

# STATEMENT OF SCOPE

## Department of Revenue

Rule No.: Chapter Tax 14

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Relating to: Homestead credit

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Rule Type: Permanent

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This scope statement was approved by the Governor on July 31, 2020.

### 1. Detailed description of the objective of the proposed rule:

2017 Wisconsin Act 59 made the following changes to the homestead credit:

- Persons must have earned income to claim the homestead credit, unless the person is over the age of 61 or disabled.
- Disqualified losses are added back to household income. There is an exclusion for farmers whose primary income is from farming and whose farming generates less than \$250,000 in gross receipts. This exclusion provides that these farmers do not have to add back disqualified losses to household income.

Currently, there is no definition of “earned income” or “primary income from farming” for purposes of applying the law to specific situations.

The objective of the proposed rule is to create a definition of earned income and primary income from farming for purposes of administering the homestead credit.

### 2. Description of existing policies relevant to the rule, new policies proposed to be included in the rule, and an analysis of policy alternatives:

The department's current administration is described in the Schedule H Instructions (available on the department's website).

Earned income is described as wages, salaries, tips, other employee compensation, and net earnings from self-employment. The proposed rule will support this definition. Alternative definitions may be considered as the rule is developed.

The department proposes to include a definition of income from farming to include the farmer's gross receipts, rather than using their net income.

### 3. Detailed explanation of statutory authority for the rule (including the statutory citation and language):

Under s. 71.80 (1) (c), Stats., the department may make such regulations as it shall deem necessary in order to carry out chapter 71 of the Wisconsin Statutes, relating to income and franchise taxes.

Section 227.11 (2), Stats., provides statutory rule-making authority as follows:

(a) "Each agency may promulgate rules interpreting the provisions of any statute enforced or administered by the agency, if the agency considers it necessary to effectuate the purpose of the statute..."

(b) "Each agency authorized to exercise discretion in deciding individual cases may formalize the general policies evolving from its decisions by promulgating the policies as rules ..."

**4. Estimate of amount of time that state employees will spend developing the rule and of other resources necessary to develop the rule:**

The department estimates it will take approximately 100 hours to develop the rule.

**5. List with description of all entities that may be affected by the proposed rule:**

Tax professionals and individuals who file claims for homestead credit.

**6. Summary and preliminary comparison with any existing or proposed federal regulation that is intended to address the activities to be regulated by the proposed rule:**

There is no existing or proposed federal regulation that is intended to address the activities to be regulated by the rule.

**7. Anticipated economic impact of implementing the rule (note if the rule is likely to have a significant economic impact on small businesses):**

More farmers will be able to claim the homestead credit, specifically those whose farming generates less than \$250,000 in gross receipts.

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Department Head Signature

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Date Submitted