

$$\$1,000 \times \frac{6 \text{ (months owned by buyer)}}{12 \text{ (total months)}} = \$500$$

If the buyer paid only \$400 of the \$1,000 in 1979, the buyer's "taxes paid in 1979" (for computing the credit) would be \$200.

$$\frac{6 \text{ (months owned by buyer)}}{12 \text{ (total months)}} \times \$400 \text{ (taxes paid in 1979)} = \$200$$

E. MARRIED PERSONS-HOW TO COMPUTE CREDIT

Husband and wife may compute their property tax or rent credit using the total amount of rent paid in 1979 and property taxes paid in 1979. After computing this credit, it may be divided between them in any manner they choose.

Example: Husband and wife jointly own a home and paid \$2,000 of taxes on such home in 1979. Wife solely owned a cottage and paid \$500 of taxes on the cottage in 1979. The property tax credit is \$300 computed as follows:  $\$2,500 (\$2,000 + \$500 \text{ paid in 1979}) \times 12\% = \$300$  (property tax credit). The \$300 credit may be divided between husband and wife in any manner they choose on their 1979 return.

F. PART-YEAR RESIDENTS-HOW TO COMPUTE CREDIT

Part-year residents must reduce their rent paid in 1979 or property taxes paid in 1979 by 1/12 for each month they were not a resident of Wisconsin. Fifteen days or more of any month is considered a full month.

Example: A person moved from Illinois to Wisconsin and became a Wisconsin resident on May 13, 1979. In 1979, the person paid taxes of \$1,000 on an Illinois home and \$500 of taxes on a Wisconsin home. The portion of the taxes which may be used to determine the property credit is \$1,000.

$$\frac{8 \text{ (months a Wisconsin resident)}}{12 \text{ (total months)}} \times \$1,500 = \$1,000$$

(Note: Since the person was a resident of Wisconsin for more than 15 days in May, 1979, the person is considered a Wisconsin resident for all of May. The person was a Wisconsin resident for 8 months (May - December).)

G. QUESTIONS AND ANSWERS ABOUT THE 1979 PROPERTY TAX/RENT CREDIT

1. Q. Can a person file for both homestead credit for 1979 and the property tax/rent credit?
  - A. Yes. A person can file for homestead credit for 1979 and still claim the property tax/rent credit on a 1979 Form 1 or 1A.

2. Q. Are the property taxes and rent which are used to determine the 1979 property tax/rent credit different than the property tax and rent amounts used to compute a credit under the Homestead credit program?

A. Yes, in certain instances. The following is a comparison of the rent and taxes which may be used to determine a 1979 Homestead credit and the property tax/rent credit.

	<u>1979 Homestead Credit</u>	<u>1979 Property Tax/Rent Credit</u>
May taxes on property located outside of Wisconsin be used?	No	Yes
Must property taxes be paid before credit is claimed?	No	Yes
In determining a 1979 credit, may taxes or rent for other years (e.g., 1978) which are paid in 1979 be used?	No	Yes
Is there a limit of the amount of property taxes or rent used to determine a credit?	Yes	No
When an individual's home is part of a larger property (e.g., a farm) used partly for business, may the taxes on the entire property be used?	Yes (Subject to a 120 acre limit)	No
Is rent reduced by the value of utilities, furniture, furnishings and appliances provided as part of the rent?	Yes	No

3. Q. Can a claim for this credit be filed on behalf of a deceased person?

A. Yes. A person does not have to be living at the time a claim for this credit is filed on Form 1 or 1A. A person may file a claim for the credit on behalf of the deceased person, but the credit may only be claimed on the decedent's Wisconsin Form 1 or 1A. Only those property taxes paid by the decedent while he or she was living in 1979 may be considered in computing the property tax credit. If the decedent rented in 1979, include only the rent paid in 1979 for the period the decedent occupied his or her living quarters.

4. Q. If a person lives part of 1979 in tax-exempt housing (i.e., not subject to property taxes), can the person still claim a credit?

A. Yes, if during 1979 the person pays any of the following:

- a) property taxes for nonbusiness property
- b) rent for living quarters which are subject to real estate taxes
- c) rent to a tax-exempt housing authority which makes payments in lieu of taxes under s. 66.40(22) of the Wisconsin Statutes

5. Q. Must a person occupy the property for which rent or property tax was paid?

A. Renters must occupy the living quarters used as their primary residence. However, a person is considered to be occupying his or her living quarters even though he or she is temporarily absent from the living quarters.

Property owners are not required to occupy the property on which the property tax credit is based. For example, a person does not have to occupy the land, cottage, or home that he or she owns and paid property taxes on in 1979.

6. Q. Would a person ever have to subtract an amount from rent paid to compute the rent credit?

A. Yes. The rent paid in 1979 for a person's living quarters must be reduced if the rent includes domestic, food, medical or other services unrelated to the use of the rented quarters as housing. For example, if a person's rent includes maid services, nursing care or food, the value of those services would have to be subtracted from the rent before computing the rent credit.

