

1999 DRAFTING REQUEST

Bill

Received: **02/9/99**

Received By: **jkreye**

Wanted: **Soon**

Identical to LRB:

For: **Tom Sykora (608) 266-1194**

By/Representing: **Sara**

This file may be shown to any legislator: **NO**

Drafter: **jkreye**

May Contact: **Rep. Gard**

Alt. Drafters:

Subject: **Tax - property**

Extra Copies:

Pre Topic:

No specific pre topic given

Topic:

Property tax exemption for equipment used to test electronic equipment and electronic components.

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	jkreye 02/10/99	ptellez 02/11/99	hhagen 02/11/99	_____	lrb_docadmin 02/11/99	lrb_docadminS&L 03/3/99	Tax

FE Sent For: **03/3/99** .

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1?	jkreye	11 pgt 2/11/99	2/11	2/11			

FE Sent For:

<END>

LEGISLATIVE REFERENCE BUREAU

BILL REQUEST FORM

Legal Section, 5th Floor, 100 N. Hamilton St.
(608) 266-3561

Use of this form is optional. It is often helpful to talk directly with the LRB attorney who will draft the bill.
Use this form only for BILL drafts. Attach more pages if necessary.

Date of request: <u>2/9/98</u>	Legislator or agency requesting this draft: <u>Rep. Tom Sykora</u>
Name/phone number of person submitting request: <u>Tom Sykora 266-1194</u>	
Persons to contact for questions about this draft (names and phone numbers please): <u>Sara Jermstad 266-1195</u>	
Describe the problem, including any helpful examples. How do you want to solve the problem? <u>property tax exemption for the testing equipment used during the manufacturing process</u>	

I would like to request the appropriate fiscal ~~estimate~~ estimate at this time, ~~too~~ please.

Thank you!

ht be
id

material that may help us. You may also attach a marked its number (e.g., 1997 LRB-2345/1 or 1995 AB-67):

wise.

... are working on this for you? YES NO

If yes, anyone who asks? YES NO

Any legislator? YES NO ONLY the following persons:

Rep. John Gard

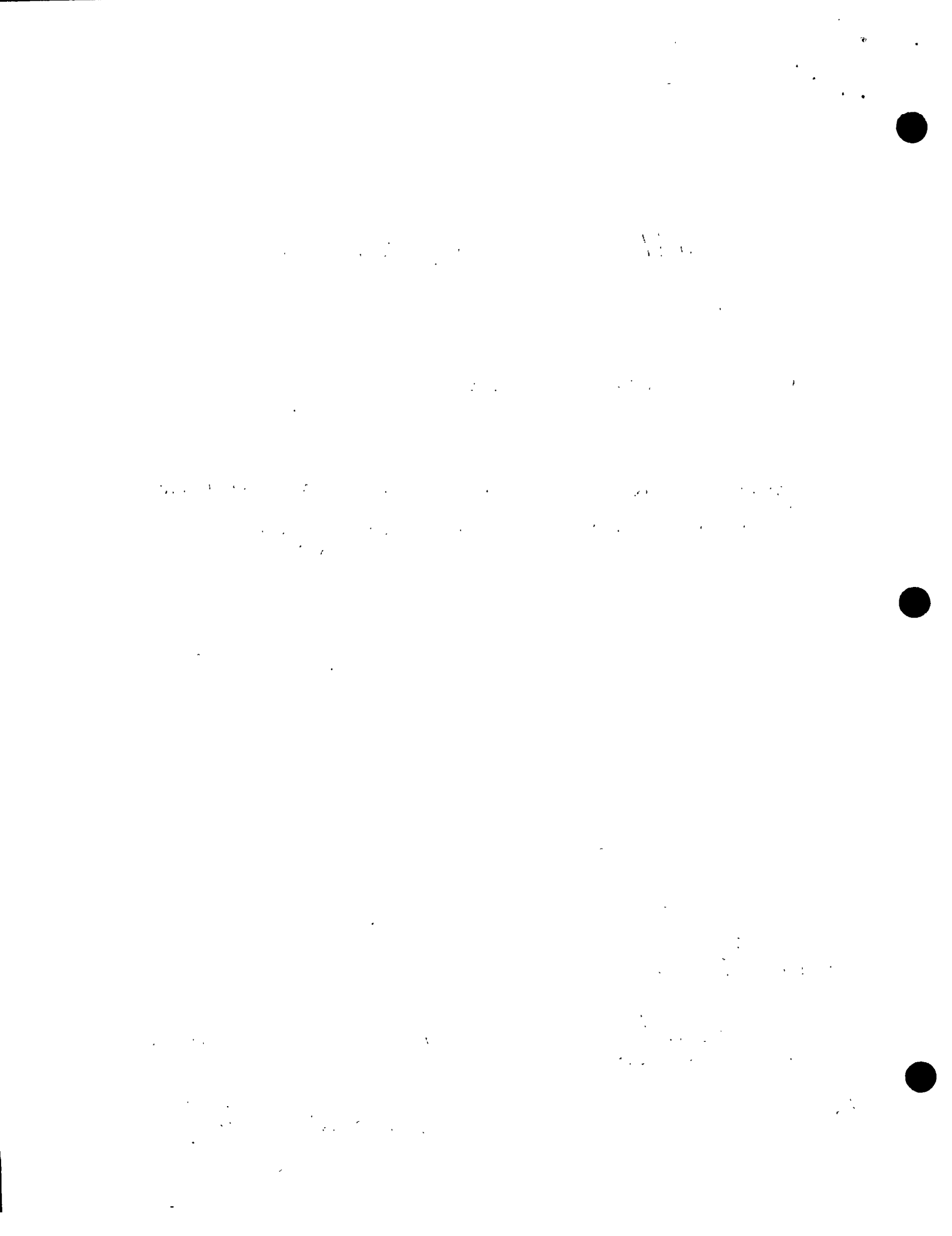
Do you consider this urgent? YES NO If yes, please indicate why:

if this is not included in Gov's budget, Rep Sykora would like to introduce ASAP

Is this request of higher priority than other pending request(s) you have made?

