

### Fiscal Estimate - 2019 Session

Original     
  Updated     
  Corrected     
  Supplemental

|                                    |   |
|------------------------------------|---|
| <b>LRB Number</b> <b>19-5351/1</b> | <b>Introduction Number</b> <b>AB-0905</b> |
|------------------------------------|---|

**Description**  
 creating a refundable individual income tax credit for certain expenses incurred in the rehabilitation of an older home and making an appropriation

**Fiscal Effect**

**State:**

|   |   |   |   |
|---|---|---|---|
| <input type="checkbox"/> No State Fiscal Effect               | <input type="checkbox"/> Indeterminate                    | <input type="checkbox"/> Increase Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget |
| <input type="checkbox"/> Increase Existing Appropriations     | <input type="checkbox"/> Decrease Existing Appropriations | <input type="checkbox"/> Decrease Existing Revenues | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No                                   |
| <input checked="" type="checkbox"/> Create New Appropriations |   |   | <input type="checkbox"/> Decrease Costs   |

**Local:**

|  |  |  |  |
|--|--|--|--|
| <input checked="" type="checkbox"/> No Local Government Costs          | <input type="checkbox"/> Indeterminate                                 | <b>5. Types of Local Government Units Affected</b> |  |
| 1. <input type="checkbox"/> Increase Costs                             | 3. <input type="checkbox"/> Increase Revenue                           | <input type="checkbox"/> Towns                     | <input type="checkbox"/> Village <input type="checkbox"/> Cities |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Counties                  | <input type="checkbox"/> Others                                  |
| 2. <input type="checkbox"/> Decrease Costs                             | 4. <input type="checkbox"/> Decrease Revenue                           | <input type="checkbox"/> School Districts          | <input type="checkbox"/> WTCS Districts                          |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory |  |  |

|   |                                       |
|---|---------------------------------------|
| <b>Fund Sources Affected</b>  | <b>Affected Ch. 20 Appropriations</b> |
| <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS | 20.835 (2) (cb)                       |

|   |   |                          |
|---|---|--------------------------|
| <b>Agency/Prepared By</b><br>DOR/ Bradley Caruth (608) 261-8984 | <b>Authorized Signature</b><br>Michael Oakleaf (608) 261-5173 | <b>Date</b><br>2/12/2020 |
|---|---|--------------------------|

## Fiscal Estimate Narratives

DOR 2/12/2020

|   |           |                     |         |               |          |
|---|-----------|---------------------|---------|---------------|----------|
| LRB Number  | 19-5351/1 | Introduction Number | AB-0905 | Estimate Type | Original |
| <b>Description</b><br>creating a refundable individual income tax credit for certain expenses incurred in the rehabilitation of an older home and making an appropriation |           |                     |         |               |          |

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a refundable individual income tax credit, beginning in tax year 2020, for qualified rehabilitation expenditures for eligible single-family residences. An eligible residence is defined as an owner-occupied residence which is the claimant's primary residence, provided that the initial construction of the residence was completed before 1980. Moreover, the fair market value of the residence must be no more than the median price of a single-family residence located in the same county in the most recent year for which data is available.

The credit is equal to 10% of qualified expenditures up to a maximum credit of \$15,000 (or a maximum expenditure of \$150,000). The bill defines qualified rehabilitation expenditures as costs and expenses incurred by a claimant to complete a construction or re-construction project on eligible housing.

Using data from the US Census Bureau, DOR estimates that 59.2% of Wisconsin owner occupied housing units were built before 1980 (927,000 houses), and 40.8% were built after 1979 (639,000).

The Harvard Joint Center for Housing Statistics produced a report titled, "Improving America's Housing 2019", which detailed statistics related to homeowner improvement expenditures. The report suggests that about 28% of homeowners reported improvement projects in 2017, and that the share of homeowners with improvement projects was approximately the same regardless of home value or age of residence. If about half of the pre-1980 residences with improvement projects had a fair market value below the median price, there would be about 130,000 such residences ( $927,000 \times 28\% \times 50\%$ ). The average expenditure reported by owners with improvement projects was \$10,600. Adjusting for the credit rate, homeowners could claim as much as \$138 million annually in older housing rehabilitation credits ( $130,000 \times \$10,600 \times 10\%$ ).

To the extent that not all eligible individuals claim the credit, improvement expenditures under the Joint Center for Housing Statistics fail to meet the definition of construction or re-construction under the bill, or expenditures are significantly lower for low-value residences, the fiscal effect would be smaller. For example, if homeowners of low-value residences only spend half the average amount as homeowners in general, the fiscal effect of the credit would also be halved. On the other hand, to the extent that the credit incentivizes new expenditures, the fiscal effect would be commensurately higher.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original     
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|   |               |  |                 |
|---|---------------|--|-----------------|
| <b>LRB Number</b> 19-5351/1   |               | <b>Introduction Number</b> AB-0905             |                 |
| <b>Description</b><br>creating a refundable individual income tax credit for certain expenses incurred in the rehabilitation of an older home and making an appropriation |               |  |                 |
| <b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>   |               |  |                 |
| <b>II. Annualized Costs:</b>  |               | <b>Annualized Fiscal Impact on funds from:</b> |                 |
|   |               | Increased Costs                                | Decreased Costs |
| <b>A. State Costs by Category</b>   |               |  |                 |
| State Operations - Salaries and Fringes   | \$            | \$   |                 |
| (FTE Position Changes)  |               |  |                 |
| State Operations - Other Costs  |               |  |                 |
| Local Assistance  |               |  |                 |
| Aids to Individuals or Organizations  |               |  |                 |
| <b>TOTAL State Costs by Category</b>  | <b>\$</b>     | <b>\$</b>                                      |                 |
| <b>B. State Costs by Source of Funds</b>  |               |  |                 |
| GPR   |               |  |                 |
| FED   |               |  |                 |
| PRO/PRS   |               |  |                 |
| SEG/SEG-S   |               |  |                 |
| <b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>                |               |  |                 |
|   | Increased Rev | Decreased Rev                                  |                 |
| GPR Taxes   | \$            | \$   |                 |
| GPR Earned  |               |  |                 |
| FED   |               |  |                 |
| PRO/PRS   |               |  |                 |
| SEG/SEG-S   |               |  |                 |
| <b>TOTAL State Revenues</b>   | <b>\$</b>     | <b>\$</b>                                      |                 |
| <b>NET ANNUALIZED FISCAL IMPACT</b>   |               |  |                 |
|   | <u>State</u>  | <u>Local</u>                                   |                 |
| NET CHANGE IN COSTS   | \$See Text    | \$   |                 |
| NET CHANGE IN REVENUE   | \$            | \$   |                 |
| <b>Agency/Prepared By</b>   |               | <b>Authorized Signature</b>                    | <b>Date</b>     |
| DOR/ Bradley Caruth (608) 261-8984  |               | Michael Oakleaf (608) 261-5173                 | 2/12/2020       |