturing zone credit under s. 71.07 (3wm), beginning
14 farmer and farm asset owner tax credit under s. 71.07 (8r), earned income tax credit
15 under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under
16 subch. X.

17 **SECTION 4. Initial applicability.**

18 (1) This act first applies to taxable years beginning on January 1 of the year
19 in which this subsection takes effect, except that if this subsection takes effect after
20 July 31, this act first applies to taxable years beginning on January 1 of the year
21 following the year in which this subsection takes effect.

22

(END)

2019-2020 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3862/P5ins
MES:cdc

INS ANL-1

If the eligible housing is owned by ^{two} 2 or more individuals who are not married and do not have equal ownership, the credit may be claimed based on the individual who incurs costs and the ownership interest. For a project benefitting one owner, the credit may be claimed by that individual based on qualified rehabilitation expenditures incurred individually or, for projects benefitting 2 or more owners, the credit may be claimed by each owner in proportion to the individual's ownership interest.

INS ANL-2

the bill requires that the basis of the eligible housing be reduced by the amount of the credit received, and a claimant may not claim qualified rehabilitation expenditures under this credit if the claimant used those same expenditures to claim the supplement to the federal historic rehabilitation credit or the state historic rehabilitation credit.

INS 2-16

means costs and expenses incurred by a claimant to complete a project.

INS 4.-22

11. The Wisconsin adjusted basis of the eligible housing shall be reduced by the amount of any credit received under this subsection.

12. No credit may be claimed under this subsection for any qualified rehabilitation expenditure that is also used as the basis to claim the credit under s.

71.07 (9m) or (9r).

****NOTE: Your instructions indicate that you want to ensure that individuals cannot claim this credit "in conjunction with any other housing tax credit." Are there any other credits you'd like to add to subd. 12., such as the homestead tax credit under subch. VIII of ch. 71, or the veterans and surviving spouses property tax credit under s. 71.07 (6e)?

13. If the eligible housing is owned by 2 or more individuals who hold legal title or equitable title as a land contract vendee and are not joint tenants, tenants in common, or spouses owning marital property, the credit under this subsection may be claimed as follows:

a. For projects benefitting one owner, an individual may claim the credit based on qualified rehabilitation expenditures incurred individually.

b. For projects benefitting 2 or more owners, an individual may claim the credit based on qualified rehabilitation expenditures incurred by the benefitting owners in proportion to the individual's ownership interest.

Shovers, Marc

From: Schoone, Matalin
Sent: Thursday, December 12, 2019 10:40 AM
To: Shovers, Marc
Subject: RE: OHRTC Bill Draft Request
Attachments: 19-3862_P5.pdf

Good Morning Marc,

To address the drafter's note on pg. 4 of LRB 3862/5, no, we do not want to add the Homestead or Veterans and Surviving Spouses Property Tax Credit. When I said "housing tax credit," I more so meant tax credits that also overlap with housing rehabilitation and/or construction (like the Historical Tax Credit).

Could we have the P5 re-drafted without the note? If you have any questions, please feel free to give our office a call.

Thanks,

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

From: Schoone, Matalin
Sent: Tuesday, November 12, 2019 2:40 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
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 - "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."
 - Include a provision that adjusts the basis of the home by the amount of the credit.
 - Include a provision that individuals cannot claim this credit in conjunction with any other (historical or otherwise) housing tax credit.
 - If a married couple files a joint return, only one spouse may claim the credit.
 - If the spouses file separate returns, each spouse may claim a maximum of 50% of the maximum allowable credit.
 - If the home is owned by 2 or more individuals that hold legal title or equitable title as a land contract vendee and are not joint tenants, tenants in common or spouses owning marital property, the credit may be claimed as follows:
 - For projects benefitting one owner, an individual may claim the credit based on eligible costs incurred individually.
 - For projects benefitting 2 or more owners, an individual may claim the credit based on eligible costs incurred by the benefitting owners in proportion to the individual's ownership interest.
- Initial applicability: "This act first applies to taxable years beginning on Jan. 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31, this act first applies to taxable years beginning on Jan. 1 of the year following the year in which this subsection takes effect."

