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June, 2021 | Joint Committee on Finance | Paper #317

First-Time Homebuyer Savings Accounts
(General Fund Taxes -- Income and Franchise Taxes)

[LFB 2021-23 Budget Summary: Page 212, #13]

CURRENT LAW

There are several steps involved in calculating a taxpayer's total state tax liability. In brief, these steps are to: (a) determine Wisconsin adjusted gross income (AGI); (b) subtract the state's sliding scale standard deduction and personal exemptions from Wisconsin AGI to arrive at taxable income; (c) apply the state's tax rate and bracket structure to taxable income to figure gross tax liability; (d) subtract any applicable nonrefundable credits to compute net tax liability; and (e) employ any applicable refundable credits to determine total tax liability. To determine Wisconsin AGI under (a), several modifications are made to federal AGI. These modifications can take the form of additions to, or subtractions from, federal AGI, and reflect differences between the state and federal tax codes.

BACKGROUND

The Wisconsin Realtors Association (WRA) contends that Wisconsin faces a problem of declining housing affordability. According to a 2019 report on workforce housing from WRA, housing affordability for "entry-level" homes has declined in 57 of the 72 counties in Wisconsin from 2007 to 2017 (the WRA index for "entry-level" housing compares a county's median price of homeownership using a low-down-payment mortgage to that county's median household income to determine the level of affordability). Moreover, Federal Housing Finance Agency (FHFA) data compiled by WRA demonstrate that the average home price in Wisconsin is greater than its previous peak in 2007 (the period immediately preceding the national housing crisis).

Median home price data for Wisconsin from WRA demonstrate that housing costs have risen by a compound annual average growth rate of 4.4% between 2010 and 2020. Between 2015 and

2020, that rate is 7.3%. Comparable data from the Federal Reserve Bank of St. Louis show that the compound annual average rate of growth in median home prices nationwide was 4.2% between 2010 and 2020 and 2.8% between 2015 and 2020, indicating that the rising cost of housing in Wisconsin has exceeded national growth in housing costs over the last decade.

WRA notes that housing costs are currently outpacing income growth in the state. WRA highlights several reasons for this trend, including: (a) population growth eclipsing the rate of housing construction; (b) steadily rising construction costs due to price increases for materials and labor shortages; and (c) stringent zoning regulations that curtail the supply of housing. Housing costs rising more quickly than income is one reason for the reported decline in homeownership, particularly among first-time homebuyers. Table 1 displays overall rates of homeownership in Wisconsin, and in the U.S., since 1990, using economic data from the Federal Reserve Bank of St. Louis.

TABLE 1

Homeownership Rate, U.S. and Wisconsin: 1990 to 2020

Year	U.S.	Wisconsin
1990	64.0%	68.3%
1995	64.8	67.5
2000	67.4	71.8
2005	68.9	71.1
2010	66.9	71.0
2015	63.7	66.6
2020	66.6	67.9

Table 1 demonstrates that the Wisconsin homeownership rate has outpaced that of the U.S., but the rate for Wisconsin has generally declined since 2000. The homeownership rate in Wisconsin in 2020 was roughly equivalent to the rate in 1995. It could be argued that this is an indication that homeownership rates have returned to historically normal levels. A 2016 report in the Housing Market Perspectives series of the Federal Reserve Bank of St. Louis notes that, "prior to the late 1990s, the homeownership rate had fluctuated for three decades in a narrow band, between 63% and 66%. This still might be the range to expect in the future."

DISCUSSION POINTS

1. Rising home prices in Wisconsin translate to a larger down payment needed for first-time homebuyers to finance the purchase of a home. Moreover, increasing costs to rent make it more difficult to save money up front for a subsequent home purchase. U.S. Census Bureau data reported by WRA show that median rent costs grew by 21.7% from 2007 to 2017, while median household incomes grew more slowly (17.3%) during this same period. In its Renter Affordability Index (RAI) for 2017, WRA demonstrates that the median renting household cannot afford the median-priced rental unit in 14 of the 72 counties throughout Wisconsin. The RAI measures whether a family earning

the median household income in a particular county can afford the median-priced rental unit by spending no more than 30% of their income on rent. These growing costs to rent and to own a home can combine to exacerbate the issues of declining housing affordability and rates of homeownership.