7. Q. A person paid \$200 per month rent in 1979 (\$2,400 total rent paid in 1979) for living quarters which included furniture, parking, use of a swimming pool and tennis courts. The landlord paid the heat and electricity bills to the utility company. What is the rent paid in 1979?

A. The "rent paid in 1979 for living quarters" for this person is \$2,400. The rent does not have to be reduced for the furniture, parking, and use of swimming pool and tennis courts. The rent credit is \$59. If the renter had paid the heat instead of the landlord, the rent credit would be \$74.

8. Q. A person rented an apartment and paid 13 months rent in 1979, \$200 per month for January through December, 1979 and a late payment for December, 1978. In this situation, may the 13 months rent paid in 1979 be used in computing the rent credit?

A. Yes. All rent paid in 1979 for living quarters used as the person's primary residence may be included in computing the rent credit. Rent paid in 1979 of \$2,600 (\$200 x 13 payments) would be used to compute the rent credit.

9. Q. A person rented an apartment from January through April, 1979 and paid \$200 per month for four months in 1979 but only lived there through March 31, 1979. On April 1, 1979 the person rented and moved into another apartment and paid rent of \$300 per month in 1979 for April through December, 1979. The person paid rent for 13 months in 1979 ( $\$200 \times 4 \text{ months} = \$800$ ,  $\$300 \times 9 \text{ months} = \$2,700$ ). May the person use the total 13 months rent paid in 1979 of \$3,500 in computing the rent credit?

A. No, only the rent paid in 1979 for the apartment the person occupied as his or her primary residence may be used to compute the credit. In this example, the rent paid in 1979 would be \$3,300.

Rent (Jan.-March)	$\$200 \times 3 = \$$	600
Rent (April-Dec.)	$\$300 \times 9 =$	<u>2,700</u>
Total Rent Paid in 1979		<u><u>\$3,300</u></u>

(Note: The rent paid of \$200 for April, 1979 may not be used in computing the credit because that apartment was not occupied as the person's primary residence in April, 1979.)

10. Q. If a person paid rent for living quarters in Wisconsin and, in addition, paid property taxes on an out-of-state cottage, can the person claim a credit for both the rent and property taxes paid?

A. Yes. The property does not have to be located in Wisconsin. For example, if a person rented an apartment in Wisconsin and owned a cottage in Minnesota, the person would be eligible for both the rent and property tax credit.

11. Q. A person paid rent for an apartment which was used as the person's primary residence for all of 1979. During two months of the summer, this person also paid rent for a cottage on a lake in northern Wisconsin. May the person use the rent paid for the apartment and the cottage to determine the rent credit?

A. No. The person may use only the rent paid on his or her primary residence (the apartment). The rent paid for the cottage may not be used in computing the rent credit.

12. Q. During the period January through April 1979, a person paid rent of \$150 per month for an apartment in which heat was paid for by the landlord. During the rest of 1979 this person paid rent of \$200 per month for an apartment in which he or she (renter) paid for the heat. How does the person compute the rent credit?

A. A separate credit for each apartment must be determined and then the two credits combined to compute the total rent credit. Based on rent paid of \$600 ( $\$150 \times 4$ ) for the apartment with heat paid by the landlord, a rent credit of \$16 would be determined by using the appropriate column (column 1) of the rent credit table included in the instructions for Form 1 and 1A. Based on rent paid of \$1,600 ( $\$200 \times 8$ ) for the apartment which the renter paid the heat, a credit of \$50 would be determined by using the appropriate column (column 2) of the table. The two credits would then be added together and a total rent credit of \$66 (\$16 plus \$50) entered on line 10 of the Wisconsin income tax return.

Both boxes which appear on line 10 of the Wisconsin income tax return should be checked. The renter should indicate next to each box the amount of rent paid for the apartment for which he or she paid the heat (\$1,600) and the amount of rent paid for the apartment for which the landlord paid the heat (\$600).

13. Q. May a person claim property taxes as an itemized deduction and disregard the property tax credit?
- A. No. Taxes may no longer be claimed as an itemized deduction on the Wisconsin income tax return, regardless of whether or not the property tax credit is claimed.
14. Q. A person paid his or her 1978 property taxes of \$1,000 in 1979, and received the 1978 special 10% property tax/rent credit of \$100, as well as the rebate check of \$100 in 1979. Must this \$200 be subtracted from the taxes paid in determining the property tax/rent credit on the person's 1979 return?
- A. No. The 1979 credit may be based on the full \$1,000 of property taxes paid during 1979. The person should not reduce his or her taxes of \$1,000 by either the 1978 special property tax credit of \$100 or the rebate of \$100.
15. Q. A person's 1979 property tax bill is \$1,000. The person pays \$500 of the taxes in December, 1979 and the remaining \$500 in February, 1980. What amount of the property tax bill is used in computing the credit?
- A. Since the 1979 credit must be based on property taxes paid in 1979, the person would use the \$500 of taxes paid in December, 1979 in computing the credit.
16. Q. What amount is used for computing the property tax credit if a tax bill shows total taxes of \$1,500, less a "state tax credit" of \$225, plus an additional charge for a special assessment of \$200 for street repair? The net amount due is \$1,475 (\$1,500 less \$225 plus \$200).
- A. Taxes of \$1,275 would be used in computing the credit. This is the amount of net general taxes (\$1,500) less the state tax credit (\$225). Special assessment charges may not be included as taxes paid for computing the credit.
17. Q. A person owns three parcels of real estate: a home, a rental unit, and a summer cottage. In computing the property tax credit, may the person use property taxes paid in 1979 of \$1,500 on the home, \$2,800 on the rental unit, and \$700 on the cottage?
- A. In computing the credit, a person may use all property taxes, except those taxes which are includible as a trade or business expense. Therefore, the taxes of \$2,800 paid on the rental unit could not be used. If the cottage was rented out for part of the year, the prorated taxes for the cottage for that part of the year would also have to be excluded. For example, if the cottage was rented out for June, July and August, \$175 of the taxes could not be used ( $\$700 \times \frac{3}{4} = \$175$ ), leaving a balance of \$525. The total taxes paid in 1979 for computing the property tax credit is \$2,025 (\$1,500 + \$525).

