

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

**Committee on
Agriculture and
Insurance
(SC-AI)**

File Naming Example:

Record of Comm. Proceedings ... RCP

- 05hr_AC-Ed_RCP_pt01a
- 05hr_AC-Ed_RCP_pt01b
- 05hr_AC-Ed_RCP_pt02

Published Documents

➤ Committee Hearings ... CH (Public Hearing Announcements)

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Record of Comm. Proceedings ... RCP

➤ **

*Information Collected By
Committee Clerk For Or Against
Proposal*

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

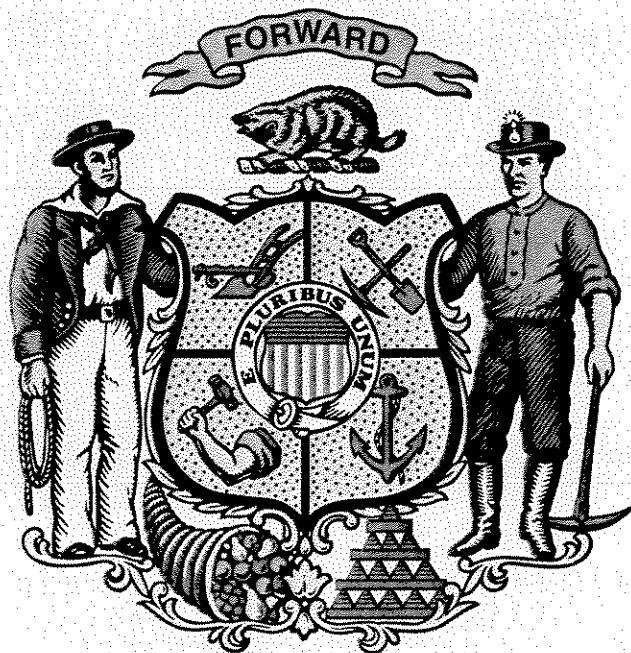
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➤ Hearing Records ... HR (bills and resolutions)

➤ **05hr_ab0606_SC-AI_pt01**

➤ Miscellaneous ... Misc

➤ **





State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

Senate Committee on Agriculture and Insurance Hearing, October 26, 2005

ASA1 to AB 606 – Exempting from Sales and Use Tax Vitamins, Supplements, and Hormones Used on Farm Livestock, and Electricity Used in Agricultural Biotechnology (Committee on Agriculture)

Description of Current Law and Proposed Change

As amended by ASA1, the bill would create a sales and use tax exemption for purchases of vitamins, supplements, and hormones used on farm livestock. In addition, the bill would define "agricultural biotechnology" and exempt from sales and use tax purchases of electricity consumed in research or product development related to agricultural biotechnology. The bill would take effect July 1, 2007.

Fairness/Tax Equity

- The exemptions would narrow the tax base, thereby shifting more of the cost of public services to remaining taxpayers. Agriculture already enjoys substantial income, sales and property tax breaks and benefits from a variety of government programs directed at the industry.
- Since the bill carves out an exemption for electricity used in agricultural biotechnology but not other types of biotechnology, non-agricultural biotechnology companies could argue that the exemption is discriminatory and that their purchases of electricity should also be exempt. In addition, it is not clear that in practice agricultural biotechnology can be distinguished from other types of biotechnology.

Impact on Economic Development

- By reducing their costs of production, the exemption from sales tax of purchases of products used on livestock could enhance the ability of Wisconsin farmers to compete with those of other states. In addition, the exemptions could motivate investment in farming and agricultural research and development. However, since a livestock investment income tax credit was recently included in the state budget, this exemption is unlikely to provide significant additional incentive for farmers. Additionally, an income tax credit for research and development expenditures and facilities is already available for all corporations.