2. The National Association of Realtors (NAR) finds that the share of first-time homebuyers as a percentage of all homebuyers is historically near 40%. However, in its most recent profile of homebuyers and sellers, NAR notes that the current first-time homebuyer share is 31%. Table 2 displays homeownership rates by age category for the nation as a whole between 1985 and 2020, using data from the U.S. Census Bureau. Individuals who are 35 years of age or younger could be considered the closest proxy for first-time homebuyers. Indeed, NAR reports that the typical first-time homebuyer is 32 years of age.

3. Over the entire period depicted in Table 2, the homeownership rate has declined for each age group except for those aged 65 or older. Since 2005, however, rates of homeownership have declined for all age groups, with individuals aged 35 to 44 experiencing the largest percentage point decrease during that span (6.5). Over this same period, individuals under the age of 35 registered a 3.8 percentage point decline in homeownership. Both declines are considerably larger than for the U.S. as a whole during the same time (2.3). Conversely, individuals younger than age 35 and aged 35 to 44 experienced the largest percentage point growth in homeownership rates since 2015 among all age groups.

TABLE 2

Homeownership Rates by Age of Homeowner, United States: 1985 to 2020

Year	Under 35	35 to 44	45 to 54	55 to 64	65 and over	U.S. Total
1985	39.9%	68.1%	75.9%	79.5%	74.8%	63.9%
1990	38.5	66.3	75.2	79.3	76.3	64.0
1995	38.6	65.2	75.2	79.5	78.1	64.8
2000	40.8	67.9	76.5	80.3	80.4	67.4
2005	43.0	69.3	76.6	81.2	80.6	68.9
2010	39.1	65.0	73.5	79.0	80.5	66.9
2015	35.0	58.5	70.0	75.4	78.9	63.7
2020	39.2	62.8	71.1	76.5	80.0	66.6
	Percentage Point Change in Homeownership Rate					
2005 to 2020	-3.8%	-6.5%	-5.5%	-4.7%	-0.6%	-2.3%
2010 to 2020	0.1	-2.2	-2.4	-2.5	-0.5	-0.3
2015 to 2020	4.2	4.3	1.1	1.1	1.1	2.9

4. The aforementioned decline in homeownership since 2005 is largely attributable to the bursting of the housing bubble, which precipitated the 2008-09 national economic downturn referred to as the "Great Recession." In the wake of the Great Recession, several legislative and regulatory

safeguards were implemented to strengthen the housing market. However, many of these changes may have disproportionately impacted first-time homebuyers. For example, lending agencies now generally impose stricter credit standards on prospective buyers than before the financial crisis. First-time homebuyers may have more difficulty establishing a strong credit rating than those who have previously owned a home (and have been able to build credit by making consistent mortgage payments). In addition, debt-to-income ratios for borrowers are now more restrictive than before the housing market crash, which can make it more challenging for new homebuyers to enter the housing market. This trend is exacerbated by student debt loads, which have been steadily rising in recent years.

5. According to NAR, the typical first-time homebuyer holds nearly $30,000 in student debt. Data from the St. Louis Federal Reserve demonstrate that the aggregate amount of outstanding student loans in the U.S. has grown from $800 billion in 2010 to nearly $1.7 trillion in 2020. It could be argued that rising student loan debt is one reason why the share of first-time homebuyers is below the historical trend. A 2019 survey conducted by Freddie Mac (the Federal Home Loan Mortgage Corporation) found that 22% of current renters chose to delay buying a home in order to service their student debt obligations. These increased debt loads can impose a significant financial burden on prospective first-time homebuyers, so a program that offers tax savings for the eventual purchase of a home could be viewed as a way to ameliorate these financial challenges.

