

Fiscal Estimate Narratives

DOR 3/30/2006

LRB Number	05-4031/3	Introduction Number	AB-1112	Estimate Type	Original
Description Mergers, conversions, and other business combinations; merger and conversion reports; the authority of the boards of directors of business corporations and corporate committees; corporate shareholder notices and meetings; the transfer of corporate property to certain affiliates; naming limited partnerships; and providing penalties					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, conveyances of real property pursuant to a merger or conversion are exempt from the real estate transfer fee. The merging and converting business entities must file a real estate transfer fee return and the surviving entities must record instruments of conveyance with the register of deeds in each county where real estate is located.

Under the bill, conveyances pursuant to a merger or conversion remain exempt from the real estate transfer fee. However, to claim the exemption, a certified copy of the document providing evidence of the merger or conversion must be submitted with the real estate transfer fee return.

The bill also requires the surviving entity of the merger or conversion to file a report with the department of revenue no later than 60 days after the effective date of the merger or conversion. The report must include the following information:

- The effective date of the merger or conversion.
- The name, address and federal employer identification number of each business entity that is party to the merger or conversion.
- The name, telephone number and address of a person at the surviving business entity that the department may contact regarding the report and the address to which tax bills should be sent.
- The parcel identification number of each fee simple ownership interest in Wisconsin real estate owned by the surviving business entity and the municipality in which it is located.
- In the case of a conversion, a sworn statement that the ownership interests of the surviving entity are identical with the ownership interests of the original entity immediately preceding the conversion.
- A certified copy of the document providing evidence of the merger or conversion must be submitted with the real estate transfer fee return.

A surviving entity that fails to file a timely report is subject to a penalty of \$200 per day, not to exceed \$7,500. No penalty is imposed if the entity shows good cause and that the late report is not due to neglect. If the report does not specify each municipality in which a fee simple ownership is located, the surviving entity is subject to a penalty of \$1,500 for each municipality not specified.

Fiscal Effect

Since the business entities are exempt from tax under current law and under the bill, there is no estimated fiscal effect on real estate transfer fee collections. Any additional revenue because of the penalties, for the state and the municipalities, is expected to be minimal.

Long-Range Fiscal Implications