

CERTIFICATE

STATE OF WISCONSIN)

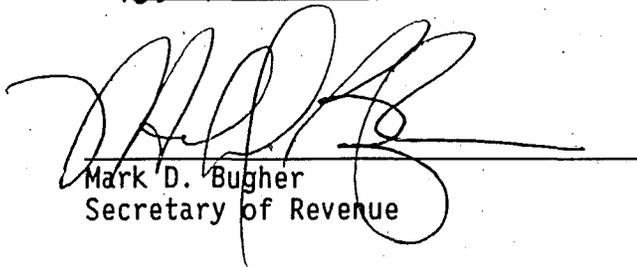
) SS

DEPARTMENT OF REVENUE)

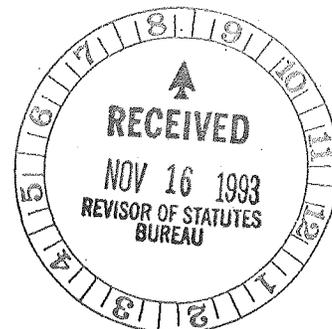
I, Mark D. Bugher, Secretary of the Department of Revenue and custodian of the official records certify that the annexed rule, relating to the income tax status of interest and dividends from securities, was duly approved and adopted by this department on November 12, 1993.

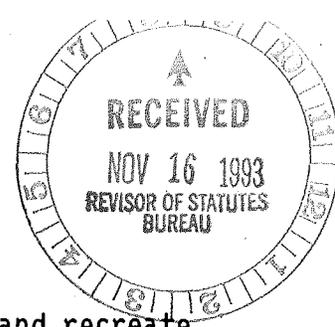
I further certify that this copy has been compared by me with the original on file in this department and that it is a true copy of the original, and of the whole of the original.

IN TESTIMONY WHEREOF, I have hereunto set my hand at 125 South Webster Street in the city of Madison, this 12th day of November, 1993.


Mark D. Bugher
Secretary of Revenue

MDB:MPW:c11
CKLEG/1422





ORDER OF THE DEPARTMENT OF REVENUE
REPEALING AND RECREATING RULES

The Wisconsin Department of Revenue adopts an order to repeal and recreate Tax 3.095, relating to the Wisconsin income tax status of interest and dividends from securities.

Analysis by the Department of Revenue

Statutory authority: s. 71.80(1)(c), Stats.

Statutes interpreted: s. 71.05(6)(a)1 and (b)1, Stats.

SECTION 1. Tax 3.095 is repealed and recreated, to more closely reflect in the title the types of securities listed in the rule, to improve readability, to set forth previously stated definitions in a separate Section in accordance with Legislative Council Rules Clearinghouse standards, and to reflect the statutory provisions of the taxability or exemption of interest or dividends from the listed securities. In addition, 9 securities not previously listed are included.

SECTION 1. Tax 3.095 is repealed and recreated to read:

Tax 3.095 INCOME TAX STATUS OF INTEREST AND DIVIDENDS RECEIVED FROM
GOVERNMENT AND OTHER SECURITIES BY INDIVIDUALS AND FIDUCIARIES.

(s. 71.05(6)(a)1 and (b)1, Stats.) (1) PURPOSE. This section lists federal, state, municipal and other government securities, and certain nongovernment securities, and specifies whether interest and dividends payable on those securities are exempt from or subject to the Wisconsin income tax on individuals and fiduciaries. The lists are not all-inclusive.

Note: Information regarding the income tax status of interest and dividends received from securities not listed in this section may be obtained by writing to Wisconsin Department of Revenue, Technical Services Staff, P.O. Box 8933, Madison, WI 53708-8933.

(2) DEFINITIONS. In this section:

(a) "CHAP" means "Community Housing Alternatives Program."

(b) "Federal securities" means only securities which are direct and primary obligations of the United States and securities the interest on which

federal law prohibits states from taxing. Federal securities do not include securities for which the United States is merely a guarantor and, therefore, has an obligation which is secondary and contingent to that of the issuer of the security.

(c) "Public housing agency" means any state, county, municipality or other governmental entity or public body, or agency or instrumentality thereof, which is authorized to engage in or assist in the development or operation of lower income housing, under 42 U.S.C. §1437a(b)(6).