6. Further, the Great Recession engendered a relative scarcity of modestly priced homes, which are generally more attainable for first-time homebuyers. In the wake of the financial crisis, large volumes of moderately-priced homes slated for foreclosure were auctioned off, and many were ultimately sold to companies that converted the homes into rental properties. As a result, the available stock of entry-level homes, which would otherwise be attractive to first-time homebuyers, contracted. Freddie Mac similarly maintains that the overall shortage of single-family homes in the U.S. is especially pronounced for entry-level homes, which makes it increasingly expensive for first-time homebuyers to enter the market. This lower level of affordable housing stock could bolster the rationale for providing financial assistance to first-time homebuyers.

7. The Joint Center for Housing Studies at Harvard (JCHS) reports that annual growth in nominal home prices has been positive for each of the last eight years, and that nominal home prices are now 20% higher than their previous apex in 2007. JCHS cautions that these steadily rising home prices make it increasingly difficult for first-time buyers to afford the down payment and closing costs associated with the purchase of a home. Because it provides a tax advantage for these costs, the proposed first-time homebuyer savings account program could help ease the financial barriers to homeownership that these buyers often confront.

8. Another way to demonstrate the recent decline in housing affordability is by comparing growth in per capital personal income to growth in the house price index compiled by FHFA. This comparison is displayed in Table 3, which uses personal income data from the U.S. Department of Commerce, Bureau of Economic Analysis (BEA), in addition to FHFA data. The FHFA house price index measures average price changes in repeat sales or refinancings on the same properties, based on properties whose mortgages have been purchased or secured by Fannie Mae (Federal National Mortgage Association) or Freddie Mac. Both the BEA and FHFA maintain data specific to

Wisconsin. As shown in Table 3, average per-capita income growth has outpaced average growth in the house price index in each period except for the most recent five years. Between 2015 and 2020, the average growth of the Wisconsin house price index is noticeably larger than the average growth in per-capita personal incomes over the same period, suggesting that housing in Wisconsin has become less affordable during this time.

TABLE 3

Average Rate of Change in Wisconsin Per-Capita Personal Income and Wisconsin House Price Index for Select Periods Ending in 2020

Period Beginning	Per-Capita Personal Income	House Price Index
1995 (25-yr. average)	3.6%	3.0%
2000 (20-yr. average)	3.2	2.6
2005 (15-yr. average)	3.2	1.4
2010 (10-yr. average)	3.6	2.4
2015 (5-yr. average)	3.4	4.8

9. To combat these issues related to the affordability of homeownership, the Committee could decide to create a program administered by the Department of Revenue (DOR), beginning in tax year 2022, allowing an individual to become an account holder by creating an account at a financial institution, either individually or jointly with his or her spouse, to pay or reimburse the eligible costs of a first-time homebuyer (Alternative 1). Eligible costs would mean the down payment and allowable closing costs, defined as disbursements listed in a settlement statement for the purchase of a single-family residence in Wisconsin by an account owner or beneficiary. The program would be limited to individuals who reside in Wisconsin and have not owned or purchased, either individually or jointly, a single-family residence during the 36-month period prior to the month of purchase of a single family residence that is located in Wisconsin. The program would first take effect for tax year 2022, so that DOR would have adequate lead time to develop policies and procedures necessary to administer the program.

Such a program could be structured so as to authorize account holders to subtract from federal AGI the amount of any deposits by the account holder into their accounts, as well as any interest, dividend, or other gain accruing in the account, if the interest, dividend, or other gain is redeposited into the account. The Committee could choose to limit the subtraction for each account holder to $5,000 of deposits per year, or $10,000 of deposits per year if the account holder is a married-joint filer, for each account that the account holder creates and to which the account holder makes a deposit (the amount of interest, dividends, or other gains accruing to and subsequently redeposited in the account that may be excluded from taxable income would not be limited). An account holder could not claim the subtraction for more than a total of $50,000 of deposits into any account for each beneficiary. Such a proposal is included in Assembly Bill 68/Senate Bill 111 (AB 68/SB 111), and was originally estimated by the administration to reduce individual income tax collections by $4.1 million in 2022-23, $7.0 million in 2023-24, and $7.5 million in 2024-25.

