

Fiscal Estimate Narratives

DOR 10/24/2023

LRB Number	23-4723/1	Introduction Number	SB-0529	Estimate Type	Original
Description allowing renters to claim the veterans and surviving spouses property tax credit					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, an eligible veteran or surviving spouse may claim a refundable income tax credit equal to the amount of property taxes the claimant paid during the year on his or her principal dwelling in Wisconsin. Current law does not expressly address the treatment of renters. The Department of Revenue allows an eligible veteran or surviving spouse who is a renter to claim the credit if the claimant is required to pay the property taxes under the rental agreement or other written agreement with the landlord and pays the property taxes directly to the municipality.

Under this bill, an eligible veteran or surviving spouse may claim the credit in an amount equal to his or her rent constituting property taxes. The bill defines "rent constituting property taxes" to mean a specified percentage of the rent paid by the claimant during the year for the use of a principal dwelling as housing. The specified percentage is 20% if heat is included in the rent and 25% if heat is not included.

Individuals who are not eligible to claim the veterans and surviving spouses property tax credit (VPTC) are generally eligible to claim the school property tax credit (SPTC) instead. The SPTC is equal to 12% of property taxes or rent constituting property taxes (capped at \$300). Based on the relative distribution of property tax claims compared to rent related claims in the SPTC, adjusted to reflect the age distribution of current VPTC claimants, allowing rent related claims would increase the total VPTC by about 14.3%.

2023 Wisconsin Act 19 budgeted approximately \$54.6 million for the VPTC in fiscal year 2024. If the bill increases credit claims by approximately 14.3%, it will increase the appropriation by about \$7.8 million annually beginning in that year.

The Department anticipates incurring \$175,230 in one-time costs and \$97,230 in ongoing costs to administer the credit changes in this bill. One-time costs are associated with updating publications, claim processing procedures, and training staff. Ongoing costs are associated with additional staff required to process and verify claims. The department cannot absorb these costs.

According to the American Rescue Plan Act (ARPA) Net Tax Reduction Calculation Update memo released by the Department of Administration on 8/28/2023, the remaining margin for tax reductions before triggering potential SLFRF recoupment at \$113 million for fiscal year 2024 and \$319 million for fiscal year 2025. This bill would reduce these margins by the amount of fiscal effect.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description allowing renters to claim the veterans and surviving spouses property tax credit		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The Department anticipates incurring \$175,230 in one-time costs to administer the credit changes in this bill.		
II. Annualized Costs:		
Annualized Fiscal Impact on funds from:		
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$97,230	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations	7,800,000	
TOTAL State Costs by Category	\$7,897,230	\$
B. State Costs by Source of Funds		
GPR	7,897,230	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$7,897,230	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By Authorized Signature Date		
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