



State of Wisconsin
2017 - 2018 LEGISLATURE

LRB-1376/P2
MES:emw&ahe

DOA:.....Quinn, BB0248 - Homestead tax credit changes

FOR 2017-2019 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; **relating to:** the budget.

Analysis by the Legislative Reference Bureau

TAXATION

INCOME TAXATION

Under this bill, for homestead tax credit claims filed in 2018 and thereafter, claims may no longer be filed under current law by an individual who is not disabled or by an individual under the age of 62. The bill creates a new method to calculate the homestead tax credit for such individuals, based on the current law provisions, except able-bodied individuals and those under the age of 62 must have some earned income in the year to which the claim relates. Under the new provision created in the bill, the credit is calculated based on the lesser 20 percent of the claimant's earned income in the taxable year to which the claim relates, or the claimant's property taxes accrued or rent constituting property taxes accrued or both in that year on the claimant's homestead.

Under the bill, "disabled" is defined as an individual who is unable to engage in any substantial gainful employment by reason of a medically determinable physical or mental impairment which has lasted or is reasonably expected to last for a continuous period of not less than 12 months. To prove disability, a claimant must submit with his or her claim documentation from the Veteran's Administration, the Social Security Administration, or a physician.

Beginning with claims filed in 2018, the bill indexes for inflation two of the homestead tax credit formula factors, maximum income and income threshold, but only for claimants who are disabled or age 62 or older.

For further information see the *state* 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. 71.52 (1d) of the statutes is created to read:

71.52 (1d) “Disabled” means an individual who is unable to engage in any substantial gainful employment by reason of a medically determinable physical or mental impairment which has lasted or is reasonably expected to last for a continuous period of not less than 12 months.

SECTION 2. 71.54 (1) (g) (intro.) of the statutes is amended to read:

71.54 (1) (g) *2012 and thereafter.* (intro.) The Subject to sub. (2m), the amount of any claim filed in 2012 and thereafter and based on property taxes accrued or rent constituting property taxes accrued during the previous year is limited as follows:

SECTION 3. 71.54 (1) (g) 4. of the statutes is created to read:

71.54 (1) (g) 4. Except as provided in subd. 5., for claims filed in 2018 and thereafter and based on property taxes accrued or rent constituting property taxes accrued during the previous year, no credit may be allowed under this paragraph unless the claimant or the claimant’s spouse is over the age of 61 at the close of the year to which the claim relates.

SECTION 4. 71.54 (1) (g) 5. and 6. of the statutes are created to read:

71.54 (1) (g) 5. For claims filed in 2018 and thereafter and based on property taxes accrued or rent constituting property taxes accrued during the previous year, no credit may be allowed under this paragraph unless the claimant is disabled.

6. With regard to a claimant who is disabled, the claimant shall provide with his or her return proof that his or her disability is in effect for the taxable year to

which the claim relates. Proof of disability may be demonstrated by any of the following:

a. A statement from the Veteran's Administration certifying that the claimant is receiving a disability benefit due to 100 percent disability.

b. A document, or copy of a document, from the Social Security Administration stating the date the disability began.

c. A statement from a physician, as defined in s. 448.01 (5), stating the beginning date of the disability and whether the disability is permanent or temporary.

SECTION 5. 71.54 (1) (h) of the statutes is created to read:

71.54 (1) (h) *2018 and thereafter.* For claims filed in 2018 and thereafter and based on property taxes accrued or rent constituting property taxes accrued during the previous year, with regard to a claimant who is not disabled or who is under the age of 62 at the close of the year to which the claim relates, the amount of any claim filed in 2018 and thereafter and based on property taxes accrued or rent constituting property taxes accrued during the previous year is limited as follows:

1. If the household income was \$8,060 or less in the year to which the claim relates, the claim is limited to 80 percent of the lesser of 20 percent of the claimant's earned income in the taxable year to which the claim relates, or the claimant's property taxes accrued or rent constituting property taxes accrued or both in that year on the claimant's homestead.

2. If the household income was more than \$8,060 in the year to which the claim relates, the claim is limited to 80 percent of the lesser of the amount by which 20 percent of the claimant's earned income in the taxable year to which the claim relates, or the claimant's property taxes accrued or rent constituting property taxes

accrued or both in that year on the claimant's homestead, exceeds 8.785 percent of the household income exceeding \$8,060.

3. No credit may be allowed if the household income of a claimant exceeds \$24,680.

4. No credit may be allowed if the claimant under this paragraph had no earned income in the taxable year to which the claim relates.

SECTION 6. 71.54 (2m) of the statutes is amended to read:

71.54 **(2m)** INDEXING FOR INFLATION; ~~2010~~ 2018 AND THEREAFTER. (a) For calendar years beginning after December 31, 2009, and before January 1, ~~2011~~ 2017, the dollar amounts of the threshold income under sub. (1) ~~(f)~~ (g) 1. and 2., and the maximum household income under sub. (1) ~~(f)~~ (g) 3. ~~and the maximum property taxes under sub. (2) (b) 3.~~ shall be increased each year by a percentage equal to the percentage change between the U.S. consumer price index for all urban consumers, U.S. city average, for the 12-month average of the U.S. consumer price index for the month of August of the year before the previous year through the month of July of the previous year and the U.S. consumer price index for all urban consumers, U.S. city average, for the 12-month average of the U.S. consumer price index for August ~~2007~~ 2015 through July ~~2008~~ 2016, as determined by the federal department of labor, except that the adjustment may occur only if the percentage is a positive number. Each amount that is revised under this paragraph shall be rounded to the nearest multiple of \$10 if the revised amount is not a multiple of \$10 or, if the revised amount is a multiple of \$5, such an amount shall be increased to the next higher multiple of \$10. The department of revenue shall annually adjust the changes in dollar amounts required under this paragraph and incorporate the changes into the income tax forms and instructions.

(b) The department of revenue shall annually adjust the slope under sub. (1) ~~(f)~~ (g) 2. such that, as a claimant's income increases from the threshold income as calculated under par. (a), to an amount that exceeds the maximum household income as calculated under par. (a), the credit that may be claimed is reduced to \$0 and the department of revenue shall incorporate the changes into the income tax forms and instructions.

(END)