Account holders would be required to dissolve an account not later than 120 months (10 years) after its creation, and financial institutions would be required to distribute any proceeds in dissolved accounts to the account holder. If the account holder dies while funds remain in the account, proceeds would be required to be distributed to the account holder's estate. Account holders would need to increase their AGI to include any distribution of proceeds from a dissolved account, and account holders' estates would be required to increase the AGI of the estate to include any distribution to an account holder's estate after the death of an account holder. In addition, account holders would have to increase their AGI to reflect any amount withdrawn from an account for any reason other than payment or reimbursement of eligible costs, unless the withdrawal is the result of a transfer to an account at a different financial institution, or unless the disbursement is pursuant to a filing for bankruptcy protection. A penalty of 10% would apply to any amounts which are added to AGI under the preceding provisions.

For federal tax purposes, no deduction for contributions is, or would be, allowed, and the interest earnings accruing to accounts would be subject to federal income tax. Since the accounts would be taxable on the "front end," no federal tax would be imposed at the time of withdrawal. Nor would withdrawals trigger a state tax liability, provided the proceeds are used for eligible costs. The account holder would be required to designate a single account beneficiary who is a first-time homebuyer and who may be the account holder. The account holder would be permitted to change the beneficiary at any time. Individuals would be allowed to jointly own accounts with their spouses. An individual may be the account holder of more than one account, but the account holder could not have more than one account that designates the same beneficiary. However, an individual could be the beneficiary of more than one account.

Account contributions would be limited to cash and marketable securities, and persons other than account holders would be allowed to contribute to accounts. However, only the account holder would be able to take the subtraction described above for first-time homebuyer account contributions. Account holders would be required to submit the following information related to the account to DOR each year, on forms prepared by the Department, with the account holder's income tax return: (a) a list of account transactions during the tax year, including the account's beginning and ending balances; (b) the 1099 form issued by the financial institution relating to the account; and (c) a list of eligible costs, and other costs, for which account funds were withdrawn during the tax year. Account holders would be authorized to withdraw and transfer funds to a different financial institution without incurring a withdrawal penalty or affecting the account holder's Wisconsin AGI, provided the transfer occurs immediately and the funds are deposited in a first-time homebuyer savings account at that institution.

10. Every two years, this office publishes an informational paper that reviews the individual income tax provisions in each state with such a tax. Based on that review, 11 states provided some form of preferential tax treatment for first-time homebuyers in tax year 2019.

11. The fiscal estimate included in AB 68/SB 111 assumed that the rate of participation in a first-time homebuyer savings program could be as high as 30%. However, based on correspondence with several states who have implemented similar first-time homebuyer tax benefit programs in their state tax codes, it appears that actual rates of program participation are considerably lower. Therefore,

it is estimated that Alternative 1 would reduce individual income tax revenues by $0.2 million in 2021-22 and $1.5 million in 2022-23.

12. Under the proposed first-time homebuyer savings account program, there would be no required minimum duration for funds to remain in the account in order to receive the associated tax benefits. Therefore, if an individual opened an account just prior to purchasing a home, deposited the annual maximum contribution into the account ($5,000 or $10,000 depending on their filing status), and then immediately withdrew these funds to purchase a home, they would still be eligible for the full tax deduction on the amount temporarily contributed to the account prior to purchasing a home. This process does not apply to other tax-advantaged savings accounts. For example, 529 college savings accounts generally require that funds remain in the account for at least 365 days in order to receive tax benefits. The Committee could choose to modify Alternative 1 to require that contributions into a first-time homebuyer account must remain in the account for at least one year in order to qualify for the related tax preferences (Alternative 2). This alternative is estimated to reduce individual income tax revenues by $0.7 million on an annual basis relative to current law, beginning in 2022-23.