Thanks,

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

From: Schoone, Matalin
Sent: Wednesday, October 30, 2019 8:55 AM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Cc: Hubert, Dan <Dan.Hubert@legis.wisconsin.gov>
Subject: RE: OHRTC Bill Draft Request

Good Morning Marc,

Since we last had our P4 drafted for LRB 3862, Rep. Allen's office approached us with a similar bill (LRB 4320). The Representatives would like to combine these two bill ideas into one comprehensive Older Housing Rehab Incentive bill.

We don't want the definition of "eligible housing" to overlap directly with the Federal or State Historic Rehabilitation Tax Credit. We want to target older homes that aren't necessarily classified as "historic". Individuals should not be able to claim both credits, just one or the other.

What we are looking to draft:

- An individual income tax deduction for certain amounts spent on qualified rehabilitation expenditures (as defined under federal law) for eligible housing.
 - Eligible housing: A multiunit building containing no more than four separate residential dwelling units, and the initial construction of the building was completed before 1961.
 - If the initial construction of the eligible housing was completed before 1900, 100% of the claimant's expenditures may be deducted.
 - 1900-1930: 50% of expenditures.
 - 1931-1960: 25% of expenditures.
 - The maximum amount of expenditures that a claimant may deduct from federal adjusted gross income is \$70,000 each year, for a maximum of three years, which must be consecutive.
 - If a married couple files a joint return, only one spouse may claim the deduction.
 - If the spouses file separate returns, each spouse may claim a maximum of 50% of the maximum allowable deduction.
 - Initial applicability: "This act first applies to taxable years beginning on Jan. 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31, this act first applies to taxable years beginning on Jan. 1 of the year following the year in which this subsection takes effect."
- A refundable individual income tax credit of 10% of the amount spent by a claimant on qualified rehabilitation expenditures (as defined under federal law) on a construction or reconstruction project on eligible housing.
 - Eligible housing: Single-family, owner-occupied residence which is the claimant's primary residence, provided that the initial construction of the residence was completed before 1980.
 - The maximum credit amount is \$15,000 per claimant per year, which is 10% of up to \$150,000 spent per year on qualified rehabilitation expenditures, for up to three years, which must be consecutive.
 - "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."
 - If a married couple files a joint return, only one spouse may claim the credit.
 - If the spouses file separate returns, each spouse may claim a maximum of 50% of the maximum allowable credit.
 - Initial applicability: "This act first applies to taxable years beginning on Jan. 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31, this act first applies to taxable years beginning on Jan. 1 of the year following the year in which this subsection takes effect."

As always, please let us know if you have any questions!

Best,

Matalin Schoone

Research Assistant

State Representative Rob Summerfield

67th Assembly District

608-266-1194

From: Schoone, Matalin
Sent: Thursday, September 12, 2019 10:58 AM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: RE: OHRTC Bill Draft Request

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?

Thanks,

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

From: Schoone, Matalin
Sent: Monday, August 12, 2019 12:30 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
Subject: RE: OHRTC Bill Draft Request

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

From: Schoone, Matalin
Sent: Tuesday, August 06, 2019 12:30 PM
To: Shovers, Marc <Marc.Shovers@legis.wisconsin.gov>
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.

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/P5
MES:cdc

P6
MES:cdc
PMB

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

Fri

[Handwritten signature]

and making an appropriation

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.

that
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 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. If the eligible housing is owned by two or more individuals who are not married and do not have equal ownership, the credit may be claimed based on the individual who incurs costs and the ownership interest. For a project benefitting one owner, the credit may be claimed by that individual based on qualified rehabilitation expenditures incurred individually or, for projects benefitting two or more owners, the credit may be claimed by each owner in proportion to the individual's ownership interest. 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. In addition, the bill requires that the basis of the eligible housing be reduced by the amount of the credit received, and a claimant may not claim qualified rehabilitation expenditures under this credit if the claimant used those same expenditures to claim the supplement to the federal historic rehabilitation credit or the state historic rehabilitation credit. 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.