YES NO If yes, please sign your name here:

Sara R Jermstad



Computer Testing Equipment Tax

- ✓ Encourage legislators to exempt computer testing equipment from a business' property tax.

Background Information-Governor Thompson has called the Chippewa Valley Wisconsin's Silicon Valley. The location and growth of computer-and-components manufacturing companies is fueling high-tech prosperity in the state of Wisconsin. To continue that economic growth for the state and the Chippewa Valley, the advantages extended to other manufacturing processes should apply across the spectrum of electronic manufacturing procedures.

In the contemporary world of total quality processes, it is necessary that electronics and computer manufacturers test the components that are assembled into their products. The testing process occurs throughout the manufacturing process of computers and their components. The equipment used to do this testing is currently not subject to the property tax exemption for manufacturing equipment.

The rationale for this classification is that any stop in inventory nullifies the tax exempt status. Since the components are stored after receipt and testing, the equipment used to test them is deemed not to be part of the manufacturing process.

The Chippewa Valley is asking that the legislature and the Department of Revenue reevaluate how the tax on testing equipment for electronic components is applied, and rectify the procedure so that the state of Wisconsin can continue to develop the high-tech business sector.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

January 29, 1999

TO: Representative Tom Sykora
Room 8 North, State Capitol

FROM: Rick Olin, Fiscal Analyst

SUBJECT: Property Tax Exemption for Testing Equipment

At your request, this memorandum provides information on the fiscal effect of exempting testing equipment from the property tax.

The exemption would extend to equipment owned and used by manufacturers to test products manufactured by that manufacturer. Therefore, the exemption would not extend to businesses that do not meet the definition of manufacturer or to entities that are in business strictly to test products. Testing equipment is not separately classified or valued, so the value of testing equipment is not known. However, its value can be estimated.

Testing equipment is included in the machinery, tools and patterns category of personal property. In 1998, manufacturing property in that category had a taxable value of \$1,300 million. The Department of Revenue is responsible for assessing manufacturing property, and officials of the Department estimate that testing equipment comprises 15% to 20% of the value of all taxable manufacturing machinery, tools and patterns. As a result, the statewide value of testing equipment is estimated at \$195 million to \$260 million.

Based on a statewide average tax rate of \$23.99 per \$1,000 of taxable value, the gross taxes on testing equipment are estimated at \$4.7 million to \$6.2 million, and the taxes net of state tax credits are estimated at \$4.3 million to \$5.7 million. In the absence of a compensating aid payment from the state, property tax exemptions shift taxes from the property receiving the exemption to property that remains taxable. An exemption for manufacturers' testing equipment would cause taxes on a home with a value of \$97,000, the estimated median home value, to increase by about \$2 to \$3.

If you have any questions on this information, please let me know.

RO/dls



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-2172?

JK:pgt.

RDM
ran

SOON

1999 BILL

gen. cat.

1 AN ACT ...; relating to: a property tax exemption for equipment used to test
2 electronic equipment or computer equipment.

Analysis by the Legislative Reference Bureau

This bill creates a property tax exemption for equipment used by a manufacturer to test the electronic or computer products made by the manufacturer or to test the electronic or computer components used in the manufacturer's products.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 SECTION 1. 70.11 (27m) of the statutes is created to read:

4 70.11 (27m) MANUFACTURER'S TESTING EQUIPMENT. Equipment used by a

5 manufacturer, before, during or after the production process, as defined in ~~70.11~~

6 (27) (a) 5., to test the electronic products or the computer products manufactured by

7 the manufacturer, or to test the electronic components or the computer components

8 that are used in the manufacturer's products.

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**SUBMITTAL
FORM**

**LEGISLATIVE REFERENCE BUREAU
Legal Section Telephone: 266-3561
5th Floor, 100 N. Hamilton Street**

The attached draft is submitted for your inspection. Please check each part carefully, proofread each word, and **sign** on the appropriate line(s) below.

Date: 2/11/99

To: Representative Sykora

Relating to LRB drafting number: LRB-2172

Topic

Property tax exemption for equipment used to test electronic equipment and electronic components.

Subject(s)

Tax - property

1. **JACKET** the draft for introduction

Tom Sykora

in the **Senate** _____ or the **Assembly** (check only one). Only the requester under whose name the drafting request is entered in the LRB's drafting records may authorize the draft to be submitted. Please allow one day for the preparation of the required copies.

2. **REDRAFT.** See the changes indicated or attached _____

A revised draft will be submitted for your approval with changes incorporated.

3. Obtain **FISCAL ESTIMATE NOW**, prior to introduction

Tom Sykora

If the analysis indicates that a fiscal estimate is required because the proposal makes an appropriation or increases or decreases existing appropriations or state or general local government fiscal liability or revenues, you have the option to request the fiscal estimate prior to introduction. If you choose to introduce the proposal without the fiscal estimate, the fiscal estimate will be requested automatically upon introduction. It takes about 10 days to obtain a fiscal estimate. Requesting the fiscal estimate prior to introduction retains your flexibility for possible redrafting of the proposal.

Done
9MB

If you have any questions regarding the above procedures, please call 266-3561. If you have any questions relating to the attached draft, please feel free to call me.

Joseph T. Kreye, Legislative Attorney
Telephone: (608) 266-2263