

 **07hr_ab0763_AC-Ag_pt01**



Details:

(FORM UPDATED: 07/12/2010)

**WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS**

2007-08

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on ... Agriculture (AC-Ag)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**
- Record of Comm. Proceedings ... **RCP**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt**
- Clearinghouse Rules ... **CRule**
- Hearing Records ... bills and resolutions
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Vote Record Committee on Agriculture

Date: 2/12/08

Moved by: Vruwink

Seconded by: Garthwaite

AB 713

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt LRB 01194/1

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Murtha	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Mursau	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gary Tauchen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Phil Garthwaite	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Andy Jorgensen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 10 0 1 _____

Motion Carried

Motion Failed

Vote Record Committee on Agriculture

Date: 2/12/08

Moved by: Murtha

Seconded by: Tauchen

AB 743

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt LBB 1194

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Murtha	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Mursau	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gary Tauchen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Phil Garthwaite	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Andy Jorgensen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 10 0 1 _____

Motion Carried

Motion Failed

Vote Record Committee on Agriculture

Date: 2/12/08

Moved by: W. Williams

Seconded by: Vruwink

AB 743

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt _____

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage
 Adoption
 Confirmation
 Concurrence
 Indefinite Postponement
 Introduction
 Rejection
 Tabling
 Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Gary Tauchen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Phil Garthwaite	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Andy Jorgensen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 10 0 1 _____

Motion Carried

Motion Failed





Wisconsin Federation of Cooperatives

131 West Wilson Street, Suite 400 • Madison, WI 53703-3269
Phone 608.258.4400 • Fax 608.258.4407 • www.wfcmac.coop

February 7, 2008

To: Chairman Al Ott and the Assembly Committee on Agriculture

From: David Ward, WFC Dairy Director
John Manske, WFC Director of Government Relations

Re: Assembly Bill (AB)763

Thank you for holding a hearing on AB 763 which will allow dairy cooperatives to claim the dairy manufacturing facility investment credit. In Wisconsin 2007 Act 20 the legislature included the Dairy Manufacturing Facility Investment Credit. Dairy cooperatives that own manufacturing facilities can not take advantage of this credit because they are not listed in Wisconsin 2007 Statutes 71.47 (3p) part 3. AB 763 will allow cooperative cheese plants the same credit as proprietary plants. Eighty-five percent of the milk produced in Wisconsin is marketed through a cooperative and nearly 60 percent of the cheese produced in Wisconsin is made in a cooperative plant.

The need to modernize our dairy manufacturing facilities is crucial at this time. The year 2007 brought a 17-year high in milk production to Wisconsin. Processors need more capacity to turn that milk into cheese, butter and other products. AB 763 allows cooperatives to modernize and increase their production capacity to process the increased supply of milk. The alternative would be to put the milk on a truck and send it to other states to be processed. Processing the milk in Wisconsin creates jobs and contributes to the \$20 billion the dairy industry brings in every year.





JOHN P. STEINBRINK

STATE REPRESENTATIVE ■ SIXTY-FIFTH ASSEMBLY DISTRICT

February 7, 2008

Representative Al Ott
Chair, Assembly Agriculture Committee
323 North
State Capitol
INTER-DEPARTMENTAL

RE: Assembly Bills 732 & 763

Dear Chairman Ott:

Unfortunately, I will not be able to attend today's hearing on important legislation to provide incentives to build on our state's agriculture industry.

However, I do want to register my strong and continued support for AB 732 and 763, legislation that can build on the successful dairy facility modernization tax credit by allowing dairy cooperatives to participate and with a similar program for meat processors. With meat processors employing tens of thousands in our state and cooperatives processing the majority of our milk supply and producing half of the cheese, these are vital components of our state's economy.

These credits designed to aid modernization and investment can provide a needed shot in the arm to these important industries and employers, and I appreciate the committee's prompt consideration as we enter the closing months of our session.

I look forward to continuing to work with you, the administration and our colleagues on these important economic development initiatives and apologize for the fact that I am unlikely to be able to attend today's hearing.

Thank you for your time and consideration, and best wishes.

Sincerely,

JOHN STEINBRINK
State Representative
65th Assembly District



TP Meat Processor Investment Tax Credit and Dairy Plant Cooperative Tax Credit
Secretary Rod Nilsestuen
Remarks to legislature
Feb. 7, 2008

AB 763?

