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## WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

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<b>January 2014 Special Session Assembly Bill 1</b>	<b>Assembly Amendments 2, 3, and 4, and Assembly Amendment 1 to Assembly Amendment 4</b>
<i>Memo published:</i> February 13, 2014	<i>Contact:</i> Anna Henning, Staff Attorney (266-0292)

January 2014 Special Session Assembly Bill 1 makes various changes relating to income and property taxes.

### **JANUARY 2014 SPECIAL SESSION ASSEMBLY BILL 1**

Among other substantive and technical changes, January 2014 Special Session Assembly Bill 1 makes the following changes relating to income and property taxes:

- For purposes of the state income tax, reduces the rate of taxation on the bottom income tax bracket from 4.4% to 4.0%.
- Replaces the levy limit applicable to technical college districts with a revenue limit, and appropriates \$406 million to the Wisconsin Technical College System, to be used in lieu of revenues from property taxes.
- Allows certain tax credits that may currently be used only to offset regular income tax liability to offset tax liability under the alternative minimum tax.

A summary of the bill's provisions, prepared by the Legislative Fiscal Bureau, is available at the following link: [http://legis.wisconsin.gov/lfb/publications/Miscellaneous/Documents/2014\\_01\\_28%20January%202014%20SS%20Bills.pdf](http://legis.wisconsin.gov/lfb/publications/Miscellaneous/Documents/2014_01_28%20January%202014%20SS%20Bills.pdf).

### **ASSEMBLY AMENDMENT 2**

Assembly Amendment 2 makes two changes to the bill. First, under current law, an individual may carry forward business losses for 20 years, which mirrors the federal period in which carry forwards are allowed, but corporate tax filers may carry forward business losses

for 15 years. The amendment allows corporate tax filers to also carry forward business losses for 20 years.

Second, under current law, depletion is computed as specified under federal law. The amendment specifies that depletion is computed as specified in the version of the federal Internal Revenue Code that is in effect at the time that the relevant property is placed in service.

### **ASSEMBLY AMENDMENT 3**

Assembly Amendment 3 relates to the treatment of carry-backs for purposes of calculating income for the Homestead Tax Credit. Under current law, as affected by 2013 Wisconsin Act 20, business losses may be carried back to previous years' tax returns. The bill specifies that those carry-backs are included within the definition of "income" for purposes of the Homestead Tax Credit. The amendment makes that change effective retroactively, to taxable years beginning on or after January 1, 2012.

### **ASSEMBLY AMENDMENT 4 AND ASSEMBLY AMENDMENT 1 TO ASSEMBLY AMENDMENT 4**

*Assembly Amendment 4* provides an exemption from state sales and use taxes for materials purchased by a construction contractor as part of the construction of a facility owned by one of the following types of entities:

- One of several types of state, local, and nonprofit entities that are eligible to receive an exemption from sales and use taxes under state law.
- An entity that is exempt from federal income taxation under section 501 (c) (3) of the federal Internal Revenue Code.

For purposes of the exemption, the amendment defines "facility" to include any building, shelter, parking lot, parking garage, athletic field, athletic park, storm sewer, or water supply system. The amendment specifies that "facility" does not include a highway, street, or road.

*Assembly Amendment 1 to Assembly Amendment 4* narrows the scope of the sales and use tax exemption to make it applicable only to facilities owned by counties, cities, villages, towns, and school districts in the state. In addition, the amendment modifies the definition of "facility" for purposes of the exemption to include highways and streets (but not roads).

The changes made under the amendment would first apply to construction contracts entered into on July 1, 2015.

### **BILL HISTORY**

Assembly Amendments 2 and 3 to January 2014 Special Session Assembly Bill 1 were introduced by Representative Kooyenga on February 5, 2014, and February 6, 2014,

respectively. Assembly Amendment 4 to the bill was introduced by Representatives Jacque, Marklein, and Kulp on February 6, 2014. On February 6, 2014, the Assembly Committee on Jobs, Economy, and Mining voted to recommend the adoption of Assembly Amendments 2, 3, and 4, on votes, respectively, of Ayes, 9, Noes, 6; Ayes, 15, Noes, 0; and Ayes, 11, Noes, 4.

The Assembly adopted Amendments 2, 3, and 4, and Assembly Amendment 1 to Assembly Amendment 4, by voice votes on February 11, 2014. On the same day, the Assembly passed the bill, as amended, on a vote of Ayes, 62; Noes, 37.

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