13. WRA reports that the median price of homes sold in Wisconsin in 2020 was $220,000. An account with a $50,000 balance (the maximum allowed under the proposed first-time homebuyer account) could provide a 20% down payment on a home with a $250,000 selling price, which is reasonably comparable to the median price of Wisconsin homes. A 20% down payment is a goal for many buyers because a down payment at that level eliminates the requirement for private mortgage insurance (PMI), which protects the lender against foreclosure on loans with less than a 20% down payment. The associated premiums typically increase a homeowner's mortgage payment by $30 to $70 per month for every $100,000 borrowed, but the actual PMI rate depends on the borrower's credit rating. If a buyer is willing to incur that cost, conventional mortgages are available in the private sector with down payments of less than 20%.

14. It has been argued that homeownership is an important vehicle for building wealth. One reason for this is that mortgage payments (and the initial down payment) constitute a form of investment, wherein the value of the home is incorporated into the homeowner's wealth once the mortgage is fully paid. In addition, the house price index from FHFA demonstrates that home prices have grown at an average annual growth rate of 3.9% since 1991 (6.5% since 2012), which generally outpaces the average rate of inflation during that span. Because home prices have generally appreciated faster than inflation, homeownership can add to the real wealth of the homeowner over time (appreciating home values also make it more financially difficult for new buyers to enter the market). As the home appreciates in value, the homeowner's mortgage payment remains fixed. Thus, as a share of income, inflation-adjusted housing payments for homeowners generally decrease over time, enabling homeowners to retain a greater share of their earnings. However, the wealth-building aspect of homeownership is mitigated by regularly incurred expenses, such as maintenance costs (for which it is often recommended to save at least 1-2% of the home's total purchase price each year), homeowners' insurance, mortgage interest, PMI, and property taxes.

15. Homeownership as wealth creation is likely of particular importance for individuals with relatively moderate incomes. A study completed by the University of North Carolina at Chapel Hill found that, among low-income and middle-income households, consistent ownership of a home

translated into higher levels of reported median wealth than for groups who did not report consistent homeownership. A study commissioned by the U.S. Department of Housing and Urban Development noted similarly that "owned housing is an important means of wealth accumulation," particularly for lower-income and minority households. Furthermore, JCHS concluded that "homeownership continues to represent an important opportunity for individuals and families of limited means to accumulate wealth."

16. In the Budget in Brief prepared by the Department of Administration (DOA), the first-time homebuyer savings account was presented as a way to provide "additional relief to lower and middle-income Wisconsin taxpayers, who have struggled the most with the effects of the COVID-19 pandemic." DOA also characterized the first-time homebuyer accounts as a way to address the "urgent need for more affordable housing in the state." If a policy goal is to encourage homeownership among low- and moderate-income households, it could be debated whether creating a first-time homebuyer savings account, like that proposed above, is the most effective incentive.

17. WRA reports that, among all Midwestern states, Wisconsin has the highest percentage of renters who are "extremely cost-burdened", meaning these renters spend greater than 50% of their income on housing costs. For example, 65.3% of renters in Wisconsin whose income is between 0% and 30% of the area median income (AMI) spend over 50% of their income on rent, the highest share among all surrounding states for that income category. According to WRA, over 158,000 renting households earning less than 50% of AMI in Wisconsin spend over half their income on housing. As a result, these households have less income to set aside for a future home purchase, both as a share of their income and in overall dollars. A program that incentivizes such savings would be less valuable, and potentially less effective, for these households relative to households of greater economic means.