Thank you for inviting me here today to discuss the bold steps we are taking to strengthen and grow our economy. I want to thank you for your work over the last five years to support and modernize Wisconsin agriculture. More than ever we need your effort to help grow Wisconsin while preserving who we are in this state.

Agriculture defines our heritage, but it must shape our future as well.

We have much to celebrate today. Wisconsin agriculture is the bright spot on the 2008 economic outlook.

That is good news for the state because agriculture generates \$51 billion in economic activity and provides jobs for close to half a million people.

- **Milk production at a 17-year high** - increased by nearly 2 billion pounds or nearly 9 percent between 2004 and 2007.
- **Record cheese production.** Wisconsin cheese production set a new record in 2006, producing nearly 2.5 billion pounds of cheese, accounting for 26 percent of the national cheese market. *(Note: 2007 numbers coming out end of April...second highest in history...1 percent lower 2006.)*
- **Record high-end specialty cheese production.** Today more than 80 of the state's 115 cheese plants make at least one type of specialty cheese, accounting for almost half of the U.S. specialty cheese market in the U.S. - an all time high.
- **Record dairy exports.** Cashing in on world demand for whey, the dollar value of Wisconsin dairy exports increased more than 100 percent in the first nine months of 2007 compared to the same period the year before. *(Note: 2007 ag export numbers mid February.)*
- **Record investments by Wisconsin dairy farms.** Wisconsin's 14,000 family dairy farms have invested about \$1 billion to modernize in the past 5 years and report plans to invest more than \$1 billion in the coming 5 years.
- **Record investments by Wisconsin dairy plants.** Since 2004, Wisconsin's dairy processors have invested an estimated \$500 million to modernize; opened 23 new dairy plants and expanded 45 more. At least six additional specialty dairy plants are poised to open in 2008.
- **Record number of organic farms.** Organic farming in Wisconsin has risen by more than 90 percent in the last five years, according the U.S. Department of Agriculture. Wisconsin's entire organic industry - from processors to businesses to farms - has grown by 17 percent in the last year alone. Wisconsin leads the nation in organic dairy and livestock.

- **Fewer dairy farms leaving the business.** The rate of dairy farm loss has been reduced by two-thirds in the last 5 years. One month, the total number of dairy farms was down by only one.
- **Wisconsin's 1200 licensed cheese makers.** They craft more than 600 varieties of cheese, more than any other state or nation, and win more championship cheese awards than any other state. In 2007 Wisconsin brought home 60 percent of the best of class awards in the United States Cheese Championship.

These significant benchmarks did not occur in a vacuum. They are the fruits of a focused, strategic, bi-partisan, effort to re-invigorate dairy led by Governor Jim Doyle. The value-added dairy initiative's Grow Wisconsin Dairy Team and Dairy Business Innovation Center; the dairy investment tax credit; expansion of the use-value tax; and the livestock siting law all helped create the momentum we are feeling today.

We must continue the momentum.

Governor Doyle has announced new steps in our Next Generation of Agriculture plan to keep dairy farms in business and give farmers more tools to keep Wisconsin the best place to farm.

I am here today to urge support for two specific bills:

The meat modernization investment tax credit bill and the dairy plant cooperative tax credit bill.

Meat plant modernization tax credit

Wisconsin's livestock and meat sector generates \$12.3 billion for the state's economy annually, employs 19,400 people directly and 88,000 people indirectly.

Two factors are inhibiting growth in this important segment of the economy:

One is the outdated federal interstate meat shipment law.

The second is the capacity of our meat plants.

We are about to change the first at the federal level with a provision in the farm bill.

You have within your power to change the second by voting for the meat modernization tax credit.

The timing of these two changes creates a business climate that will allow the state's world-renowned meat industry to grow.

Two thirds of Wisconsin's 300 state-inspected meat processors surveyed said they want to expand if the ban on interstate meat shipment is lifted.

The meat modernization tax credit positions them to do so.

The meat modernization tax credit will generate revenue for the state by:

- Expanding markets for local farmers who provide almost all of the meat processed in local plants.
- Adding value to local livestock here at home instead of shipping them across state borders for processing. *Wisconsin has no large pork processors, for example, although we produce some of the world's best pork.*
- Keeping business on Main Street strong. The goal of the local food movement is to capture 10 percent of the Wisconsin food budget – creating tremendous synergy with those who raise and process Wisconsin's award-winning meats.