Administrative Impact/Fiscal Effect

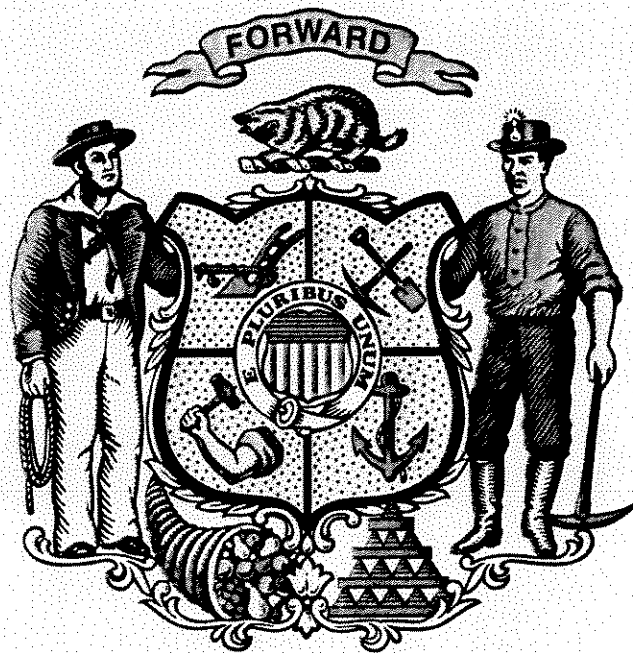
- The exemptions under the bill would reduce sales tax collections. However, the bill takes effect July 1, 2007, thereby shifting the reduction in sales tax collections to the 2007-09 biennium. Data are not available to estimate the amount of the decrease.

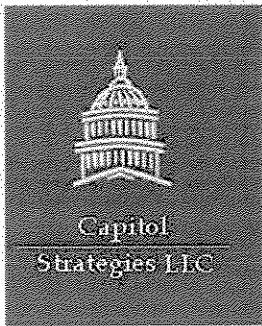
Prepared by: Blair Kruger, (608) 266-1310

October 24, 2005

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Capitol Strategies, LLC

Government relations and Public Policy Consulting Firm

DATE: October 24, 2005

TO: Senate Committee on Agriculture and Insurance

FROM: Amy Winters, Contract Lobbyist for CropLife America and Monsanto Company

RE: Talking Points on Assembly Bill 606 pertaining to a Sales and use tax exemption for electricity used in research and development of agricultural biotechnology and for vitamins, feed supplements and hormones used on Livestock.

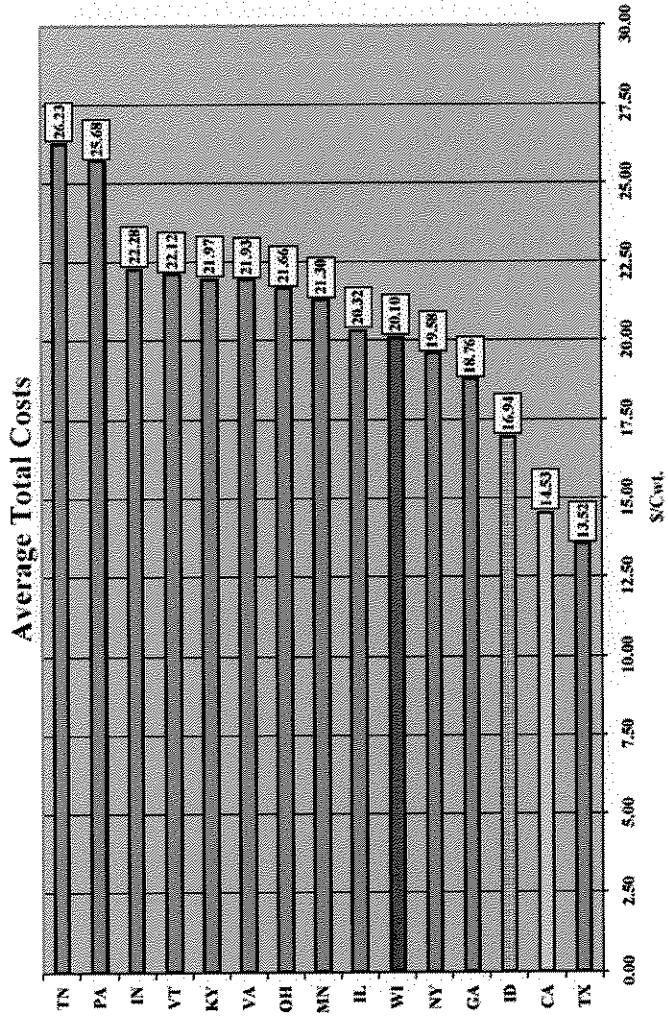
- Exempting Vitamins, feed supplements and hormones used on livestock will help make Wisconsin producers more competitive with those in other states. Wisconsin is one of only 8 states, and the only top 5 dairy state, that does not have a sales and use tax exemption for these agricultural inputs (see attached map).
- With Wisconsin dairy production costs \$5.57 per hundredweight higher than California and \$3.16 higher than Idaho, the rising stars among cheese states, Wisconsin needs to do everything it can to help its producers stay competitive, this bill will help level the playing field (see attached graph)
- Currently, manufacturing inputs in the state, including electricity, are exempt from the sales and use tax; agriculture is also exempt from paying a sales and use tax on electricity. The agriculture biotechnology industry however is a missing link in this exemption that needs to be connected.
- Wisconsin has over 30 bio-science companies devoted to agriculture that provide thousands of jobs and sales in excess of \$632 million. Research that is being done right here in Wisconsin is providing our state's farmers with the advanced tools they need to be profitable and succeed.
- In 2002 there was a \$498 million impact associated with biotech crops in Wisconsin, a significant boost to the state's economy; animal biotechnology, has provided valuable tools in milk production and produced vaccines to protect animals against disease such as swine pseudorabies.
- AB 606 would not only encourage the future development of the biotechnology industry in the state, it will also level the playing field for these companies.
- With Wisconsin looking to market itself as a biotechnology center, this legislation is an important initiative and sends a strong message to the industry that they are welcome in our state.

