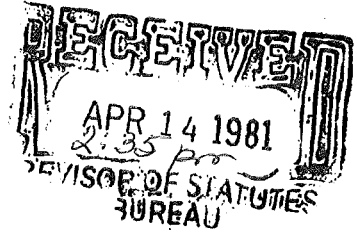


Tax 8

CERTIFICATE



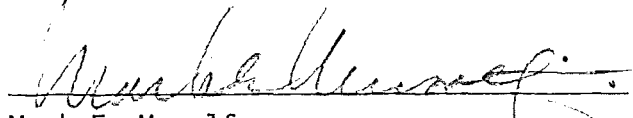
STATE OF WISCONSIN)
) SS
DEPARTMENT OF REVENUE)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Mark E. Musolf, Secretary of the Department of Revenue and custodian of the official records of said department do hereby certify that the annexed rule relating to intoxicating liquor tied-house prohibitions, was dully approved and adopted by this department on April 13, 1981.

I further certify that said copy has been compared by me with the original on file in this department and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand at 125 South Webster Street in the city of Madison, this 13th day of April 1981.


Mark E. Musolf
Secretary of Revenue

7-1-81

ORDER OF THE DEPARTMENT OF REVENUE

ADOPTING RULE TAX 8.87, INTOXICATING LIQUOR TIED-HOUSE PROHIBITIONS

Relating to common interests in retail and wholesale liquor establishments by retailers, wholesalers, manufacturers and rectifiers.

Analysis by the Department of Revenue

This rule sets forth the Department of Revenue's interpretation of ss. 176.05(1a) (a) and (am), and 176.17(1) and (5), Stats. The statutes prohibit "any interest directly or indirectly" in a retail establishment by an intoxicating liquor manufacturer, wholesaler or rectifier and prohibit such interest in a wholesaler by a retailer, with an exception for certain licenses and permits in effect on October 3, 1963.

Subsection (1) cites and paraphrases the statutes being interpreted. Subsection (2) provides definitions, subsection (3) gives examples of prohibited "direct" interests and subsection (4) gives examples of prohibited "indirect" interests.

Pursuant to authority vested in the Department of Revenue by section 176.43(2), Stats., the Department of Revenue proposes to adopt a rule interpreting sections 176.05(1a)(a) and (am) and 176.17(1) and (5), Stats., as follows:

Section Tax 8.87 of the Wis. Adm. Code is adopted to read:

Tax 8.87 Intoxicating Liquor Tied-House Prohibitions. (Section 176.05(1a) (a) and (am), and 176.17(1) and (5), Stats.) (1) PURPOSE. Section 176.05(1a) (a), Stats., prohibits "any interest directly or indirectly" in a retail establishment by a manufacturer, wholesaler or rectifier of intoxicating liquor or in a wholesaler by a retailer. Section 176.05(1a)(am), Stats., exempts from this prohibition any licenses and permits issued prior to October 3, 1963 and which have been renewed annually since that date. Sections 176.17(1) and (5) prohibit a manufacturer, rectifier or wholesaler from holding an interest in any license or premises where intoxicating liquor is sold for consumption on the premises. The purpose of this section is to give examples of some direct and indirect interests prohibited by Ch. 176.

(2) DEFINITIONS. In this section: (a) "Agent" means a person who represents or acts, or who is empowered to represent or act, for another in conducting the other's business.

(b) "Corporation" includes all members of a controlled group of corporations, defined as a "parent-subsidiary controlled group", a "brother-sister controlled group", or a "combined group of controlled corporations".

1. A "parent-subsidiary controlled group" means one or more chains of corporations connected through stock ownership with a common parent corporation, if: a. stock possessing at least 50% of all voting power of each of the corporations, except for the common parent corporation, is owned directly or indirectly by one or more of the other corporations, and

b. the common parent corporation owns directly or indirectly stock possessing 50% of the voting power of at least one of the other corporations, excluding, in computing such voting power, stock owned directly by such

corporations other than the common parent corporation.

2. A "brother-sister controlled group" means two or more corporations where ten or fewer persons (other than corporations) own at least 50% of all voting power of each of the corporations taking into account only stock ownership of such person to the extent it is identical with respect to each corporation.

3. A "combined group of controlled corporations" is a group of three or more corporations, each of which is a member of a parent-subsidiary group or a brother-sister group and one of which is both a common parent in the parent-subsidiary group as well as a member of the brother-sister group.

(c) "Effective control" means either the power to direct the affairs of the wholesale permittee or the retail licensee or the actual direction of the affairs of the wholesale permittee or the retail licensee.

(d) "Employee" means a natural person who performs services for wages or salary.

(e) "Equity" means the money value of a property or of an interest in a property in excess of the claims or liens against it.

(f) "Immediate family member" means a spouse, a brother or sister (whole- or half-blood relationship) or spouse, ancestor or spouse, or lineal descendant or spouse.

(g) "License or permit" means an intoxicating liquor license or permit issued under Ch. 176, Stats.

(h) "Person" means natural person, partnership, association or corporation.

(i) "Premises" means the property described on an application for a license or permit where alcoholic beverages are to be stored, sold or served.

(3) EXAMPLES OF "DIRECT" INTERESTS. Examples of "direct" interests prohibited by Ch. 176 include, but are not limited to, the following:

(a) A person who holds both a wholesale permit and retail license.