(d) "WHEDA" means "Wisconsin Housing and Economic Development Authority."

(3) GENERAL. (a) Under s. 71.05(6)(a)1, Stats., interest income which is subject to the Wisconsin income tax on individuals and fiduciaries, but which is not included in federal adjusted gross income, shall be added to federal adjusted gross income in computing Wisconsin taxable income.

Note: Section 71.05(1)(a)1, 1985 Stats., was amended by 1987 Wis. Act 27, to provide for the addition to federal adjusted gross income, of any interest not included in federal adjusted gross income which is not specifically exempted from state taxation. This change applies only to securities issued after January 28, 1987. Prior to enactment of 1987 Wis. Act 27, the addition applied only to interest excluded from federal adjusted gross income solely by s. 103 of the internal revenue code. Section 71.05(1)(a)1, 1985 Stats., was renumbered s. 71.05(6)(a)1, Stats., by 1987 Wis. Act 312, effective January 1, 1989.

(b) Under s. 71.05(6)(b)1, Stats., interest and dividend income which is included in federal adjusted gross income but which is by federal law exempt from state income taxation, shall be subtracted from federal adjusted gross income in computing Wisconsin taxable income.

(4) EXEMPT SECURITIES. Interest and dividends payable on the following securities shall be exempt from the Wisconsin income tax on individuals and fiduciaries:

(a) Exempt state, municipal and other government securities.

1. District of Columbia general obligation bonds issued on or prior to January 28, 1987, where the interest from the bonds qualifies for exemption from federal income taxation for a reason other than or in addition to s. 103 of the internal revenue code.

2. Higher education bonds issued by the state of Wisconsin, s. 71.05(6)(a)1, Stats.

3. Public housing agency bonds issued on or prior to January 28, 1987, by agencies located outside Wisconsin where the interest from the bonds qualifies for exemption from federal income taxation for a reason other than or in addition to s. 103 of the internal revenue code.

4. Public housing authority bonds issued by municipalities located in Wisconsin, s. 66.40(14)(a), Stats.

5. Redevelopment authority bonds issued by municipalities located in Wisconsin, s. 66.431(5)(a)4.c, Stats.

6. Stripped general obligation bond certificates attributable to certain District of Columbia general obligation bonds issued on or prior to January 28, 1987, where the interest from the bonds qualifies for exemption from federal income taxation under s. 1286 of the internal revenue code and D.C. Code Ann. § 47-332.

Example: Stripped general obligation bond certificates meeting the criteria of subd. 6 include Stripped Tax-Exempt Participations, or "STEPS."

7. Virgin Island Housing Authority bonds issued on or prior to January 28, 1987, where the interest from the bonds qualifies for exemption from federal income taxation for a reason other than or in addition to s. 103 of the internal revenue code.

8. WHEDA bonds issued on or prior to January 28, 1987, except business development revenue bonds, economic development revenue bonds and CHAP housing revenue bonds issued by WHEDA.

9. WHEDA bonds issued to fund a loan under s. 234.935, Stats.
10. WHEDA bonds issued under s. 234.65, Stats., to fund an economic development loan to finance construction, renovation or development of property that would be exempt under s. 70.11(36), Stats.
11. Wisconsin Housing Finance Authority bonds, 42 U.S.C. § 1437i(b).

Note: Under par. (a), interest and dividends payable on certain securities issued on or before January 28, 1987, is exempt from Wisconsin income tax. This is because prior to enactment of 1987 Wis. Act 27, which amended s. 71.05(1)(a)1, 1985 Stats., effective with securities issued after January 28, 1987, no modification was provided to add to federal adjusted gross income interest and dividends which were excludable from federal adjusted gross income for any reason other than or in addition to s. 103 of the internal revenue code. Section 71.05(1)(a)1, 1985 Stats., was renumbered s. 71.05(6)(a)1, Stats., by 1987 Wis. Act 312, effective January 1, 1989.

(b) Exempt federal securities.