Livestock Vitamins, Supplements and hormones Sales and Use Tax Status In the United States



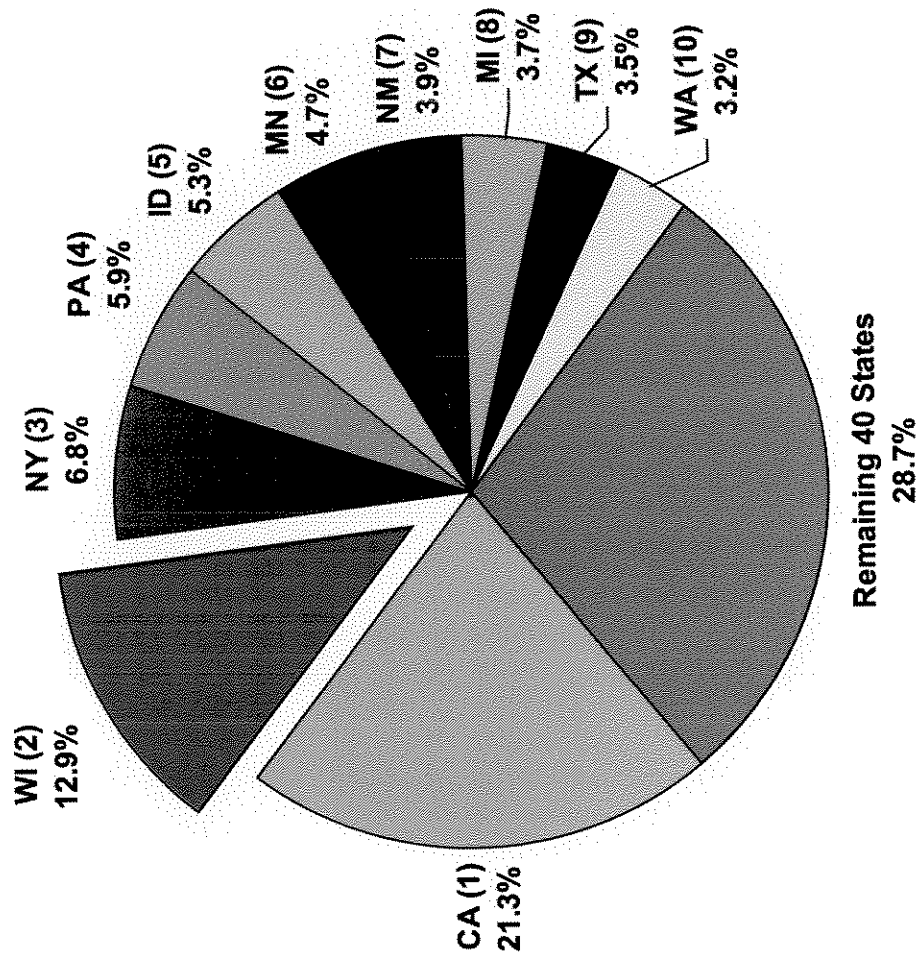
Sales and Use Tax Status
■ No Sales Tax (42)
□ Taxed (8)