18. First-time homebuyer savings account programs may be most useful for households with a greater ability to save over a longer time horizon. One could interpret from this that these programs potentially pose an equity problem. If those receiving tax benefits for saving under a first-time homebuyer program are already more able to save, such a program may not achieve the goal of making homeownership more attainable for those otherwise unable to afford it. Moreover, if those with relatively higher incomes avail themselves of the program with greater frequency precisely because they are more able to save in advance for a down-payment, it is questionable whether this represents an effective means of spurring homeownership, or whether it represents a state subsidy of a purchase which would have occurred anyway. Therefore, it could be debated whether a first-time homebuyer program is the most effective means to achieve the goal of making homeownership more accessible to a greater number of individuals.

19. The Committee could, instead, provide a more immediate tax benefit available to all first-time homebuyers by creating an individual income tax deduction for the down payment and allowable closing costs associated with a first-time home purchase (Alternative 3). The criteria defining an eligible individual and eligible costs would be the same as under Alternative 1. The deduction could only be claimed for the year in which the eligible home purchase was made. As noted above, the proposed first-time homebuyer savings account program under AB 68/SB 111 was initially estimated to reduce individual income tax collections by $7.0 million in 2023-24 and $7.5 million in 2024-25. While the Committee could select any maximum deduction amount it prefers, if the

Committee wanted to ensure that the deduction under Alternative 3 provided an aggregate tax benefit similar to the amount originally estimated under AB 68/SB 111, it could set the maximum deduction at $2,500 ($5,000 for married-joint filers). If such a deduction were provided beginning in tax year 2021, individual income tax revenues would decline by an estimated $7.3 million on an annual basis, beginning in 2021-22.

20. Various tax incentives have already been implemented with the goal of encouraging homeownership. At the federal level for example, taxpayers can claim an itemized deduction for interest paid on a home mortgage. State taxpayers can then claim these amounts on their state tax return as part of the state's itemized deduction credit. In addition, taxpayers are able to itemize and deduct for federal tax purposes up to $10,000 of state and local taxes, which include property taxes, whereas renters cannot deduct rent constituting state and local property taxes.

21. Other programs currently exist that are designed specifically to assist lower- and moderate-income individuals in attaining homeownership. Under the Federal Housing Authority (FHA) mortgage program, an eligible buyer can make a down payment as low as 3.5% of the purchase price, and borrow the remainder using a loan that is guaranteed by the FHA. Eligible buyers are subject to minimum credit requirements in order to qualify, but these requirements are generally less stringent than those for conventional loans. Borrowers pay a mortgage insurance premium, which is similar to PMI.

22. The Wisconsin Housing and Economic Development Authority (WHEDA) offers preferential rate mortgages for low- to moderate-income first-time homebuyers. Eligible homeowners meeting certain income limits (roughly $80,000 to $103,000 for a household of two, depending on county median income) and credit requirements may receive a low-cost mortgage. Additionally, WHEDA offers down payment assistance (DPA) loans, which may be utilized in conjunction with its first mortgage offerings. DPA programs support closing costs and provide additional financing of up to 6% of the purchase price. Combined with a WHEDA mortgage, DPA programs allow a borrower to finance their down payment, resulting in up to 100% financing for eligible homebuyers (no down payment). In general, DPA is offered over 10 years at the same interest rate as the initial mortgage, although 30-year DPA loans at 0% interest are offered to the lowest-income borrowers. WHEDA DPA programs are funded from a combination of federal funds and an encumbrance of $14.9 million from the Authority's general fund.

23. If the Committee wished to provide financial support to lower-income first-time homebuyers, it could consider increased funding for existing WHEDA DPA programs. Alternatives 4a and 4b would provide $1.5 million GPR annually to subsidize interest rates or other housing costs for first-time homebuyers receiving a DPA loan from the Authority. Subsidized interest rates on DPA loans would similarly reduce the financial barrier to entry for first-time homebuyers, but would allow homebuyers to realize the economic benefits of homeownership more quickly. Alternative 4a or 4b could be adopted together with Alternative 1, 2, or 3. Although GPR funding of $1.5 million is displayed in this example, a different amount could be appropriated to assist first-time homebuyers. For example, as mentioned previously, the first-time homebuyer savings account program proposed under AB 68/SB 111 was initially estimated to reduce individual income tax revenues by $7.0 million in 2023-24, and $7.5 million in 2024-25.