1. Armed Services Housing Mortgage Insurance debentures, 12 U.S.C. § 1748b(f).
2. Bank for Cooperative debentures, 12 U.S.C. § 2134.
3. Bank repurchase agreements for U.S. Government treasury bills, notes and bonds, if interest is paid by the federal government directly to the taxpayer.
4. Commodity Credit Corporation bonds, 15 U.S.C. § 713a-5.
5. Commonwealth of Puerto Rico public improvement bonds, 48 U.S.C. § 745.
6. Farm Credit System Financial Assistance Corporation notes, bonds and debentures, 12 U.S.C. § 2278b-10(b).
7. Federal Deposit Insurance Corporation bonds, 12 U.S.C. § 1825.
8. Federal Farm Credit Banks Consolidated Systemwide Securities, 12 U.S.C. § 2055.
9. Federal Home Loan Bank bonds, debentures and notes, 12 U.S.C. § 1433.

10. Federal Housing Authority debentures, 12 U.S.C. §§ 1710(d) and 1747g(g).
11. Federal Intermediate Credit Bank debentures, 12 U.S.C. § 2079.
12. Federal Land Bank Association bonds, notes and debentures, 12 U.S.C. § 2055.
13. Federal Land Bank bonds, 12 U.S.C. §2055.
14. Federal Reserve Bank dividends, 12 U.S.C. § 531.
15. Federal Savings and Loan Insurance Corporation bonds, 12 U.S.C. § 1725(e).
16. Financial Assistance Corporation bonds, notes and debentures, 12 U.S.C. § 2278b.
17. Financing Corporation obligations, 12 U.S.C. § 1441.
18. General Insurance Fund debentures issued to acquire housing projects, 12 U.S.C. § 1747g(g).
19. General Insurance Fund debentures issued under the War Housing Insurance Law, 12 U.S.C. § 1739(d).
20. General Services Administration Public Building Trust Participation certificates, 31 U.S.C. § 3124.
21. Guam bonds, 48 U.S.C. § 1423a.
22. Industrial Development bonds of East Samoa, 48 U.S.C. § 1670.
23. Panama Canal Zone bonds, 31 U.S.C. §§ 743-745.
24. Production Credit Association debentures, 12 U.S.C. § 2098.
25. Proprietary zero-coupon certificates, 31 U.S.C. § 3124.
Example: Proprietary zero-coupon certificates include CATS, TIGRs, Cougars, ETRs, Lions, STARs, Zebras, etc.
26. Puerto Rico Aqueduct and Sewer Authority revenue bonds, 48 U.S.C. § 745.

27. Puerto Rico Electric Power Authority electric revenue bonds, 48 U.S.C. § 745.
28. Puerto Rico Electric Power Authority power revenue bonds, 48 U.S.C. § 745.
29. Puerto Rico Highway Authority revenue bonds, 48 U.S.C. § 745.
30. Puerto Rico Industrial Development Company bonds, 48 U.S.C. § 745.
31. Puerto Rico Municipal Finance Agency 1974 Series A bonds, 48 U.S.C. § 745.
32. Puerto Rico Ports Authority revenue bonds, 48 U.S.C. § 745.
33. Puerto Rico Public Buildings Authority public education and health facility bonds, 48 U.S.C. § 745.
34. Puerto Rico Public Buildings Authority revenue bonds, 48 U.S.C. § 745.
35. Puerto Rico Telephone Authority revenue bonds, 48 U.S.C. § 745.
36. Puerto Rico Water Resource Authority Series B debentures, 48 U.S.C. § 745.
37. Resolution Funding Corporation bonds, 12 U.S.C. § 1441b(f)(7).
38. Student Loan Marketing Association obligations, 20 U.S.C. § 1087-21.
39. Tennessee Valley Authority bonds, 16 U.S.C. § 831n-4(d).
40. Territory of Hawaii bonds.
41. Territory of Puerto Rico bonds, 48 U.S.C. § 745.
42. United States Postal Service bonds, 39 U.S.C. § 2005.
43. United States savings bonds, 31 U.S.C. § 3124.
44. United States Treasury bills and notes, 31 U.S.C. § 3124.
45. University of Puerto Rico university system revenue bonds, 48 U.S.C. § 745.
46. Virgin Islands general obligation bonds, 48 U.S.C. § 1574(b)(ii)(A).