Dairy Production Costs in Top Dairy States



* Costs are for 2003

2004 Market Share of Milk Produced for Top 10 Dairy States





Wisconsin Technology Network

The region's leading source for news, commentary and analysis for technology and life science.

Modernizing the tax code can make Wisconsin tech businesses more competitive

By Tom Still • 10/16/05



Madison, Wis. – More than 30 years ago, then-Gov. Pat Lucey and the Wisconsin Legislature agreed to exempt manufacturing equipment and machinery from property taxes. It was a bipartisan decision that has given Wisconsin industry an enduring edge, even when hard times and foreign competition threatened.

Today, Wisconsin policymakers are helping another business sector – technology – gain a competitive toehold by reducing state taxes that discourage home-grown innovation. If the pattern continues, the bipartisan work taking place in the first decade of the 21st century will help propel the state economy for years to come.

A little-noticed legislative hearing last week illustrated the trend. State Rep. Steve Wieckert, R-Appleton, has introduced Assembly Bill 623, which would give businesses a sales tax break for electricity used in research and development. In other words, if Kimberly Clark spent \$1.5 million per year on electricity to power its Wisconsin research facilities – and that's a pretty good estimate – it would not pay \$75,000 in sales taxes it would otherwise owe the state Department of Revenue.

That may seem like a relatively small item to a multi-billion-dollar company, but every bump in the bottom line helps when it comes to corporate decisions on where to locate research facilities. That is especially true for a company such as Kimberly Clark, which has deep Wisconsin roots but is headquartered in Texas and has significant production facilities in Georgia. If there's a reasonable way to give Wisconsin an edge over Georgia or Texas, it's worth doing because it could mean retaining or adding high-wage jobs. That's why Gov. Jim Doyle appears to support Wieckert's bill.

Increasingly, policymakers from both parties are pursuing tax changes – big and small – that could spur Wisconsin's high-tech environment. Early this year, Wisconsin Act 255 took effect. That law created tax incentives for angel investors and venture capitalists who invest in "qualified" Wisconsin tech companies, and the results so far are encouraging. Investors are using the credits to ease the risk of investing in early-stage companies that could generate tomorrow's jobs.

In the last state budget, Doyle approved a change in how earnings of certain tech companies are taxed. Effective for tax years starting in 2005, revenue from the licensing of computer software and services will be treated as Wisconsin revenue only if the purchaser of the software or services uses them in Wisconsin. This change equalizes the tax treatment of affected tech companies compared to traditional manufacturing companies.

Had the Wisconsin rules not been changed, Wisconsin-based tech companies would have continued to be doubly taxed on each sale – by Wisconsin, which has treated out-of-state sales as Wisconsin sales, and by the destination state. By moving to "destination state" sourcing rules, Wisconsin can shift some tax burden to out-of-state and foreign sources without losing

state revenue.

At last week's meeting of the Wisconsin Technology Council in La Crosse, Commerce Secretary Mary Burke talked about incentives contained in Doyle's latest "Grow Wisconsin" plan. They include proposals to expand Act 255 credits, matching start-up money for the Biomedical Technology Alliance in southeast Wisconsin, \$30 million in bonding to help create more business incubators, and extending "destination state" tax sourcing rules to sales by biotechnology companies.