(b) A person who holds a wholesale permit and owns any equity in a partnership, association or corporation holding a retail license.

(c) A person who holds a retail license and owns any equity in a partnership, association or corporation holding a wholesale permit.

(d) A person who holds a wholesale permit and leases premises to a retail licensee.

(e) A person who holds a retail license and leases premises to a wholesale permittee.

(4) EXAMPLES OF "INDIRECT" INTERESTS. Examples of "indirect" interests prohibited by Ch. 176 include, but are not limited to, the following:

(a) A natural person who holds a wholesale permit and is an officer, director, employe or agent of a retail licensee.

(b) A natural person who holds a retail license and is an officer, director, employe or agent of a wholesale permittee.

(c) A natural person who is an officer, director, employe or agent of a wholesale permittee and an officer, director, employe or agent of a retail licensee.

(d) Two corporations, one holding a wholesale permit and the other holding a retail license, in which effective control of both corporations is held by the same person or group of ten or less persons.

(e) A natural person who has effective control in a partnership, association or corporation which holds a wholesale permit and who leases premises to a retail licensee.

(f) A natural person who has effective control in a partnership, association or corporation holding a retail license and who leases premises to a wholesale permittee.

(g) A natural person who has effective control in a business operated under a wholesale permit and an immediate family member residing in the same household who has effective control in a business operated under a retail license.

(h) A natural person who has effective control in a partnership, association or corporation which holds a wholesale permit and who has effective control in a partnership, association or corporation which holds a retail license.

NOTE: The definition of "controlled group of corporations" is illustrated by examples which may be derived from Internal Revenue Code Regulations 1.1563-1(a). Some examples follow:

1. P Corporation owns stock possessing 50% of the voting power of S Corporation. S owns stock possessing 50% of the voting power of T Corporation. P is the common parent of a parent-subsidiary controlled group consisting of member corporations P, S and T. The result would be the same if P, rather than S, owned the T stock.
2. The outstanding stock of corporations P, Q, R and S is owned by the following individuals:

Individuals	Corporations				Identical Ownership
	P	Q	R	S	
A	50%	50%	50%	100%	50%
B	25%				
C	25%	25%			
D		25%			
E			25%		
F			25%		

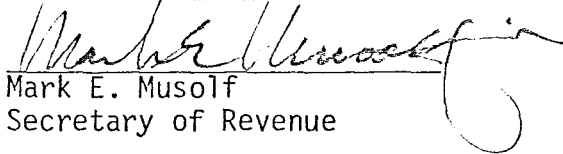
Corporations P, Q, R and S are members of a brother-sister controlled group.

3. Smith, an individual, owns stock possessing 50% of the voting power of corporations X and Y. Y, in turn, owns stock possessing 50% of the total combined voting power of corporation Z. Since X, Y, and Z are each members of either a parent-sub subsidiary or brother-sister controlled group of corporations, and Y is the common parent of a parent-sub subsidiary controlled group of corporations consisting of Y and Z, and also is a member of a brother-sister controlled group of corporations consisting of X and Y, X, Y, and Z are members of the same combined group.
-

The rule contained in this order shall take effect as provided by s. 227.026(1)(intro.), Wis. Stats.

Dated: April 13, 1981

DEPARTMENT OF REVENUE

By: 
Mark E. Musolf
Secretary of Revenue



State of Wisconsin \ DEPARTMENT OF REVENUE

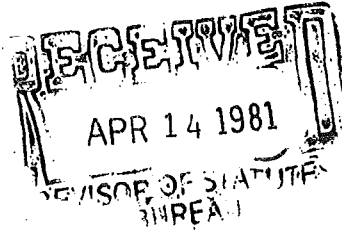
Lee Sherman Dreyfus
Governor

April 13, 1981

Mark E. Musolf
Secretary

125 SOUTH WEBSTER STREET
MADISON, WISCONSIN 53702

Ms. Vel Phillips
Secretary of State
13 West, State Capitol
Madison, WI 53702



Dear Ms. Phillips:

Enclosed are a Certificate and an Order of the Department of Revenue adopting Rule Tax 8.87.

These materials are filed with you pursuant to s. 227.023(1), Wis. Stats.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark E. Musolf".

Mark E. Musolf
Secretary of Revenue

Enclosures

cc: Revisor of Statutes



State of Wisconsin \ DEPARTMENT OF REVENUE

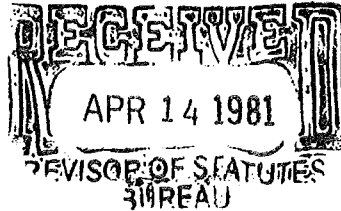
Lee Sherman Dreyfus
Governor

April 13, 1981

Mark E. Musolf
Secretary

125 SOUTH WEBSTER STREET
MADISON, WISCONSIN 53702

Orlan L. Prestegard
Revisor of Statutes
411 West, State Capitol
Madison, WI 53702




Dear Mr. Prestegard:

Enclosed are a certified copy and an extra copy of an Order of the Department of Revenue adopting Rule Tax 8.87.

These materials are filed with you pursuant to s. 227.023(1), Wis. Stats.

Sincerely,


Mark E. Musolf
Secretary of Revenue

Enclosures

cc: Ms. Vel Phillips, Secretary of State
Prentice Hall, Inc.
Commerce Clearing House, Inc.