47. Virgin Islands Public Improvement bonds, 48 U.S.C. § 1574(b)(i).

(5) TAXABLE SECURITIES. Interest and dividends payable on the following securities shall be subject to the Wisconsin income tax on individuals and fiduciaries:

(a) Taxable state and municipal government securities.

1. District of Columbia Development Land Agency bonds, 42 U.S.C. § 1452.
2. District of Columbia general obligation bonds issued after January 28, 1987, D.C. Code § 47-33.
3. Municipal bonds.
4. Public housing agency bonds issued after January 28, 1987, and by agencies located outside Wisconsin. Public housing agency bonds issued on or prior to January 28, 1987, by agencies located outside Wisconsin where the interest from the bonds qualifies for exemption from federal income taxation solely because of s. 103 of the internal revenue code.
5. Robert F. Kennedy Stadium bonds, D.C. Code § 2-1720 et seq.
6. Transit bonds of the Washington Metropolitan Area Transit Authority.
7. Wisconsin Health Education Assistance Loan revenue obligation bonds, s. 39.374, Stats.
8. WHEDA bonds issued after January 28, 1987, and all business development revenue bonds, economic development revenue bonds and CHAP housing revenue bonds issued by WHEDA, regardless of when issued, unless specifically exempt by law, ch. 234, Stats.

(b) Other taxable securities.

1. Asian Development Bank bonds, 22 U.S.C. § 290i-9.
2. College Construction Loan Insurance Association obligations, 20 U.S.C. § 1132.
3. Environmental Financing Authority obligations, 33 U.S.C. § 1281.

4. Export-Import Bank of the United States debentures, 12 U.S.C. § 635.
5. Farmer's Home Administration insured notes, 7 U.S.C. §§ 1928 and 1929.
6. Federal Assets Financing Trust participation certificates, 12 U.S.C. § 1717(c).
7. Federal Financing Bank bonds, 12 U.S.C. § 2288.
8. Federal Home Loan Bank dividends, 12 U.S.C. §§ 1426 and 1436.
9. Federal Home Loan Mortgage Corporation obligations, 12 U.S.C. § 1455.
10. Federal National Mortgage Association certificates, 12 U.S.C. § 1718.

Note: In 1968, the Federal National Mortgage Association became 2 separate corporations. One corporation retained the original name and the other is known as the Government National Mortgage Association.

11. Federal National Mortgage Association dividends, 12 U.S.C. § 1719.
12. Government National Mortgage Association, or "Ginnie Mae," bonds, 12 U.S.C. §§ 1720 and 1721.
13. HUD/New Communities Program obligations, 42 U.S.C. § 4514.
14. Insured Merchant Marine bonds, 46 U.S.C. § 1273.
15. Inter-American Development Bank bonds, 22 U.S.C. § 283.
16. Interest paid on deposits in any federal bank or agency.
17. International Bank for Reconstruction and Development bonds, also known as World Bank bonds, 22 U.S.C. § 286.
18. Rural Telephone debentures, 7 U.S.C. § 947(a).
19. Small Business Administration notes, 15 U.S.C. § 633.
20. Small Business Investment Company debentures, 15 U.S.C. §§ 683 and 687.
21. Tennessee Valley Authority bonds, 16 U.S.C. § 831n-3.
22. Virgin Islands Housing Authority bonds issued after January 28, 1987, 48 U.S.C. § 1408(a).

23. World Bank bonds, also known as International Bank for Reconstruction and Development bonds, 22 U.S.C. § 286.

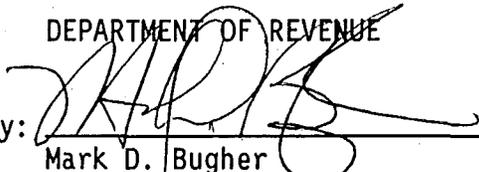
Note to Revisor: On the 6th line of the History Note at the end of Tax 3.095, change (2b) to (zb).

The rules contained in this order shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in s. 227.22(2)(intro.), Stats.

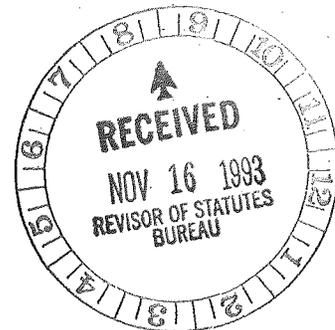
Final Regulatory Flexibility Analysis

This rule order does not have a significant economic impact on a substantial number of small businesses.