During the same meeting, state Sen. Ted Kanavas, R-Brookfield, described his "Invest Wisconsin" plan. That initiative includes tax credits to promote innovation in manufacturing and agriculture, and tax credits to help extend broadband Internet service to under-served areas around Wisconsin.

Republicans and Democrats alike are working to warm Wisconsin's tax climate for innovative companies. Indeed, recent surveys indicate the business tax climate in Wisconsin is improving and may even be among the nation's top third. While a great deal of work remains to be done, a foundation for a healthier economy is being laid today.

Tom Still is president of the Wisconsin Technology Council. He is the former associate editor of the Wisconsin State Journal in Madison. For more information on "Grow Wisconsin" or "Invest Wisconsin," go to <http://www.wisconsinstechnologycouncil.com/policy/legislative/>.

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Wisconsin Technology Network

The region's leading source for news, commentary and analysis for technology and life science.

Midwest called next 'biotech hotbed'

By WTN News • 09/28/05

The Midwest will become the nation's next "biotech hotbed," the leader of a West Coast venture capital firm said Wednesday, pointing to initiatives in Wisconsin and other states in the region.

"The Midwest's biotechnology parts are greater than its whole right now," said G. Steven Burrill, CEO of Burrill & Company, a San Francisco-based firm whose principal activities are in venture capital, merchant banking and media, with a focus on life sciences. "The Midwest is not the first place people think of when considering centers of biotechnology excellence (most of the biotech activity is concentrated on the East and West coasts) but it's really more of an awareness issue than it is a fact issue," said Burrill.

He made his comments in anticipation of BIO 2006, a major industry convention set for Chicago in April. Wisconsin is expected to be well represented at BIO 2006, with strong interest arising in both the public and private arenas.

"The Midwest is broadly very involved in the life sciences industry -- medical devices, diagnostics, biopharmaceuticals, agricultural technology and industrial biotechnology all thrive. The region is home to literally hundreds of life sciences companies ... and medical devices in particular is one of its fastest growing sectors," Burrill added.

"While it is difficult to get an accurate picture of the true biotechnology industry in the Midwest because every state classifies life science companies in different ways, there is plenty of ongoing activity:

- Economic and political leaders in the Midwest have targeted the life sciences as an engine of growth, and several Midwestern states have established specific funds to invest in the life sciences.
- The Midwest is home to life science industry leaders such as Abbott Laboratories, Archer Daniels Midland, Baxter, Cargill, Dow AgroSciences, Eli Lilly 3M, Guidant, Medtronic, GE Medical, Monsanto, and Procter & Gamble.
- A group of world-class academic research institutions is helping to fuel innovation: the Big 10 universities all enjoy nationally recognized research programs.
- More than 300 dedicated biotechnology companies already exist in the Midwest -- representing 21 percent of total U.S. biotech companies (approximately 1,400).
- Leading Midwest biotech players (public or private) include: Aastrom Biosciences; Advanced Life Sciences; BioSante Pharmaceuticals; Genomic Solutions; IDEXX Corp.; MGI Pharma; Neopharm; Northfield Labs; Third Wave Technologies.
- The \$1 billion Michigan Life Sciences Corridor (MLSC) has become a catalyst for the industry, producing collaborations between academic and commercial sectors.

- Medical Alley is a 350-mile-long corridor in Minnesota that is the location of thousands of companies and institutions in the medical field. The medical device industry is one of the Midwest's unique strengths, and a field that is quickly attracting capital investments from some of the nation's leading VC firms.

- The University of Wisconsin-Madison and the University of Illinois Urbana-Champaign are extremely strong in agricultural biotechnology. They support research in both plant and animal applications that are dedicated to improving yield and quality of products, and they house a number of germ plasm collections.

- More than one-third of the agricultural biotechnology companies in the United States are located in the Midwest.

- Nutraceuticals, industrial biotech and bioenergy/biofuels will have significant potential given the region's strong agricultural base.

- The University of Minnesota, the Mayo Clinic, and the State of Minnesota have created the Minnesota Partnership for Biotechnology and Medical Genomics.