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 ^{that} ~~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 6. "Qualified rehabilitation expenditure" means costs and expenses incurred
16 by a claimant to complete a project.

1 (b) *Filing claims.* Subject to the limitations and conditions provided in this
2 subsection, a claimant may claim as a credit against the tax imposed under s. 71.02
3 an amount equal to 10 percent of the amount the claimant spent on qualified
4 rehabilitation expenditures on a single residence. If the allowable amount of the
5 claim exceeds the income taxes otherwise due on the claimant's income, the amount
6 of the claim not used as an offset against those taxes shall be certified by the
7 department of revenue to the department of administration for payment to the
8 claimant by check, share draft, or other draft drawn from the appropriation account
9 under s. 20.835 (2) (cb).

10 (c) *Limitations and conditions.* 1. Except as provided in subd. 8., the maximum
11 credit amount that a claimant may claim under this subsection is \$15,000.

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

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

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

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

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

1 of a single-family residence in the applicable county shall be determined by the
2 county.

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

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

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

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

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

16 10. A claimant may not submit a claim under this subsection until the project
17 is completed as described under subd. 9.

18 ~~10~~ ~~11~~ 11. The Wisconsin adjusted basis of the eligible housing shall be reduced by the
19 amount of any credit received under this subsection.

20 ~~11~~ ~~12~~ 12. No credit may be claimed under this subsection for any qualified
21 rehabilitation expenditure that is also used as the basis to claim the credit under s.

22 71.07 (9m) or (9r).

****NOTE: Your instructions indicate that you want to ensure that individuals cannot claim this credit "in conjunction with any other 'housing tax credit.'" Are there any other credits you'd like to add to subd. 12., such as the homestead tax credit under subch. VIII of ch. 71, or the veterans and surviving spouses property tax credit under s. 71.07 (6e)?

①

¹²
~~13~~ If the eligible housing is owned by 2 or more individuals who hold legal title or equitable title as a land contract vendee and are not joint tenants, tenants in common, or spouses owning marital property, the credit under this subsection may be claimed as follows:

5 a. For projects benefitting one owner, an individual may claim the credit based on qualified rehabilitation expenditures incurred individually.

7 b. For projects benefitting 2 or more owners, an individual may claim the credit based on qualified rehabilitation expenditures incurred by the benefitting owners in proportion to the individual's ownership interest.

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

⑫

was affected by 2019 Wisconsin Act 54
SECTION 3. 71.10 (4) (i) of the statutes is amended to read:

13 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
14 preservation credit under ss. 71.57 to 71.61, farmland preservation credit, 2010 and
15 beyond under s. 71.613, homestead credit under subch. VIII, farmland tax relief
16 credit under s. 71.07 (3m), dairy manufacturing facility investment credit under s.
17 71.07 (3p), jobs tax credit under s. 71.07 (3q), meat processing facility investment
18 credit under s. 71.07 (3r), woody biomass harvesting and processing credit under s.
19 71.07 (3rm), food processing plant and food warehouse investment credit under s.
20 71.07 (3rn), business development credit under s. 71.07 (3y), research credit under
21 s. 71.07 (4k) (e) 2. a., film production services credit under s. 71.07 (5f), film
22 production company investment credit under s. 71.07 (5h), veterans and surviving
23 spouses property tax credit under s. 71.07 (6e), older housing rehabilitation credit
24 under s. 71.07 (8m), enterprise zone jobs credit under s. 71.07 (3w), electronics and
25 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)



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-3862/P6
MES:cdc

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

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 and making an
4 appropriation.