24. If the Committee wished to provide DPA funding to WHEDA, it could create an annual appropriation and provide $1.5 million GPR each year to the Authority to subsidize interest rates or other housing costs for first-time homebuyers receiving a DPA loan from WHEDA (Alternative 4a). It could also consider creating an annual appropriation under WHEDA, reserving $1.5 million GPR each year in the Committee's supplemental appropriation, and directing WHEDA to submit a proposal to the Committee for use of that funding (Alternative 4b).

25. Alternatively, the Committee could decide that low levels of participation in first-time homebuyer programs in other states are an indication that these programs may not be the most effective means to spur homeownership. The Committee might also conclude that sufficient tax incentives, and state and federal first-time homebuyer programs, already exist to encourage homeownership. As noted, following the Great Recession, many moderately-priced homes in foreclosure were sold to companies that converted the homes to rental properties, reducing the supply of affordable homes available to first-time homebuyers. The Committee may determine that the standing committee process is better suited to consider potential regulatory changes that address the scarcity of affordable, entry-level housing available to first-time homebuyers. In this case, the Committee could decide to take no action on creating a first-time homebuyer savings account program (Alternative 5).

ALTERNATIVES

1. Beginning in tax year 2022, create a program administered by DOR allowing an individual to become an account holder by creating an account at a financial institution, either individually or jointly with his or her spouse, to pay or reimburse the eligible costs of a first-time homebuyer. Create an individual income tax deduction for up to $5,000 ($10,000 for married-joint filers) of contributions to such an account each year, up to a lifetime maximum of $50,000 per beneficiary. Specify that only the account holder could claim this deduction, and that an individual may not be the account holder of multiple accounts which designate the same beneficiary. Estimate a reduction in individual income tax revenues relative to current law of $200,000 in 2021-22 and $1,500,000 in 2022-23 and annually thereafter. [A more detailed description of the program is provided in discussion point #9.]

ALT 1	Change to Base
GPR-Tax	- $1,700,000

2. Create the first-time homebuyer program described under Alternative 1, but require that contributions into a first-time homebuyer account are to remain in the account for at least one year (365 days) in order to qualify for the associated tax deduction. Estimate reduced individual income tax revenues relative to current law of $700,000 on an annual basis, beginning in 2022-23.

ALT 2	Change to Base
GPR-Tax	- $700,000

3. Beginning in tax year 2021, create an individual income tax deduction for first-time homebuyers of up to $2,500 ($5,000 for married-joint filers) for the associated down payment and allowable closing costs, defined as disbursements listed in a settlement statement for the purchase of a single-family residence in Wisconsin. Limit the deduction to individuals who reside in Wisconsin and have not previously owned or purchased, either individually or jointly, a single-family residence. Stipulate that the deduction may be claimed only for the year in which the home purchase is made. Estimate reduced individual income tax collections of $7,300,000 on an annual basis, beginning in 2021-22.

ALT 3	**Change to Base**
GPR-Tax	- $14,600,000

4a. Create an annual appropriation under WHEDA and provide $1,500,000 GPR each year to subsidize interest rates and other housing costs for first-time homebuyers receiving a DPA loan from the Authority.

ALT 4a	**Change to Base**
GPR	$3,000,000

4b. Create an annual appropriation under WHEDA and reserve $1,500,000 GPR each year in the Committee's supplemental appropriation. Direct WHEDA to submit a proposal for the Committee to approve, or modify and approve, use of that funding.

ALT 4b	**Change to Base**
GPR	$3,000,000

5. Take no action.

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