

1999 DRAFTING REQUEST

Bill

Received: **11/6/98**

Received By: **shoveme**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget 6-8593**

By/Representing: **Holden**

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

Drafter: **shoveme**

May Contact:

Alt. Drafters:

Subject: **Tax - utilities**

Extra Copies:

Topic:

DOA:.....Holden - Revise car line rate of taxation

Instructions:

See Attached. Change rate of taxation charged to car line companies

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>
/P1	shoveme 11/12/98	gilfokm 11/12/98	lpaasch 11/13/98	_____	lrb_docadmin 11/13/98		State

FE Sent For:

<END>

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/P1	shoveme	/P1-11-12 Kmg	11-13LP	11-13LP km	submit		
<i>(P1 MES 11/12/98)</i>							

FE Sent For:

<END>

VII A 6
Revise car line rate of taxation

Wisconsin Department of Revenue
Division of State and Local Finance
September 15, 1998

TITLE: Revise Car Line Rate of Taxation

DESCRIPTION OF CURRENT SITUATION AND PROBLEM:

Each railroad company operating in this state is currently subject to property tax based upon its unit valuation allocated to Wisconsin by formula times the average net state tax rate. Unit valuation is the aggregate estimated sales price of all operating property of the company if it were sold between a willing buyer and willing seller. This unit value does not include equipment leased to the railroad by a car line company.

Car line equipment of a car line company is taxed in Wisconsin based upon gross revenues. Railroads withhold this tax from rental payments made to car line companies. These funds are paid by the railroads to the state in April and September of each year. A legislative proposal was defeated in 1995 that would have changed the method of taxation to unit valuations for car line companies. Instead, legislatively the rate of taxation was changed from 6% to 3% to more closely reflect the rate charged to railroads.

The average state rate fluctuates yearly. This rate has recently declined since the State has funded more school costs.

RECOMMENDATION FOR ACTION:

Change the rate of taxation charged to car line companies comparable to the average net rate of taxation as described at Section 76.126 Statutes.

FISCAL/ADMINISTRATIVE IMPACT:

The aggregate tax collected in the prior two calendar years would have decreased by \$200,000 had this proposal been enacted.

STATUTORY CHANGE REQUIRED:

Amend 76.39 (2) to change the tax rate to 2.5%.

CONTACT PERSON: John Rader, 266-0939

PREPARED BY: Robert F. Steffes



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0778/P1

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SOON

DOA:.....Holden - Revise car line rate of taxation

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

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1 AN ACT ...; relating to: revising the rate of taxation of car line companies

Analysis by the Legislative Reference Bureau

TAXATION

OTHER TAXATION

Under current law, an annual gross earnings tax on the car line equipment of a car line company is levied at the rate of 3% of the gross earnings in this state of the company. A "car line company" is any person, other than a railroad, engaged in the business of leasing or furnishing car line equipment to a railroad and "car line equipment" is any railroad car or other equipment used in railroad transportation under a rental agreement. The gross earnings tax is levied in lieu of all property taxes on the car line equipment.

Also under current law any railroad company that operates in this state is required, upon making a payment to a car line company for the use of its cars, to withhold 3% of the amount constituting gross earnings in this state of the car line company.

This bill changes the rate of the gross earnings tax that is levied on a car line company and the amount that a railroad company must withhold from rental payments made to a car line company from 3% of gross earnings to 2.5% of gross earnings.

For further information see the *state* 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:

1 SECTION 1. 76.39 (2) of the statutes is amended to read:

2 76.39 (2) There is levied annually a gross earnings tax in lieu of all property
3 taxes on the car line equipment of a car line company equal to ~~3%~~ 2.5% of the gross
4 earnings in this state. Every railroad company operating in this state shall, upon
5 making payment to each car line company for use of its cars, withhold ~~3%~~ 2.5% of the
6 amount constituting the gross earnings in this state of such car line company.

History: 1971 c. 215; 1975 c. 39, 224; 1977 c. 29, 418; 1979 c. 110 ss. 21, 60 (13); 1981 c. 20; 1983 a. 27, 189; 1985 a. 120; 1987 a. 399; 1991 a. 39; 1993 a. 453; 1995 a. 227, 237; 1997 a. 27.

7 SECTION 9343. Initial applicability; revenue.

8 (1) CAR LINE COMPANIES, RATE OF TAXATION. The treatment of section 76.39 (2) [✓] of
9 the statutes first applies to taxable years beginning on January 1 of the year in which
10 this subsection takes effect, except that if this subsection takes effect after July 31
11 the treatment of section 76.39 (2) [✓] of the statutes first applies to taxable years
12 beginning on January 1 of the year following the year in which this subsection takes
13 effect.

14 (END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0778/P1
MES:kmg:lp

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NOTE TO DRAFTING FILE for LRB-0778:

Per the drafter, this draft has been redrafted to a “/1” as no problems remain in the draft that require resolution before introduction of the budget bill. There are no changes between the “/PX” and the “/1.”

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(END)