

# Homestead Tax Credit: Restoring Fairness

Keeping people in their homes

## Core Member Organizations

- Aging and Disability Professionals Association of Wisconsin (ADPAW)
- Alzheimer's Association SE Wisconsin Chapter
- Wisconsin Adult Day Services Association (WADSA)
- Wisconsin Association of Area Agencies on Aging (W4A)
- Wisconsin Association of Benefit Specialists (WABS)
- Wisconsin Association of Nutrition Directors (WAND)
- Wisconsin Association of Senior Centers (WASC)
- Wisconsin Institute for Healthy Aging (WIHA)

The Wisconsin Aging Advocacy Network is a collaborative group of individuals and associations working with and for Wisconsin's older adults to shape public policy to improve their quality of life.

**WAAN State Issue Brief**  
July 2016

## WAAN's Position: Restore the annual indexing of the Homestead Tax Credit.

### No Inflationary Adjustments to Homestead Tax Credit Hurts Vulnerable Wisconsinites

Older adults and individuals with disabilities are more likely to be living on fixed incomes, more likely to have multiple health issues, and more likely to spend a higher percentage of their income on housing than the general population. Almost 223,000 households receive the Homestead Tax Credit each year, around 30% of those households belong to individuals over the age of 65.

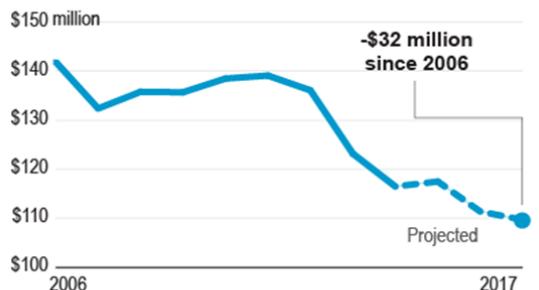
The Homestead Tax Credit is often referred to as a “circuit breaker” because it provides relief once property taxes exceed a certain percentage of low-income household earnings. Without indexing for inflation, the worth of the tax credit erodes and is available to fewer people. At a time when most homeowners are seeing property tax relief, low-income individual property taxes are rising due to the devaluing of the Homestead Tax Credit. The average credit in the state was \$520 in 2010.

According to the Legislative Fiscal Bureau (May 2015), total credit claims are falling at alarming rates—nearly \$3 million over the last biennium. This is due in part to loss of eligibility by some who—due to lack of indexing—no longer qualify.

For people living on limited and/or fixed incomes, the consequences are very real. According to the February 2012 Wisconsin budget project report, **“The lack of indexing means a person living on Social Security in Wisconsin has paid a total of nearly \$12,500 more in property taxes over the last 20 years than he or she would have if the Homestead Credit formula had been adjusted to keep up with the cost of living.”**

### Property Tax Credit for Wisconsin Residents with Low Incomes Continues to Shrink

Change in state spending on the Homestead Property Tax Credit by year, adjusted for inflation.



Source: Legislative Fiscal Bureau

WISCONSIN BUDGET PROJECT

Continued erosion of the program year after year means low-income people—including a significant number of older adults—will continue to pay higher property taxes. For some, the housing cost burden will become too heavy, forcing them to leave their homes and turn to more expensive alternatives to meet their housing and long-term care needs.

### **Homestead Tax Credit**

To ensure relief for those who need it most, the credit is balanced to account for household income and property tax rates. The amount of credit received is determined by a formula based on three factors. Household income threshold, income ceiling, and percentage of property tax-eligible must be adjusted together for the credit to reach people age 18 and older who are most in need.

#### **The Homestead Tax Credit Formula**

**Income ceiling** – Annual household income below \$24,680.

**Portion of property taxes eligible** – Refund of no more than 80% of property taxes—up to \$1,460.

**Household income threshold** – Amount received drops as income rises above \$8,060. The maximum credit is \$1,168.

### **Fairness Through Indexing**

The Homestead Tax Credit is the only major part of the tax code in Wisconsin that is not indexed for inflation. Annual indexing of this tax credit will level the playing field for low-income renters and homeowners—many of whom are women and older adults. To bring back fairness to this tax program, the legislature needs to restore indexing to the three formula factors of this carefully-crafted credit. Small adjustments to the Homestead Tax Credit are investments that will make a big difference over time. They will allow people to meet the increasing costs of housing so they are able to remain living in their homes and contributing members of their communities and local economies.

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