February 6, 2020 - Introduced by Senators Testin, Bernier and Olsen, cosponsored by Representatives Summerfield, Petersen, Dittrich, Plumer, Skowronska, Tsubler and VanderMeer. Referred to Committee on Agriculture, Revenue and Financial Institutions.

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

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

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

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

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

1. “Claimant” means an individual who files a claim under this subsection.
2. “Eligible housing” means a single-family residence that is the primary
residence of a claimant and which meets the conditions specified in par. (c) 5. and 6.
3. “Fair market value” means the estimated fair market value of a
single-family residence as shown on the property tax bill prepared for the prior year
under s. 74.09.

4. “Municipality” means a city, village, or town.
5. “Project” means a construction or reconstruction project on eligible housing.
6. “Qualified rehabilitation expenditure” means costs and expenses incurred by a claimant to complete a project.

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

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

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

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

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

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

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

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

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

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

   a. All building and other permits required by the state and the municipality
      in which the eligible housing is located, which relate to the project, have been issued.
   b. All building inspections related to the project have been completed and
      approved by the municipal or state building inspector.

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

11. 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).

12. 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.

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

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

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

(1) This act first applies to taxable years beginning on January 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 January 1 of the year following the year in which this subsection takes effect.

(END)