Legislative Fiscal Bureau
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Veterans and Surviving Spouses Property Tax Credit (General Fund Taxes -- Income and Franchise Taxes)

[LFB 2011-13 Budget Summary: Page 185, #5]

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 Wisconsin resident at the time of entry into service or for any subsequent, consecutive five-year period, and was a Wisconsin resident at the time of death.

b. The unremarried surviving spouse of a person who served on active duty in the U.S. armed forces, was a Wisconsin resident at the time of entry into active service or for any subsequent, consecutive five-year period, was a resident of this state at the time of death, and had a service-connected disability of 100% or a 100% disability rating based on individual employability.

c. The unremarried surviving spouse of a person who served in the National Guard or Reserves, who was a Wisconsin resident at the time of entry into active service or for any subsequent, consecutive five-year period, and who died in the line of duty while on active or inactive duty while a Wisconsin resident.

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 or had been a Wisconsin resident for any consecutive five-year period after entry; (2) is a resident of the state for purposes of receiving veterans benefits; and (3) has a service-connected disability of 100% or a 100% disability rating based on individual employability.

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 preservation credit, or the homestead credit.

GOVERNOR

Provide increases of $6,000,000 in 2011-12 and $8,100,000 in 2012-13 for the refundable veterans and surviving spouses property tax credit, which is paid through a sum sufficient appropriation. With these adjustments, base level funding of $7,600,000 would increase to $13,600,000 in 2011-12 and $15,700,000 in 2012-13. The credit was first available in tax year 2005, and eligibility for the credit was expanded effective with tax year 2009. At the time base level funding was estimated, the number of claimants was under-estimated due to factors such as increasing awareness of the tax credit and the impact of the expansion in eligibility. After base level funding was estimated at $7.6 million for 2010-11, DOA reported actual 2009-10 credit expenditures of $9.6 million. The estimates for 2011-13 reflect continued increases in the number of credit claimants.

MODIFICATION

Reestimate the cost of the veterans and surviving spouses property tax credit at $19,000,000 in 2011-12 and $20,000,000 in 2012-13. Compared to the bill, the reestimate would increase estimated expenditures by $5,400,000 GPR in 2011-12 and $4,300,000 GPR in 2012-13.

Explanation: Effective for tax year 2009, eligibility for the credit was expanded. As a result, credit payments increased from $2.0 million in 2008-09 to $9.6 million in 2009-10. Based on income tax collection data through April, 2011, DOA has estimated that credit payments will total $18.7 million in 2010-11. Since there were no law changes that took effect during this period, the increases are believed to be due to increased awareness of program eligibility. The preceding estimates allow for a modest increase in the number of credit recipients and assume property tax increases for 2011-12 and 2012-13 that are estimated to be proportional to the property tax bill increases estimated by this office on April 15, 2011, relative to the median-valued home taxed at the statewide average tax rate and based on provisions included in the Governor's 2011-13 biennial budget.

	Change to Bill Funding
GPR	$9,700,000

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