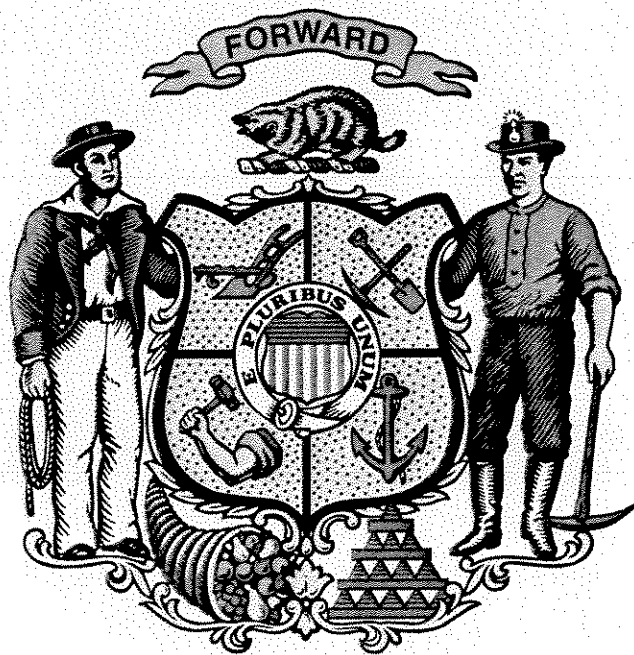
- Wisconsin is investing up to \$750 million, including more than \$500 million in new facilities and direct research support for scientists at UW-Madison, especially in stem cells. James Thomson and his collaborators in 1998, the University of Wisconsin-Madison has been a leader in this area.

- Chicago boasts some of the leading research and medical institutions in the United States: the University of Chicago and Northwestern University, Argonne National Laboratory, University of Illinois-Chicago, Loyola Medical School, Finch University-Chicago Medical School, and the Fermi National Accelerator Lab (operating the world's highest energy particle accelerator). Argonne operates the \$20 billion advanced photon source, a key tool for protein and proteomics research.

"The Midwest has the ability to build on its existing strengths especially in the areas of agricultural biotech and in the convergence of the medical device, diagnostic and therapeutic companies. It is clear that the predicted record attendance of more than 25,000 registrants that will be attending BIO 2006 in Chicago in April will be pleasantly surprised at the wealth of opportunity that the region does have," Burrill noted.

"The event will also have a catalytic effect on the Midwest 'parts' helping bind the industry into a cohesive whole. But the availability of venture capital is a necessary component for the Midwest to become a biotechnology powerhouse," added Burrill.

"Growing a regional center of excellence in biotechnology that will be internationally competitive requires commitment, collaboration of research institutions (e.g. the Big 10 universities), venture capitalists and the financial community, big pharma, diagnostic, device and healthcare focused companies, politicians that provide a stable and supportive tax, financial and regulatory environment, and a long-term perspective. The Midwest is well positioned in all these areas, with its large, world-class companies in both medicine and agriculture, top-tier research institutions generating a steady stream of innovation, and a culture that's beginning to encourage development of exciting new biotechnology companies," Burrill said.





Capitol Strategies, LLC

Government relations and Public Policy Consulting Firm

Senate Committee on Agriculture and Insurance October 26, 2005

Testimony of Amy Winters, Contract lobbyist for CropLife America and Monsanto Company on AB 606 pertaining to a sales and use tax exemption on electricity used in the research and development of agricultural biotechnology and for vitamins, feed supplements and hormones used on livestock.

Chairman Kapanke, members of the committee, thank you for the opportunity to testify on AB 606. My Clients, CropLife America, a national trade association that represents agricultural chemical and biotechnology companies, and the Monsanto Company are very supportive of this legislation to provide a sales and use tax exemption for electricity used in research and development of agricultural biotechnology and for vitamins, feed supplements and hormones used on Livestock.