We need you to support this focused, targeted investment tax credit to help the state's 300 meat processors modernize and expand.

You will recall that in the first year of the dairy investment tax credit 40 percent of our farmers participated. Within two years the \$50,000 tax credit directly resulted in \$500 million private re-investment.

These investments positioned our dairy farmers to take advantage of record high milk prices. Today our dairy farmers are expanding, paying off loans and planning for the future.

The meat modernization tax credit echoes this successful strategy – By investing \$1 million as tax credits, we can leverage \$10 million in private investment - expand markets, increase processing capacity, and add value to Wisconsin livestock.

Dairy plant cooperative tax credit

Dairy is the state's signature industry and generates more than \$20 billion a year for the state's economy. Each dairy cow creates \$17,000 a year for the local economy.

Modernizing and expanding the state's dairy plants is the next and logical step in re-invigorating the state's dairy industry.

The state budget recognizes this important fact and creates a dairy plant investment tax credit program.

Now we must amend the dairy plant investment tax credit program created in the state budget to include dairy plant cooperatives.

We estimate between 60 - 65 cooperative owned processing or transfer stations can not take advantage of this credit and streamline their operations.

We must assure a simple, united program that will enable both private and cooperative cheese plants to modernize and expand. We must:

- Continue the Dairy Plant Investment tax credits
- Create new cheese cooperative tax credits

Each invests \$1.3 million to leverage \$13 million private investment

Non-coops will be able to claim up to \$600,000 in 2007 tax credits; \$700,000 in 2008-2014.

Cooperatives will be able to claim up to \$600,000 in 2009 tax credits; \$700,000 in 2010-2016.

The cooperative tax credit will filter down to member dairy producers who will be able to apply their share of the credit to their own income tax.

The cooperative tax credit will generate revenue for Wisconsin by helping cooperatives:

- re-invest in their plants
- modernize, expand and streamline
- share tax credits with member farmers
- keep jobs in Wisconsin
- Increase production

I want to recognize Representative Al Ott for his leadership on this important legislation.

Thank you.





**KEEPING THE
COWS IN WISCONSIN™**

Testimony in Support of AB 763 – Dairy Manufacturing Facility Tax Credit
Thursday, February 7th, 2008

Good morning Chairman Ott and Members of the Assembly Agriculture Committee. My name is Shawn Pfaff, and I am speaking on behalf of the Wisconsin Dairy Business Association (DBA) in support of AB 763 – the Dairy Manufacturing Facility Tax Credit. This bipartisan legislation allows for dairy manufacturing cooperatives to obtain tax credits for modernization and reinvestment. The DBA applauds the foresight and leadership of Governor Doyle, Chairman Ott, Representative Davis, and the Members of this committee for their commitment toward our state's strong and proud dairy industry.

The Dairy Business Association of Wisconsin is a statewide organization, of dairy producers, vendors, allied industry partners, and professionals actively working to assure that dairy producers, large and small, remain an active, thriving part of Wisconsin's economy, communities and food chain. DBA is dedicated to being proactive in ensuring a strong and vibrant future for the dairy industry in Wisconsin.

DBA has worked closely with Governor Doyle and legislators over the past couple of legislative sessions to lay the groundwork for the revival of the dairy industry that we have seen over the past five years in Wisconsin. Those strong, bipartisan accomplishments include passage of comprehensive agricultural siting legislation, which gives producers a state-wide framework of guidelines to follow to expand their operations instead of a patchwork of local ordinances that could restrict growth. Also, the passage of the dairy modernization tax credit in 2004 provided the economic incentive for dairy producers to expand and modernize their operations. As a result of these efforts, Wisconsin has seen its dairy cow numbers increase for the first time in a generation and seen a reduction in the rapid exodus of dairy farms that has occurred over the past 25 years.

Last summer, the Dairy Business Association worked closely with the Wisconsin Cheese Makers Association, Wisconsin Dairy Products Association, Wisconsin Agribusiness Council, Wisconsin Farm Bureau Federation and the Wisconsin National Farmers Organization in support of the Governor's and legislative efforts to include the Dairy Plant Investment Tax Credit in the 2007-09 biennial budget.

