



Tax Releases

“Tax Releases” are designed to provide answers to the specific tax questions covered, based on the facts indicated. In situations where the facts vary from those in a tax release, the answers may not apply. Unless otherwise indicated, tax releases apply for all periods open to adjustment, and all references to section numbers are to the Wisconsin Statutes. (Caution: Tax releases reflect interpretations by the Wisconsin Department of Revenue, of laws enacted by the Wisconsin Legislature as of the date published in this Bulletin. Laws enacted after that date, new administrative rules, and court decisions may change the interpretations in a tax release.)

The following tax release is included:

Individual Income Taxes

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INDIVIDUAL INCOME TAXES

1 State Historic Rehabilitation Credit: Repayment if Recipient Dies

Statutes: Section 71.07(9r)(k), Wis. Stats. (2001-02)

Background: Individuals who meet the requirements specified in sec. 71.07(9r), Wis. Stats. (2001-02) may qualify for a tax credit for rehabilitating historic property used as their personal residence. Section 71.07(9r)(k), Wis. Stats. (2001-02), states, in part:

A natural person who receives a credit under this subsection shall add to his or her liability for taxes imposed under s. 71.02 one of the following percentages of the amount of the credits received under this subsection for rehabilitating or pre-

serving the property if, within 5 years after the date on which the preservation or rehabilitation work that was the basis of the credit is completed, the person either sells or conveys the property by deed or land contract...

Facts: Taxpayer A completed rehabilitation work on his solely owned personal residence in August 2000. The Wisconsin Historical Society certified the project for the state historic rehabilitation credit. Taxpayer A claimed the state historic rehabilitation credit on his 2000 Wisconsin individual income tax return. In June 2003, within 5 years after the rehabilitation work was completed, Taxpayer A dies. The personal residence is part of his estate, and his will provides that each of his three children will receive an equal interest in the property.

Question 1: If Taxpayer A’s children sell the property, must the historic rehabilitation credit be repaid?

Answer 1: No, the historic rehabilitation credit for the personal residence does not have to be repaid.

Question 2: If one child decides to live in the property and purchases the interests of the other two children, must the historic rehabilitation credit be repaid?

Answer 2: No, the historic rehabilitation credit for the personal residence does not have to be repaid.

The law requires the natural person who receives the state historic rehabilitation credit to repay all or a portion of it if, within 5 years after the date on which the rehabilitation work is completed, that person either sells or conveys the property by deed or land contract. The law does not require repayment of the credit upon the death of the person who received it. Therefore, Taxpayer A’s children who inherited the property are not required to repay the state historic rehabilitation credit.