Dated: November 12, 1993

DEPARTMENT OF REVENUE
By: 
Mark D. Bugher
Secretary of Revenue

CKLEG/1269



ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.
 Tax 3.095
 Amendment No. if Applicable

FISCAL ESTIMATE
 DOA-2048 (R10/92)
 Subject

Income Tax Treatment of Interest and Dividend Income from Securities

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

Increase Existing Appropriation Increase Existing Revenues

Decrease Existing Appropriation Decrease Existing Revenues

Decrease Costs

Create New Appropriation

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities

2. Decrease Costs
 Permissive Mandatory

4. Decrease Revenues
 Permissive Mandatory

Counties Others _____
 School Districts VTAE Districts

Fund Sources Affected

GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

The proposed rule attempts to more clearly and conclusively interpret existing tax law relating to income from interest and dividends received from government and other securities. Since this proposed rule change does not alter current tax treatment, there is no fiscal effect.

Long-Range Fiscal Implications

Agency/Prepared by: (Name & Phone No.)
 Wisconsin Department of Revenue
 Kathryn Carmichael 266-9706

Authorized Signature/Telephone No.
 Yeang-Eng Braun
 266-2700 *Yeang-Eng Braun*

Date
 5/18/93



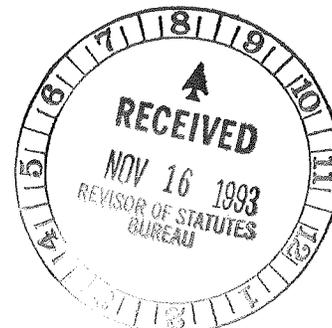
State of Wisconsin • DEPARTMENT OF REVENUE

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718

Tommy G. Thompson
Governor

Mark D. Bugher
Secretary of Revenue

November 15, 1993



Gary L. Poulson
Assistant Revisor
131 West Wilson Street, Suite 800
Madison, WI 53703-3233

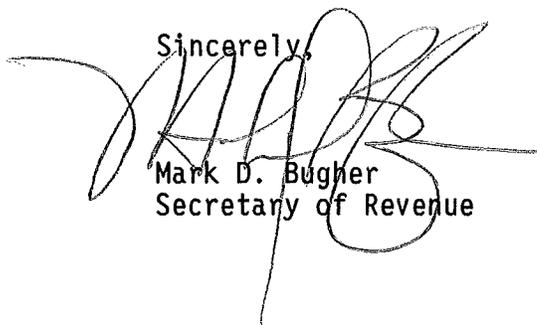
Re: Clearinghouse Rule 93-108

Dear Mr. Poulson:

Enclosed are a certified copy and an extra copy of an Order of the Department of Revenue promulgating rules relating to the Wisconsin income tax status of interest and dividends from securities.

These materials are filed with you pursuant to s. 227.20(1), Stats.

Sincerely,



Mark D. Bugher
Secretary of Revenue

MDB:MPW:c11
CKLEG/1421

Enclosure

cc: Douglas J. LaFollette, Secretary of State
Commerce Clearing House, Inc.
Research Institute of America, Inc.



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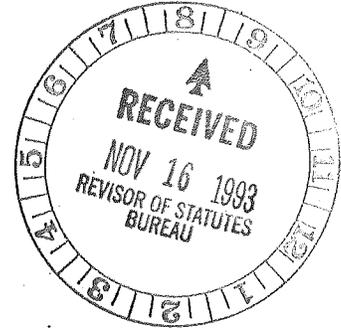
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Tommy G. Thompson
Governor

Mark D. Bugar
Secretary of Revenue

November 15, 1993

Douglas LaFollette
Secretary of State
30 West Mifflin Street, 10th Floor
Madison, WI 53703



Dear Secretary LaFollette:

Enclosed are a Certificate and an Order of the Department of Revenue adopting Clearinghouse Rule 93-108.

These materials are filed with you pursuant to s. 227.20, Stats.

Sincerely,

Mark D. Bugar
Secretary of Revenue

MDB:MPW:c11
CKLEG/1420

Enclosure

cc: Revisor of Statutes