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 on a construction or reconstruction project on eligible housing. Under the bill, eligible housing is defined as a single-family residence that 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. If the eligible housing is owned by two or more individuals who are not married and do not have equal ownership, the credit may be claimed based on the individual who incurs costs and the ownership interest. For a project benefitting one owner, the credit may be claimed by that individual based on qualified rehabilitation expenditures incurred individually or, for projects benefitting two or more owners, the credit may be claimed by each owner in proportion to the individual's ownership interest. 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. In addition, the bill requires that the basis of the eligible housing be reduced by the amount of the credit received, and a claimant may not claim qualified rehabilitation expenditures under this credit if the claimant used those same expenditures to claim the supplement to the federal historic rehabilitation credit or the state historic rehabilitation credit. 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.

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 that 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.

1 6. "Qualified rehabilitation expenditure" means costs and expenses incurred
2 by a claimant to complete a project.

3 (b) *Filing claims.* Subject to the limitations and conditions provided in this
4 subsection, a claimant may claim as a credit against the tax imposed under s. 71.02
5 an amount equal to 10 percent of the amount the claimant spent on qualified
6 rehabilitation expenditures on a single residence. If the allowable amount of the
7 claim exceeds the income taxes otherwise due on the claimant's income, the amount
8 of the claim not used as an offset against those taxes shall be certified by the
9 department of revenue to the department of administration for payment to the
10 claimant by check, share draft, or other draft drawn from the appropriation account
11 under s. 20.835 (2) (cb).

12 (c) *Limitations and conditions.* 1. Except as provided in subd. 8., the maximum
13 credit amount that a claimant may claim under this subsection is \$15,000.

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

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

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

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

23 6. No credit may be claimed under this subsection unless the fair market value
24 of the residence to which the claim relates is equal to or less than the median price
25 of a single-family residence located in the same county, based on the most recent year

1 for which such data is available. For purposes of this subdivision, the median price
2 of a single-family residence in the applicable county shall be determined by the
3 county.

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

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

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

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

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

17 10. The Wisconsin adjusted basis of the eligible housing shall be reduced by the
18 amount of any credit received under this subsection.

19 11. No credit may be claimed under this subsection for any qualified
20 rehabilitation expenditure that is also used as the basis to claim the credit under s.
21 71.07 (9m) or (9r).

22 12. If the eligible housing is owned by 2 or more individuals who hold legal title
23 or equitable title as a land contract vendee and are not joint tenants, tenants in
24 common, or spouses owning marital property, the credit under this subsection may
25 be claimed as follows:

1 a. For projects benefitting one owner, an individual may claim the credit based
2 on qualified rehabilitation expenditures incurred individually.

3 b. For projects benefitting 2 or more owners, an individual may claim the credit
4 based on qualified rehabilitation expenditures incurred by the benefitting owners in
5 proportion to the individual's ownership interest.

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

8 **SECTION 3.** 71.10 (4) (i) of the statutes, as affected by 2019 Wisconsin Act 54,
9 is amended to read:

10 71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland
11 preservation credit under ss. 71.57 to 71.61, farmland preservation credit, 2010 and
12 beyond under s. 71.613, homestead credit under subch. VIII, farmland tax relief
13 credit under s. 71.07 (3m), dairy manufacturing facility investment credit under s.
14 71.07 (3p), jobs tax credit under s. 71.07 (3q), meat processing facility investment
15 credit under s. 71.07 (3r), woody biomass harvesting and processing credit under s.
16 71.07 (3rm), food processing plant and food warehouse investment credit under s.
17 71.07 (3rn), business development credit under s. 71.07 (3y), research credit under
18 s. 71.07 (4k) (e) 2. a., film production services credit under s. 71.07 (5f), film
19 production company investment credit under s. 71.07 (5h), veterans and surviving
20 spouses property tax credit under s. 71.07 (6e), older housing rehabilitation credit
21 under s. 71.07 (8m), enterprise zone jobs credit under s. 71.07 (3w), electronics and
22 information technology manufacturing zone credit under s. 71.07 (3wm), beginning
23 farmer and farm asset owner tax credit under s. 71.07 (8r), earned income tax credit
24 under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under
25 subch. X.

