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Contact: Bob Jacobson, WBP, 608-284-0580, x303
Helen Marks Dicks, AARP WI, 608-332-9542
Billy Feitlinger, WIARA, 608- 239-5384
Nino Amato, CWAG, 608-514-3317

Working Class, Elderly Hit with a Property Tax Hike

Thousands of people with low incomes are paying higher property taxes because of a shrinking Homestead Tax Credit, according to a [report released today](#) by the Wisconsin Budget Project. “Property Taxes for Low-Income People Will Continue to Rise Unless Legislature Takes Action” explains that the Homestead Credit is shrinking because state legislators have not adjusted the credit or the income eligibility limit for inflation. Nearly every other part of the state tax code is adjusted for inflation regularly.

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. More than half of all recipients have income of less than \$15,000 per year, according to the Wisconsin Department of Revenue.

Because it is not adjusted to keep up with the cost of living, the value of the Homestead Credit has been significantly eroded by inflation, and will continue to erode further unless policies change. The average value of the credit has fallen by 27% over the last two decades, and the number of people eligible for the credit has declined as their incomes gradually rise above the frozen eligibility limit.

“The Legislature and Governor are focused on tax cuts,” said Jon Peacock, director of the Wisconsin Budget Project. “But here’s one tax *increase* that has flown under the radar. Low-income Wisconsinites will continue to take a hit every year unless the Legislature fixes this problem.”

Billy Feitlinger, executive director of the Wisconsin Alliance of Retired Americans, noted that the frozen formula for the Homestead Credit is particularly a problem for seniors. “People age 63 and older receive almost a third of the Homestead Credits, and seniors receiving it will receive little or no benefit from the income tax cut proposed by the Governor,” Feitlinger said.

According to data from the Department of Revenue, about 757,000 tax filers in Wisconsin will not benefit from the \$343 million income tax cut recommended by the Governor.

Helen Marks Dicks, the state issues advocacy director of AARP Wisconsin, explained why the frozen Homestead Credit formula has the effect of raising taxes for many of Wisconsin’s elderly citizens. “Even though most of the tax code is adjusted for inflation each year, the Homestead Credit formula has been frozen, which means that cost of living increases in Social Security income gradually push 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.”

(more)

The Wisconsin Council on Children and Families and advocates for the elderly believe state lawmakers should use part of the current budget surplus to increase the state's property tax relief for low-income households by increasing the Homestead Credit or at least adjusting it for inflation.

“The budget surplus gives legislators a great opportunity to restore the credit to the value it had ten years ago,” said Nino Amato, president of the Coalition of Wisconsin Aging Groups. “At a minimum, lawmakers should make the tax cut proposed by the Governor more balanced by prospectively adjusting the Homestead Credit for inflation and halting its continued erosion.”

The Wisconsin Budget Project's analysis can be found online at <http://www.wisconsinbudgetproject.org/property-taxes-for-low-income-people-will-continue-to-rise-unless-legislature-takes-action>.

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