



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #310

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

[LFB 2015-17 Budget Summary: Page 174, #2]

CURRENT LAW

Since tax year 2005, Wisconsin has provided a refundable credit against the individual income tax for property taxes paid by certain veterans and unremarried surviving spouses of veterans. Currently, the tax credit is equal to real and personal property taxes paid on a principal dwelling by an eligible veteran or by an eligible unremarried surviving spouse.

Beginning in tax year 2014, 2013 Wisconsin Act 20 has expanded the credit to also include unremarried surviving spouses of individuals, when the U.S. Department of Veterans Affairs has verified that the individual has met the following criteria: (1) the individual had served on active duty under honorable conditions in the U.S. armed forces or in forces incorporated as part of the U.S. armed forces; (2) the individual was a resident of Wisconsin at the time of entry into that service or had been a resident of Wisconsin for any consecutive five-year period after entry into that active duty service; (3) the individual was a resident of Wisconsin at the time of death; and (4) following the individual's death, the individual's spouse began to receive, and continues to receive, dependency and indemnity compensation as defined under federal law.

Base funding for the credit is \$32,370,000 GPR.

GOVERNOR

Decrease funding by \$770,000 in 2015-16 and \$370,000 in 2016-17. With these adjustments, funding for the credit would total \$31,600,000 in 2015-16 and \$32,000,000 in 2016-17.

MODIFICATION

Decrease estimated payments by \$3,200,000 in 2015-16 and \$2,200,000 in 2016-17.

Explanation: The eligibility expansion included in Act 20 was estimated to increase the amount of credits claimed by 47% in 2014-15. Based on income tax processing through April, 2015, the amount of tax credits claimed has increased by only 13.7% on a year-to-date basis. Assuming credits continue to increase at the rate in the ensuing months, total credits in 2014-15 are now estimated at \$26,500,000, as opposed to the base funding of \$32,370,000. Using this reestimate as the base, credit totals are estimated at \$28,400,000 (+7.2%) in 2015-16 and \$29,800,000 (+4.9%) in 2016-17. These estimates assume some eligible claimants who did not claim the credit this year will become aware of their eligibility and claim the credit in the coming years.

Change to Bill	
GPR	- \$5,400,000

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