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Changes to Homestead Tax Credit Will Hit Wisconsin Seniors Hard

Thousands of seniors soon will pay higher property taxes, according to a report released today by the Wisconsin Budget Project, "[A Hidden Property Tax Hike for Seniors](#)." The Homestead Credit, which puts money back into the pockets of low-income seniors and helps them stay in their homes, is shrinking this year because state legislators voted to stop adjusting the credit for inflation.

As a result, a senior relying on Social Security can expect his or her tax credit to drop by \$209, or 28 percent, over the next five years, according to the analysis. Other seniors will lose the tax credit altogether because their Social Security income will increase, but the income level that determines eligibility for the tax credit will be frozen.

The Homestead Credit lowers property taxes for owners and renters of limited means who are generally ineligible for the state's Property Tax Rent Credit. Nearly a third of people receiving the Homestead Credit are 66 years old or older, and more than half of all recipients have income of less than \$15,000 per year, according to the Wisconsin Department of Revenue.

Last year the Governor and state legislature reversed a 2009 decision to increase the tax credit annually and raise the eligibility ceiling to reflect changes in the cost of living. Prior to a small increase in the Homestead Credit in tax year 2010, the tax credit formula had been frozen for a decade.

"This is money that will come out of seniors' pockets," said Budget Project research analyst Tamarine Cornelius. "The effect will be relatively small at first but will jump to \$10.5 million next year, and it will continue to snowball from there."

Seniors will be hit particularly hard by the change, said Helen Marks Dicks, the state issues advocacy director of AARP Wisconsin. "Even though the rest of the tax code is adjusted for inflation each year, the Homestead Credit formula has been frozen, which means that annual increases in Social Security income are gradually pushing many seniors over the income eligibility ceiling for the credits," Dicks said. "For those who remain eligible, the size of their credits is steadily shrinking."

Nino Amato, president of the Coalition of Wisconsin Aging Groups, agreed that the policy change would hurt elderly Wisconsinites. "Many seniors have already been struggling to make ends meet, and their financial challenges will be compounded by the decision to allow this vital tax credit to be whittled away by inflation," Amato said.

The Budget Project researchers examined how the credit will shrink over time for seniors as their Social Security income gradually increases. Their analysis found that the portion of property taxes that the Homestead Credit covers will drop to 18 percent in 2016, from 25 percent in 2011, for a person who is living only on Social Security.

The new cut in the Homestead Credit comes after two decades of decline in its value, Cornelius noted. "Twenty years ago, this property tax credit was more than two and a half times larger than today and covered nearly 60 percent of that person's property tax bill. By 2011, it covered only 25 percent," she said.

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The state adjusts the rest of the tax code to keep pace with inflation, Amato noted, including the income threshold for Wisconsin's top income tax bracket. That threshold was raised by more than \$2,500 for 2011. "The legislature chose to protect the wealthiest Wisconsin households, and at the same time raise taxes on people who struggle to make ends meet. It adds to the growing divide between those struggling households and the wealthiest Wisconsinites," Amato said.

Helen Marks Dicks urged lawmakers to reconsider their decision to freeze the credit. "The Homestead Credit puts money back in the pockets of seniors and low-income families, but its drop in value over the past decade illustrates the need to adjust it for inflation, just as the state adjusts the rest of the tax code," Dicks said.

The report is available on the Wisconsin Budget Project website at <http://bit.ly/yRyXjL>.

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