



For immediate release
May 18, 2017

Contact: Jon Peacock, 608-284-0580, ext. 307

Budget Bill Increases Taxes for Many Low-income Wisconsinites **An estimated 22,100 households would have tax increases averaging \$516**

The legislature's budget committee votes Thursday on a change that would raise taxes for many low-income Wisconsinites, including people who have temporarily lost their jobs and struggling owners of small businesses.

According to a new analysis by the nonpartisan Legislative Fiscal Bureau, a change the Governor has proposed in the Homestead tax credit would increase property taxes by \$11.4 million for 22,100 low income Wisconsin households. Their average tax increase would be \$516 per year.

Jon Peacock, director of the Wisconsin Budget Project, argued against the proposed change. "At a time when the state has been reducing taxes for most Wisconsinites, we definitely shouldn't be raising taxes for the state's most vulnerable households," Peacock said.

The proposal in the budget bill would substantially change the structure of a tax credit that for more than 50 years has provided targeted property tax relief for low-income households. Since 1964, the credit has been designed to provide the most tax relief to the lowest income households, but the Governor is proposing to change that for people who are under age 62 and do not have a disability.

Under the Governor's proposal, the credit would only be available for non-elderly, non-disabled people if they have earned income from employment, and it would be reduced for people whose earned income is below \$7,300 per year. The Legislative Fiscal Bureau estimates that 11,300 households would lose all of their Homestead credit, and 10,800 would have their credit reduced.

According to the Legislative Fiscal Bureau paper being considered today by the Joint Finance Committee:

"..the proposal primarily eliminates or reduces credits for claimants who may have temporarily lost their job and currently claim unemployment and claimants who are self-employed and have business losses in the year to which the credit relates."

The Governor's rationale for the proposed tax change is that it should encourage work, but Peacock said the state and federal Earned Income Tax Credits already serve that purpose very effectively.

"The Homestead tax credit is very well designed because it targets property tax relief to the people who need it the most," Peacock said. "Approval of the Governor's proposal would be a harsh economic blow to many Wisconsinites who are temporarily unemployed or who face barriers to work, and to those whose small businesses are losing money."

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