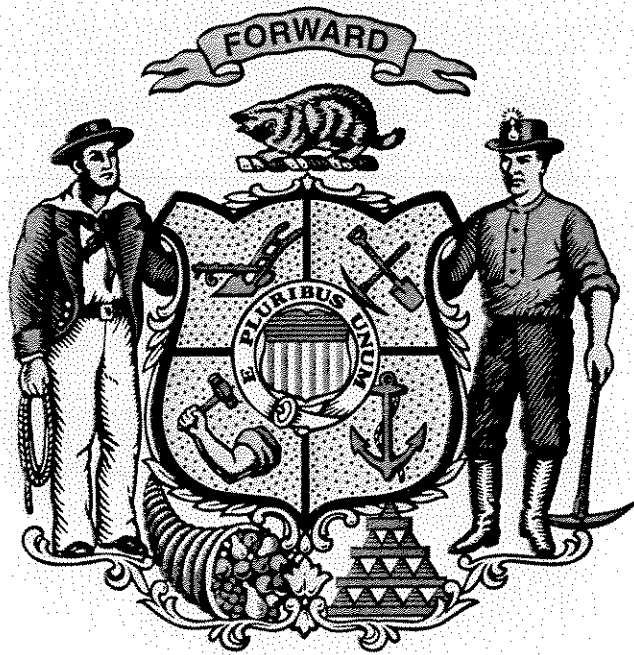
Wisconsin has over 30 bio-science companies devoted to agriculture that provide thousands of jobs and sales in excess of \$632 million. Research that is being done right here in Wisconsin is providing our state's farmers with the advanced tools they need to be profitable and succeed. In 2002 there was a \$498 million impact associated with biotech crops in Wisconsin, a significant boost to the state's economy; animal biotechnology, has provided valuable tools in milk production and produced vaccines to protect animals against disease such as swine pseudorabies.

AB 606 would not only encourage the future development of the biotechnology industry in the state, it will also level the playing field for these companies. Currently, manufacturing inputs in the state, including electricity, are exempt from the sales and use tax; agriculture is also exempt from paying a sales and use tax on electricity. The agriculture biotechnology industry however is a missing link in this exemption that needs to be connected.

With Wisconsin looking to market itself as a biotechnology center, this legislation is an important initiative and sends a strong message to the industry that they are welcome in our state

The exemption for vitamins, feed supplements and hormones used on livestock would also help level the playing field for Wisconsin producers. Currently Wisconsin is only one of eight states that does not provide this exemption and the only top 5 dairy state. With Wisconsin dairy production costs \$5.57 per hundredweight higher than California and \$3.16 higher than Idaho, the rising stars among cheese states, Wisconsin needs to do everything it can to help its producers stay competitive.

Thanks for your time and consideration, we ask for your support on this important agricultural tax equity bill.



**Testimony of State Representative
Steve Wieckert**

**Assembly Bill 606 – Agriculture & Biotechnology
Tax Relief**

*Senate Committee on Agriculture & Insurance
411 South – October 26, 2005*

Good morning chairman Dan Kapanke and committee members. I am pleased to come before you today to talk about AB 606, regarding a sales tax credit on the purchase of electricity used in agriculture biotechnology and on the purchase of products used on livestock.

We are very proud of our agricultural industry. It is one of the founding industries in Wisconsin, and plays a vital and key role in our state's economy today.

The agricultural industry in Wisconsin is very dynamic. It is continually growing, changing, and improving. This is both a result of the hardworking citizens involved in the industry, as well as our first-class research and teaching institutions, especially through the University of Wisconsin.

I have proposed this bill to keep Wisconsin on the cutting edge of the agricultural industry. It would exempt electricity from sales tax if the electricity was used for the purpose of agricultural and biotechnology research.

Bioscience has a tremendous impact on our lives and economy in Wisconsin. Biomedical advances have contributed enormously to our standard of living. The return investment provided by biomedical research nation wide is measured in the trillions of dollars.