This Investment Tax Credit will allow for up to \$200,000 of investments made to expand or modernize Wisconsin's dairy manufacturing facilities. However, that tax credit did NOT include dairy processors who were cooperatives. DBA believes that dairy manufacturing cooperatives must be included in this tax credit and join with Representative Davis and Senator Vinehout and others who have introduced AB 763 and urge the committee for its passage.

For now, Wisconsin still holds title to being the cheese capitol of our nation. Wisconsin cannot afford to have its dairy production remain static, it must grow! We cannot ignore the fact that as we speak, California is gaining ground towards becoming the cheese capitol of this nation. Last year, Wisconsin made 2.4 billion pounds of cheese, and California crept ever-closer to its goal by putting out 2.2 billion pounds. Not long ago, California out-produced Wisconsin in milk, the first step towards challenging our state's title of "America's Dairyland." All of Wisconsin's dairy production plants need this Dairy Tax Investment Credit to modernize their operating structure and processes to increase production, create new in-state jobs and to leverage themselves as a competitive player in the global marketplace where lower cost of production is the necessary edge needed to stay out front and remain a viable dairy processing industry.

Wisconsin dairy farms produce nearly 2.6 billion gallons of milk each month. That wholesome, fresh farm milk is sent to more than 200 production facilities in rural Wisconsin that employ thousands of workers to manufacture the nation's finest dairy products. Milk is the life blood of Wisconsin's crucial agricultural economy. America's Dairyland cannot afford to lose more dairy farms and we cannot afford to lose any more of the associated manufacturing, transportation, packaging and other skilled jobs that dairying supports. Governor Doyle and bipartisan legislators have recognized the important role the investment in dairy plants will have on the stability of the dairy industry in our state and the economic sustainability of the rural communities that depend upon them.

We encourage the members of legislature to help retain the 128,000 dairy-related jobs that put \$5.5 billion into our economy and onto our tax rolls -- the dairy industry in total is valued at nearly \$23 billion dollars a year to our state's economy. It is imperative that this important segment of our state's economy continues to grow. The Wisconsin Dairy Business Association has also registered its support of Assembly Bill 732 relating to the meat processing facility franchise tax credit.

Thank you, and I'd be willing to take any of your questions.





State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
PHONE (608) 266-6486 • FAX (608) 266-5718 • <http://www.revenue.wi.gov>

Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Assembly Agriculture Committee Hearing, February 7, 2008

AB 763— Dairy Cooperative Manufacturing Facility Investment Credit (Rep. Davis)

Description of Current Law and Proposed Change

Under current law, a person may claim a credit against the person's income or franchise tax liability that is equal to 10 percent of the amount that the person paid in the taxable year for dairy manufacturing modernization or expansion related to the claimant's dairy manufacturing operation. If the amount of the credit exceeds the amount of the person's tax liability, the person receives a refund. Under current law, dairy cooperatives are, generally, not subject to state income or franchise taxes and, therefore, are not eligible to claim the credit for dairy manufacturing modernization or expansion.

This bill allows the members of a dairy cooperative to claim the credit for the dairy manufacturing modernization or expansion expenses paid by the cooperative. The dairy cooperative determines the amount of the credit that each member may claim, based on the amount of milk each member delivers to the cooperative. Under the bill, the maximum amount of the credits that may be allocated to all dairy cooperatives in FY 2010 is \$600,000, and the maximum amount of the credits that may be allocated to all dairy cooperatives in FY 2011, and in each fiscal year through FY 2017, is \$700,000. The maximum amount that can be claimed in aggregate for each dairy cooperative's facility for all tax years is \$200,000.

Fairness/Tax Equity

- Only businesses engaged in processing dairy products are eligible for the credit. The credit is not available to businesses in other industries.

Impact on Economic Development

- The credit provides an incentive for expansion and modernization in the dairy processing industry, which could result in the creation of jobs and could enhance the competitiveness of the industry.

Administrative Impact/Fiscal Effect

The fiscal effect of the bill is estimated to be \$600,000 in FY 2010 and \$700,000 in fiscal years 2011 through 2017, the maximum annual allocation amounts in the bill.

The Department has the following technical comments regarding the bill:

- As with other credits administered by the Department of Commerce, the bill could require the taxpayer to attach a copy of the certification and credit allocation from Commerce to the tax return for the year on which the credit is claimed. Alternatively, this requirement could be included in the administrative rules promulgated by the Department of Commerce.

DOR Position

- Support

Contact: Sherrie Gates-Hendrix, (608) 261-6240

MO:kg
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