ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 2005 ASSEMBLY BILL 668

September 27, 2005 – Offered by JOINT COMMITTEE ON FINANCE.

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1 AN ACT *to amend* 71.07 (6e) (a) 1. and 71.07 (6e) (a) 5.; and *to create* 71.07 (6e)

2 (a) 1m. and 71.07 (6e) (c) 3. of the statutes; **relating to:** expanding eligibility

3 for the veterans and surviving spouses property tax credit.

Analysis by the Legislative Reference Bureau

Under current law as created in the budget bill, 2005 Wisconsin Act 25, there exists a refundable individual income tax credit that may be claimed by certain U.S. armed forces veterans and by the unremarried surviving spouses of certain veterans or members of the national guard or reserves. The amount of the credit that may be claimed is the amount of property taxes paid by a claimant on the claimant's principal dwelling in the year to which the claim relates. Because the credit is refundable, if the amount of the credit for which the claimant is eligible exceeds the claimant's tax liability, the excess amount of the credit is paid to the claimant by check.

Under this bill, the eligibility for the credit is expanded to ensure that if a principal dwelling is owned jointly by spouses or as marital property, where only one of the spouses is an eligible veteran, the credit may be claimed for the full amount of taxes paid on the principal dwelling. Also under the bill, if an eligible veteran and his or her spouse file separate tax returns, each spouse may claim a percentage of the

credit based on his or her ownership interest in the eligible veteran's principal dwelling.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1   **SECTION 1.** 71.07 (6e) (a) 1. of the statutes, as created by 2005 Wisconsin Act

2   25, is amended to read:

3   71.07 **(6e)** (a) 1. "Claimant" means an eligible unremarried surviving spouse

4   ~~or,~~ an eligible veteran, or an eligible spouse who files a claim under this subsection.

5   **SECTION 2.** 71.07 (6e) (a) 1m. of the statutes is created to read:

6   71.07 **(6e)** (a) 1m. "Eligible spouse" means the spouse of an eligible veteran who

7   files a separate return.

8   **SECTION 3.** 71.07 (6e) (a) 5. of the statutes, as created by 2005 Wisconsin Act

9   25, is amended to read:

10   71.07 **(6e)** (a) 5. "Property taxes" means real and personal property taxes,

11   exclusive of special assessments, delinquent interest, and charges for service, paid

12   by a claimant, and the claimant's spouse if filing a joint return, on the ~~claimant's~~

13   eligible veteran's or unremarried surviving spouse's principal dwelling in this state

14   during the taxable year for which credit under this subsection is claimed, less any

15   property taxes paid which are properly includable as a trade or business expense

16   under section 162 of the Internal Revenue Code. If the principal dwelling on which

17   the taxes were paid is owned by 2 or more persons or entities as joint tenants or

18   tenants in common or is owned by spouses as marital property, "property taxes" is

19   that part of property taxes paid that reflects the ownership percentage of the

20   claimant, except that this limitation does not apply to spouses who file a joint return.

21   If the principal dwelling is sold during the taxable year, the "property taxes" for the

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SECTION 3

1   seller and buyer shall be the amount of the tax prorated to each in the closing

2   agreement pertaining to the sale or, if not so provided for in the closing agreement,

3   the tax shall be prorated between the seller and buyer in proportion to months of

4   their respective ownership. "Property taxes" includes monthly parking permit fees

5   in respect to a principal dwelling collected under s. 66.0435 (3) (c).

6   **SECTION 4.** 71.07 (6e) (c) 3. of the statutes is created to read:

7   71.07 **(6e)** (c) 3. If an eligible veteran and an eligible spouse file separate

8   returns, each spouse may claim a credit under this subsection based on their

9   respective ownership interest in the eligible veteran's principal dwelling.

10   **SECTION 5. Initial applicability.**

11   (1) This act first applies to taxable years beginning on January 1, 2005.

12   **(END)**