



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #360

### **Veterans and Surviving Spouses Property Tax Credit (General Fund Taxes -- Income and Franchise Taxes)**

[LFB 2009-11 Budget Summary: Page 258, #7]

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#### **CURRENT LAW**

Created by 2005 Act 25, the veterans and surviving spouses property tax credit provides a refundable credit against the individual income tax for property taxes paid by certain veterans and unremarried surviving spouses of veterans. The tax credit, which was modified under 2005 Act 72 and 2007 Act 20, is equal to real and personal property taxes paid on a principal dwelling by the following persons:

- a. The unremarried surviving spouse of a person who died while on active duty in the U.S. armed forces and who was a resident of this state at the time of entry into service and at the time of death.
- b. The unremarried surviving spouse of a person who: (1) served on active duty in the U.S. armed forces; (2) was a resident of this state at the time of entry into active service; (3) was a resident of this state at the time of death; (4) was at least 65 years of age at the time of death, or would have been 65 at the close of the year in which the death occurred (this requirement is eliminated beginning with tax year 2009); and (5) had a service-connected disability of 100%, based on related federal provisions. (Beginning with tax year 2009, this requirement is modified to include veterans rated as being individually unemployable, and, therefore, receiving 100% disability benefits, even though they are not rated as 100% disabled under federal law.)
- c. The unremarried surviving spouse of a person who served in the National Guard or Reserves, who was a resident of this state at the time of entry and at the time of death, and who died in the line of duty while on active or inactive duty.

d. A person who served on active duty in the U.S. armed forces and: (1) was a resident of this state at the time of entry into that service; (2) is a resident of the state for purposes of receiving veterans benefits under Chapter 45 of the Wisconsin statutes; (3) is at least 65 years old (this requirement is eliminated beginning with tax year 2009); and (4) has a service-connected disability of 100% based on related federal provisions. (Beginning with tax year 2009, this requirement is modified to include veterans rated as being individually unemployable, and, therefore, receiving 100% disability benefits, even though they are not rated as 100% disabled under federal law.) Beginning with tax year 2009, each of the preceding provisions requiring the veteran with respect to which the credit is claimed to have been a resident of the state at the time of entry into service will be modified to also provide the credit in the case of a veteran who was a resident of the state for any consecutive five-year period after entry into active duty service.

For married-joint filers, an eligible veteran may claim the credit for the entire property tax imposed on the veteran's principal dwelling, rather than for the share of property taxes that reflects the veteran's ownership interest in the dwelling (which is 50% for property owned as marital property). For a married couple filing separate returns, an eligible veteran and an eligible spouse are each permitted to claim the veterans property tax credit based on their respective ownership interest in the veteran's principal dwelling.

The veterans property tax credit is not allowed if an individual or the individual's spouse files a claim for the PTRC, the farmland tax relief credit, the farmland preservation credit, or the homestead credit.

## **GOVERNOR**

Decrease estimated amounts claimed by \$8,000 in 2009-10 and increase estimated amounts claimed by \$64,000 in 2010-11 for the refundable veterans and spouses property tax credit, which is paid through a sum sufficient appropriation. Total funding for the credit is estimated at \$1,492,000 in 2009-10 and \$1,564,000 for 2010-11. The credit is equal to real and personal property taxes paid on a principal dwelling by certain veterans and surviving spouses.

## **MODIFICATION**

Reestimate the cost of the veterans and surviving spouses property tax credit at \$7,300,000 in 2009-10 and \$7,700,000 in 2010-11. Compared to the bill, the reestimate would increase estimated expenditures by \$5,808,000 GPR in 2009-10 and by \$6,136,000 GPR in 2010-11.

**Explanation:** As noted in the explanation of current law provisions, 2007 Wisconsin Act 20 made a number of changes to the credit's eligibility criteria that are first effective in tax year 2009. These changes will first impact credit payments in 2009-10, and are estimated to increase the number of credit recipients by approximately 1,600. Aggregate individual income tax statistics for 2007 tax returns indicate that there were 458 Wisconsin taxpayers who claimed the credit for tax year 2007, and the total amount of claims equaled

\$1,346,000, or \$2,939 on average. By increasing the number of claimants by 1,600 and allowing for growth in the average credit based on the increase in the property tax bill for a median-valued home, as estimated by this office on April 8, 2009, the total amount of credits is estimated at \$7,300,000 in 2009-10 and \$7,700,000 in 2010-11. In reviewing the budget forms submitted by DOA for this program, it appears that the effect of increased participation in the program as a result of the Act 20 law change was omitted from the program's fiscal estimate, and there was no adjustment for increases in property tax bills.

<b>Change to Bill Funding</b>	
GPR	\$11,944,000

Prepared by: Rick Olin