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Summary of SB-175 relating to: Restricting eligibility for the homestead tax credit

Under current law, individuals who live in housing that is exempt from property taxes are not eligible to claim the homestead tax credit. In addition, those who live in tax-exempt housing for a portion of the year may only claim the tax credit for the portion of the year they did not live in tax-exempt housing. Property owned by a municipal housing authority is not considered tax-exempt for homestead purposes if the authority makes payments in lieu of taxes to the city in which it is located.

The Housing Authority of the City of Milwaukee makes an annual PILOT payment to the city, therefore, its residents are able to claim the homestead tax credit. SB-175 seeks to end the ability of residents of housing authorities and those receiving section 8 housing vouchers to claim the homestead credit. Under the bill, claimants must reduce by one-twelfth the homestead tax credit for each month during the year that the claimant or their spouse receives a housing subsidy under section 8 of the federal program of assisted housing.

Additionally, current law allows residents to claim the homestead credit for up to 5 years after the original claim year. The bill would eliminate the ability of residents to file an amended return for the purpose of claiming the homestead credit.

Although the goal of this legislation seems to be to reduce homestead credit expenses and bring subsidized housing in line with the treatment of W-2, it will have the effect of reducing the disposable income for some of Milwaukee's poorest residents. In addition, a large number of eligible individuals do not claim the homestead credit during the year in which they are eligible. Regardless of the reason for not filing originally, these individuals would lose the ability to amend past returns and claim the homestead credit for prior years.

For more information, please contact:

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