



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #320

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

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 158, #8]

#### **CURRENT LAW**

Under current law, as provided under 2005 Acts 25 and 72, the state 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 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); and (5) had a service-connected disability of 100%, based on related federal provisions.

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; and (4) has a service-connected disability of 100% based on related federal provisions. 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 property tax/rent credit (PTRC), the farmland tax relief credit, the farmland preservation credit, or the homestead credit.

The veterans property tax credit is paid through a sum sufficient GPR appropriation. For 2006-07, the cost of the credit is estimated at \$3,383,000. Based on aggregate statistics for 2005 tax returns through October 15, 2006, there were 301 Wisconsin taxpayers who claimed the credit for tax year 2005. The total credit claims amounted to \$866,000, for an average credit of \$2,878.

**GOVERNOR**

Provide increases in estimated expenditures through the sum sufficient appropriation to pay for the refundable veterans and surviving spouses property tax credit of \$108,000 GPR in 2007-08 and \$280,000 GPR in 2008-09. Total funding for the credit would be \$3,491,000 GPR in 2007-08 and \$3,663,000 GPR in 2008-09.

**MODIFICATION**

Reestimate the cost of the veterans and surviving spouses property tax credit at \$1,000,000 in each year. Compared to the bill, the reestimate would reduce estimated expenditures by \$2,491,000 GPR in 2007-08 and by \$2,663,000 GPR in 2008-09.

**Explanation:** Based on aggregate statistics for 2005 tax returns through October 15, 2006, the first year for which the credit was available, there were 301 Wisconsin taxpayers who claimed the credit for tax year 2005. The total credit claims amounted to \$866,000, for an average credit of \$2,878. Based on information on credits claimed to-date for tax year 2006, it appears that claims for the second year will be in a similar range as those made in the first year. Therefore, it appears that the estimated cost of the credit under current law should be reduced. The modification would bring the estimated cost of the credit closer to actual costs of the credit to-date.

	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	- \$5,154,000	- \$4,766,000

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