Bioscience in Wisconsin contributes over \$6.9 billion to the state's economy annually. Wisconsin bioscience researchers contributed \$582 million to the state's economy from non-Wisconsin sources, primarily through competitive grants in 2005. This research employs 3,825 professionals in the state. Wisconsin's bioscience industry, comprised of 338 companies throughout the state, had revenues of \$6.4 billion in 2005 and employed 22,372 people in the state. The Wisconsin bioscience industry, as measured by revenues, grew by 16% annually from 2003-2005 and added 3,000 employees during that time.

I would like to see that we do everything we can to eliminate the tax drag on research and development. This is an important step in that direction.

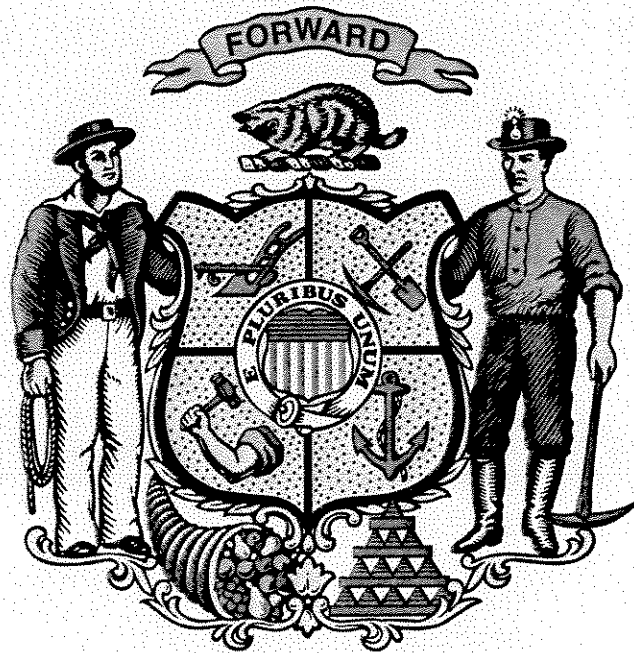
Last session, I authored legislation to eliminate the tax on electricity used in manufacturing. Many industries were helped by this bill, which eventually became law, including our state's paper industry, which uses more electricity than any industry in the state.

This bill also includes provisions to reduce the cost of doing business for farmers, by exempting vitamins, supplements, and hormones used for farm livestock from sales tax.

I am pleased to report that numerous organizations are supporting this legislation including:

- Alliant Energy
- CropLife America
- Monsanto Company
- Wisconsin Biotechnology & Medical Device Association
- Wisconsin Federation of Cooperatives
- Wisconsin Independent Businesses Inc.
- Wisconsin Cheese Makers Association

Thank you. At this time I would be happy to answer any questions of the committee.



Thank you for allowing me the chance to speak today. My name is Kelli Mitchell and I am one of your constituents, Sen. Kapanke. I live in Hillsboro, WI and my husband, Steve, and I have 3 children. We also have about 900 cows. We make our living by dairy farming. My husband and brother-in-law formed a partnership in 2003, and built a new farm one mile down the road from the original farm site. Our 'new' farm is called Hillsprairie Dairy and employs 11 full-time people in addition to 5 family members. My husband and his brother are the 5th generation of the Mitchell family to farm in the valley north of Hillsboro. We celebrated the family's sesquicentennial of farming and our new set-up this past June with an Open Barn. We served pizza, ice cream, milk and cheese to over 1000 visitors. It also gave us a chance to promote the dairy industry and how important it is—to us, to our local economy and to our state's economy. The passing of AB 606 would help both our local and state economies. A sales and use tax exemption for electricity used in research and development of agricultural biotechnology and for vitamins, feed supplements and hormones used on livestock would be a step in the right direction, allowing us, members of the dairy industry, to remain competitive in the marketplace. Wisconsin is one of only 8 states that does not have a sales and use tax exemption for these products. Our farm currently pays over \$400 per month in tax, just for the Posilac we use. The tax exemption would allow us to turn around and use that \$400 to purchase goods and services, thus helping the economy grow. I am not against paying tax and we do pay tax. I simply would like to level the playing field and stay competitive in the marketplace, so that if my children, the 6th generation of Mitchells, choose to farm, it will be a viable option for them. Please pass AB 606 out of committee today. Thank you.