



## Fiscal Estimate Narratives

DOR 12/14/2015

LRB Number	15-3914/1	Introduction Number	AB-0595	Estimate Type	Original
<b>Description</b> Tax administration technical changes					

### Assumptions Used in Arriving at Fiscal Estimate

#### UTILITY PROPERTY INFORMATION

The bill authorizes the Department of Revenue (DOR) to provide a local assessor with confidential information regarding utility property located in a taxing jurisdiction. The information allows the assessor to accurately determine whether the property is subject to the state license fees or to local property taxes.

There is no fiscal effect for this provision as DOR already receives the property information through tax returns filed by utilities and telecommunication companies.

#### WOODLAND TAX

The bill removes obsolete references to the Woodland Tax Law (WTL) program. Most of the WTL provisions were repealed in 2013 Wisconsin Act 54, except for cross-references to the tax in the property tax settlement sections.

There is no fiscal effect for this provision.

#### ASSESSOR CERTIFICATION LAWS

The bill allows the secretary of DOR to revoke or suspend an assessor's certification/recertification if the assessor fails to meet specified requirements. The bill authorizes DOR to order the assessor to take corrective measures to avoid the revocation or suspension of his or her certification/recertification. The bill also requires that certification be obtained within timeframe specified by DOR, and an assessor attend at least four of the previous five annual assessor meetings called by DOR in addition to all other requirements for recertification.

The provision has no fiscal effect. The bill eliminates inconsistencies in assessors' certification requirements and increases the level of DOR's authority for oversight on assessors' conduct.

#### TRANSFER UPON DEATH (TOD) DEEDS

A TOD Deed is a deed that only designates a TOD beneficiary on a deed, and it does not affect ownership of the property until the owner's death. The bill exempts a person designated to receive a conveyance of real property upon the death of the property owner from filing a real estate transfer return. As under current law, the person will be required to file a real estate transfer fee return when the conveyance eventually occurs. Current law exempts such a conveyance from the real estate transfer fee; this provision does not affect the current exemption from the real estate transfer fee.

There is no fiscal effect for this provision. The bill removes an unnecessary filing requirement.

#### INTERNAL REVENUE CODE UPDATE FOR PUBLIC LAW 114-14

This provision updates the Wisconsin reference to the Internal Revenue Code (IRC) as it relates to P.L. 114-14. The federal law clarifies that there is an exclusion from gross income for amounts paid by either the federal Bureau of Justice Assistance of the Department of Justice as a public safety officer survivor's benefit or disability benefit or the income paid under a state program for surviving dependents who died as the direct and proximate result of a personal injury sustained in the line of duty.

There is no fiscal effect for this provision.

## INTERNAL REVENUE CODE UPDATE FOR PUBLIC LAW 114-26

This provision updates the Wisconsin IRC reference as it relates to P.L. 114-26. The federal law allows federal law enforcement officers, firefighters, and air traffic controllers to make penalty-free withdrawals from governmental retirement plans after age 50, effective for distributions occurring after December 31, 2015. Because the state penalty is tied to the federal penalty, conforming to the IRC eliminates an unnecessary reference to a defunct penalty.

There is no fiscal effect for this provision.

## BASIS MODIFICATION FOR SHORT TAXABLE YEARS

Current Wisconsin law provides for equalizing the Wisconsin adjusted basis and federal adjusted basis of depreciated or amortized assets. In order to reconcile the bases, taxpayers are required to make income modification adjustments over five taxable years. This provision makes a technical change to allow a complete reconciliation for filers with a short taxable year as a result of a change in accounting period.

The provision is expected to reduce revenue by a minimal amount.

## OBSOLETE REFERENCES TO THE GIFT TAX

The bill removes obsolete references to the gift tax.

There is no fiscal effect for these provisions.

## DISREGARDED ENTITIES FOR INCOME AND FRANCHISE TAX PURPOSES

The bill clarifies the administrative treatment of single-owner entities that are disregarded as a separate entities for income tax purposes.

There is no fiscal effect for these provisions.

## DISCLOSURE OF CONFIDENTIAL INFORMATION

The bill allows a person who has a material interest in a property to examine a tax warrant issued for that property in order to obtain the outstanding liability secured by tax warrant. The bill also removes an unnecessary reference to income tax information that is currently included in statutes relating to unemployment insurance contribution delinquencies as a valid reason for a licensing department or the Supreme Court to examine returns for the purpose of denial, nonrenewal, discontinuation and revocation of a license.

There is no fiscal effect for these provisions.

## TECHNICAL CORRECTION TO SALES TAX EXEMPTION FOR PRINTERS

This provision makes a correction to a drafting error related to the existing sales tax exemption for sales of equipment made to persons engaged in commercial printing, book printing, or support activities for printing described under 323111, 323117, and 323120.

There is no fiscal effect.

## STATUTE OF LIMITATIONS FOR SALES TAX ASSESSMENTS AND REFUNDS

The bill modifies the statute of limitations for refunds so that it corresponds to the due date of the taxpayer's Wisconsin income or franchise tax return that corresponds to the year in which the transaction occurred and clarifies the statute of limitations for dissolved corporations and late-filed returns. The bill also codifies the comparable treatment of refunds of sales and use tax assessed in audit as compared with income and franchise taxes.

The provision is expected to have a minimal fiscal effect.

## DISREGARDED ENTITIES FOR SALES TAX PURPOSES

This bill clarifies the tax treatment of disregarded entities. The bill provides that a notice of assessment to either a disregarded entity or its owner is considered a notice to both and that both the owner and disregarded entity are liable for the taxes.

Minimal fiscal effect.

#### SOURCING OF SINGLE PAYMENT LEASES

The bill amends WI law related to the sourcing of single payment/lump sum leases of motor vehicles, boats, recreational vehicles, and aircraft based on where the customer receives such property rather than current law, which imposes county and stadium tax based on where the vehicle is customarily kept.

No state fiscal effect. The bill may shift a minimal amount of local taxes across jurisdictions.

#### REPEAL THE TRANSITIONAL ADJUSTMENT FEE

The transitional adjustment fee was imposed on telephone companies in 1999 and 2000 as the State transitioned from a gross revenues tax to an ad valorem property tax. The bill repeals the transitional adjustment fee and related references since the tax is no longer imposed.

The provision has no fiscal effect.

#### REPEAL AD VALOREM TAX ON EXPRESS COMPANIES AND SLEEPING CAR COMPANIES

Under current law, express and sleeping car companies are subject to the state ad valorem tax on utility companies. The last tax roll for sleeping car companies was in 1969, and the last tax roll for express companies was 1971. The bill repeals definitions and references related to "express company" and "sleeping car company" in Chapter 76 and Chapter 71.

The provision has no fiscal effect since no express and sleeping car companies exist.

#### DEFINITION OF THE WORD "PERSON" IN EXCISE STATUTES

The bill defines "person" to include any individual, sole proprietorship, partnership, limited liability company, corporation, or association.

This bill makes technical changes to current law regarding tax administration by including a definition for "person" for purposes of administering excise taxes imposed on in the following excise tax categories: Chapter 139 Beverage, Controlled Substances and Tobacco Taxes on beverages, cigarettes, and tobacco products; Chapter 78, Motor Vehicle and General Aviation Fuel Taxes on motor vehicle fuel, alternate fuel, and general aviation fuel; and in Chapter 168, Petroleum Products and Dangerous Substances, on petroleum products inspections.

The bill clarifies potential ambiguity within statutes applicable to administration of excise taxes by defining "person". The bill has no fiscal or administrative effects.

#### **Long-Range Fiscal Implications**