

STATE OF WISCONSIN

REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS

1999 ASSEMBLY BILL 634

[Introduced by Representatives M. Lehman and Wood; cosponsored by Senators Wirch and Drzewiecki.]

General Nature of Proposal

The bill makes numerous changes to Wisconsin's tax laws, which are described in the Legislative Reference Bureau analysis to the bill. The provision of the bill that affects a tax exemption is described below.

Under current law, the sale of certain goods are exempt from the sales and use taxes if those goods are "used exclusively" for a particular purpose. Generally, the statutes do not define what it means to be "used exclusively" for a particular purpose. However, the term is defined for purposes of the sales and use tax exemption related to certain tractors and machines used in the business of farming. Under that provision, the term "used exclusively" means used to the exclusion of all other uses, except for other use not exceeding 5% of total use.

The bill defines the term "used exclusively" for purposes of the current exemptions that use that term. Under the bill, an item is "used exclusively" if the item is used in a nontaxable manner to the exclusion of all other uses, except for other uses that do not exceed 5% of total use in a year. Under the bill, the percentage of total use is to be determined as follows, unless a person receives written approval from the Department of Revenue to use an alternate method:

a. For highway vehicles, including trailers and semitrailers, exclusive use is determined by dividing the number of miles that the item is driven or hauled in a nontaxable manner in the taxable year by the total number of miles that the item is driven or hauled in the same taxable year.

b. For an item other than that described in item a., above, exclusive use is determined by dividing the number of hours that the item is used in a nontaxable manner in the taxable year by the total number of hours that the item is used in the same taxable year.

Generally, the bill affects the exemption for the following items: equipment, tractors and machinery used for farming; trucks, buses and other items used by common and contract carriers; waste reduction and recycling equipment and motor vehicles; and manufacturing equipment and machinery.

Legality Involved

There are no questions of legality involved.

Fiscal Effect Upon the State and Its Subdivisions

The Department of Revenue estimates that the changes provided in the bill, including the above-described changes, relating to the definition of "used exclusively," are not expected to have a significant fiscal effect upon the state.

Public Policy Involved

The provisions of the bill affecting tax exemptions are good public policy.