LRB-1474

*STATE OF WISCONSIN*

*REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS*

*2015 ASSEMBLY BILL 21*

[Introduced by the Joint Committee on Finance at the request of Governor Scott Walker.]

2015 Assembly Bill 21 is the 2015-17 Executive Budget Bill ("bill") prepared by the Governor and introduced by the Joint Committee on Finance at the request of the Governor. The bill contains several provisions that affect existing statutes or create new statutes relating to the exemption of property or persons from state or local taxes. This report addresses those provisions.

**General Nature and Fiscal Effect of Tax Exemption Provisions in 2015 Assembly Bill 21**

***Internal Revenue Code Update***

Generally, with certain exceptions, under 2015 Assembly Bill 21, the state's income and franchise tax statutes would be revised to reference the Internal Revenue Code (IRC) in effect as of December 31, 2013. Additionally, references to the IRC would also be updated to include certain public laws affecting IRC provisions that were enacted after December 31, 2013. IRC provisions incorporated by the update include provisions relating to cooperative and small employer charity pension plans, minimum funding requirements for single-employer defined benefit pension plans, and tribal welfare benefits.

The Legislative Fiscal Bureau (LFB) indicates the fiscal effect of provisions relating to the IRC update to be minimal in nature.

***Property, Income, and Sales Tax Exemptions Related to Reorganization of Governmental Entities***

As introduced, several provisions of Assembly Bill 21 relate to the reorganization, elimination, or creation of various governmental entities, including conversion of the University of Wisconsin System to the University of Wisconsin System Authority; merger of the Wisconsin Economic Development Corporation and the Wisconsin Housing and Economic Development Authority into the Forward Wisconsin Development Authority; elimination of long-term care districts and the Educational Approval Board; and creation of a sports and entertainment district for purposes of constructing a basketball arena.

In connection with the above activities, the bill modifies, repeals, and creates several property, income, and sales tax provisions relating to the general exemption of governmental entities from taxation.

***Bond Interest Related to a Sports and Entertainment District***

In addition to the provisions of Assembly Bill 21 that reflect the tax-exempt status of governmental entities, including the proposed sports and entertainment district, the bill also would exclude from the state income and franchise tax certain interest income arising from bonds issued by the state or a local unit of government to assist the sports and entertainment district. As proposed by Assembly Bill 21, as introduced, the sports and entertainment district would not have separate authority to issue bonds or levy taxes.

The fiscal effect of the exclusion of bond interest is indeterminate, but anticipated to be minimal, due to the likelihood that the state and local bonds contemplated by the exclusion would be sold to entities that are already exempt from, or otherwise not subject to, the state income or franchise tax.

## Legality Involved

There are no questions of legality involving the provisions of the bill described in this report.

## Public Policy Involved

The Joint Survey Committee on Tax Exemptions finds that there is appropriate public policy on the tax exemptions in Assembly Bill 21.

06/17/15 ***JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS***