

1999 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-AB133)

Received: 06/23/99

Received By: jkreye

Wanted: Soon

Identical to LRB:

For: Assembly Republican Caucus

By/Representing: Kratochwill

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Alt. Drafters:

Subject: Tax - corp. inc. and fran.

Extra Copies:

Pre Topic:

ARC:.....Kratochwill - TP (7),

Topic:

Services rendered from out of state to use cost-of-performance standard

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 06/24/99	gilfokm 06/24/99		_____			
/1			martykr 06/24/99	_____	lrb_docadmin 06/24/99		

FE Sent For:

<END>

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1?	jkreye	1-6-24 kmg	km/24	km/24			

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<END>

of time-shares are subject to the real estate transfer fee and not the sales tax. The fiscal effect is estimated to be a net reduction of general fund tax collections of \$70,000 in 1999-00 and \$90,000 in 2000-01, assuming an effective date of October 1, 1999.

1158
4. *Vending Machine Sales Tax Exemption.* Provide that, effective July 1, 2001, food and beverages that are exempt from the state sales tax when sold in a store for off-premises consumption would also be exempt when sold through a vending machine. Under current law, DOR assumes that sales of such items through vending machines are sold for on-premises consumption and are therefore subject to the sales tax. Due to the effective date of the provision, there would be no effect on general fund revenues during the 1999-01 biennium. However, it is estimated that this provision would result in reduced general fund revenues of \$3,700,000 annually, beginning in 2001-02. This estimate, which is in 1999-00 dollars, reflects a recent DOR study of vending machine compliance.

5. *Sales Tax Exemption for Internet Access Services.* Provide a sales and use tax exemption for Internet access services effective July 1, 2001. Under current law, DOR has interpreted the general statute relating to taxation of telecommunications services to include Internet access charges. Therefore, such services are taxable if they originate or terminate in this state and are charged to a Wisconsin billing address. This provision would exempt Internet access charges from the state sales and use tax. Due to the effective date of the provision, there would be no effect on general fund revenues during the 1999-01 biennium. However, it is estimated that this provision would result in reduced general fund revenues of \$6,400,000 annually, beginning in 2001-02. This estimate is in 1999-00 dollars and does not account for anticipated growth in sales of Internet access services subsequent to 2000-01.

6. *Individual Income Tax -- Miscellaneous Itemized Deductions.* Allow travel and home office expenses to continue to be claimed as a miscellaneous deduction under the itemized deduction credit. The income tax proposal as recommended by the Governor and modified by the Committee would eliminate miscellaneous deductions from the itemized deduction credit, with a provision to continue to allow union and professional dues to be deducted as a miscellaneous expense. The modification relating to travel and home office expenses is estimated to have a minimal fiscal effect.

1165
7. *Corporate Income and Franchise Tax -- Sourcing of Receipts from Sales of Certain Services.* Provide that, in determining sales that would be included in the single-sales factor apportionment formula, in cases where a service is rendered from a jurisdiction outside of Wisconsin that situates services based on a standard different than where the benefit of the service is received, the service provider may elect to use the cost of performance standard for all services provided. Under the Joint Finance version of the bill, sales from services are attributed to the state where the benefit is received. This provision would reduce state corporate income and franchise tax revenues by an unknown amount.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb1165A

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ARC:.....Kratochwill - TP (7), Services rendered from out of state to use cost-
of-performance standard

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION *Fix Request sheet*

CAUCUS AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 1999 ASSEMBLY BILL 133

SOON

1 At the locations indicated, amend the substitute amendment as follows:

2 ✓ 1. Page 829, line 19: after *of the* "service" insert "except as provided in subd. 4". *one*

3 ✓ 2. Page 830, line 14: after that line insert:

Fert. treat

5 "4. If the benefit of a service is received in this state, as provided under this
6 subsection, and the service is performed in a state that does not attribute the receipts
7 from a service to the state in which the purchaser of the service receives the service,
8 the taxpayer may elect, by a method prescribed by the department, to attribute the
9 receipts from the service to this state in proportion to the direct cost of performing
such service."

10 ✓ 3. Page 878, line 1: after *of the* "service" insert "except as provided in subd. 4". *b*



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb1165/1
JK:kmg:km

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FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

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