18. Q. If a person owns property with another person (other than his or her spouse), how are "property taxes paid in 1979" determined?

A. Each person's "property taxes paid in 1979" is based upon his or her ownership interest in the property. For example, if two brothers jointly own a house (each owns 50% of house) and each paid property taxes of \$1,000 on the house in 1979, each would claim a property tax credit based on \$1,000 of property taxes. If the one brother had paid the total property tax bill of \$2,000, he would base his credit on only \$1,000 of property taxes which reflects his ownership percentage of 50%. Since the other brother paid no property taxes, he is not eligible for the credit.

If one brother wrote a check in 1979 for \$2,000 to the city treasurer for the property taxes, and he received \$1,000 in 1979 from his brother for that brother's one-half share of the property taxes, each brother is considered to have paid \$1,000 for property taxes in 1979.

19. Q. Can a husband and wife have two separate principal residences and both claim the property tax or rent credit? For example, assume one spouse lives in a house in the city and pays the property taxes of \$1,000 in 1979 on her principal residence where she lives, and the husband pays rent for his principal residence in a nursing home?

A. The property tax credit would be computed for the taxes on the house. The rent credit would be computed for rent paid to the nursing home. The total of both of these credits may be split between husband and wife in any manner they choose.

20. Q. If a husband and wife marry in 1979, how do they compute their credit?

A. They can add the rent or property taxes paid while they were single to the rent or property taxes paid after their marriage to compute their credit. For example, husband and wife were married on September 1, 1979. For January through August of 1979, the wife paid rent of \$200 per month and the husband paid rent of \$150 per month. For September through December 1979, they paid rent of \$250 per month for one apartment. Their total rent paid in 1979 for computing the rent credit is \$3,800.

Wife (Jan.-Aug.)	\$200 x 8 = \$1,600
Husband (Jan.-Aug.)	\$150 x 8 = 1,200
Husband and wife (Sept.-Dec.)	\$250 x 4 = <u>1,000</u>
Total Rent Paid in 1979	<u>\$3,800</u>

21. Q. May a person who was a resident of Wisconsin for only part of 1979 claim the property tax/rent credit?

A. Yes, a person is eligible for a prorated credit if he or she was a resident of Wisconsin for at least 15 days in any month during 1979. For example, if a person became a resident of Wisconsin on December 17, 1979, the person would be eligible for the credit (December 17 through December 31 is 15 days). If the person became a Wisconsin resident on December 18, 1979, he or she would not be eligible (less than 15 days).

22. Q. How do part-year residents of Wisconsin determine this credit?

- A. Part-year residents must reduce their property taxes or rent by 1/12 for each month they were not residents of Wisconsin. In this calculation, fifteen (15) days or more of any month is considered a full month. For example, a person is a resident of Wisconsin from February 17 to December 31, 1979. Total property taxes paid during 1979 are \$1,000, including \$200 paid on property in Illinois and \$800 paid on Wisconsin property. The \$1,000 of taxes paid in 1979 must be reduced by 2/12 (2 months not a Wisconsin resident).

$$\$1,000 \times 2/12 = \$167$$

$$\$1,000 \text{ less } \$167 = \$833 \text{ (Property Taxes Paid in 1979)}$$

Based on \$833 of taxes paid in 1979, the property tax credit is \$101.

23. Q. How does a person living in a mobile home compute the credit?

- A. Owners of mobile homes can claim both a rent credit based on rent paid for the space their mobile home occupies, and a property tax credit based on monthly parking permit fees (which constitute property tax paid) paid to the municipality or personal property taxes paid on the mobile home in 1979. For example, a person paid \$60 per month in 1979 for space rental and \$25 per month for parking permit fees. The person can base his or her rent credit on space rental of \$720 (\$60 x 12) and base the property tax credit on parking permit fees of \$300 (\$25 x 12). Using the tables provided in the Wisconsin Form 1 or 1A instructions, the rent credit is \$23 (if the owner of the mobile home paid for the heat) and the property tax credit is \$38.