

**1999 DRAFTING REQUEST**

**Assembly Amendment (AA-AB133)**

Received: **06/11/99**

Received By: **jkreye**

Wanted: **Soon**

Identical to LRB:

For: **Legislative Fiscal Bureau 6-3847**

By/Representing: **Russell**

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

Drafter: **jkreye**

May Contact:

Alt. Drafters:

Subject: **Tax - utilities**  
**Tax - miscellaneous**

Extra Copies:

**Pre Topic:**

LFB:.....Russell -

**Topic:**

Telecommunications company transitional adjustment fee as a credit against ad valorem tax assessment

**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 06/12/99	ygeller 06/13/99	mclark 06/13/99	_____	lrb_docadmin 06/13/99		

FE Sent For:

<END>

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1?	jkreye	1 6/12 jlg 6/13 MRC		MRC/ES 6/13			

FE Sent For:

<END>

h06r2

**Kreye, Joseph**

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**From:** Russell, Faith  
**Sent:** Friday, June 11, 1999 10:57 AM  
**To:** Kreye, Joseph  
**Subject:** Another draft

Hi Joe -

I just found out that you're the person who would get changes in utility taxes for telecommunications companies. So here's one more item for you!



1240-Alradigm.doc

Faith Russell  
Fiscal Analyst, Legislative Fiscal Bureau  
faith.russell@legis.state.wi.us  
Phone: 608-266-3847

GENERAL FUND TAXES

Telecommunications Ad Valorem Transition Fee

Motion:

Move to provide that, for a telecommunications company subject to a transitional adjustment fee for 1999 and 2000 under 1995 Act 351, if the calculation of the fee results in a negative number, a portion of the amount could be used as a credit against the ad valorem tax assessment if the "total Wisconsin gross revenues" of the company under s. 76.38, 1993 Statutes is less than \$10.0 million. Provide that the credit would be limited to 60% of the negative number calculated for the first year of the transition period under Act 351 and 40% of the negative number calculated for the second year of the transition period.

Specify that these provisions would be retroactive to include taxes for the first year of the transition period under Act 351 and would sunset at the end of the transition period.

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Note:

Under current law, telecommunications utilities in Wisconsin are subject to state taxation on the basis of property value (ad valorem), in lieu of local property taxation. However, prior to taxes due for 1997, telecommunications companies were assessed a gross revenues license fee. Act 351 repealed the gross revenues license fee on telecommunications companies on May 15, 1998, and imposed an ad valorem tax beginning with taxes due for 1998. Act 351 also imposed a transitional adjustment fee on each cellular telecommunications utility and local exchange company for 1999 and 2000.

The transition fee is equal to the difference between ad valorem taxes and the gross revenues tax payments that would have been made under s. 76.38 of the 1993 Statutes, at a rate of 5.77% (while the transitional adjustment fees apply for 1999 and 2000, the transition fee is based on a comparison of ad valorem taxes from assessments on 1998 and 1999 property values and a 5.77% gross revenues license fee on revenues during calendar years 1998 and 1999). The Department of Revenue (DOR) has interpreted Act 351 to mean that, if the transition fee calculation produced a

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negative number, the transition fee would be zero and such companies would be taxed at the ad valorem rate. This motion would provide that, for a company with annual gross revenue under s. 76.38, 1993 Statutes of less than \$10.0 million for which the calculation of the transition fee resulted in a negative number, the negative amount could be used as a credit against the ad valorem tax assessment. a portion of the amount could be used as a credit against the ad valorem tax assessment if the "total Wisconsin gross revenues" of the company under s. 76.38, 1993 Statutes is less than \$10.0 million. The credit would be limited to 60% of the negative number calculated for the first year of the transition period under Act 351 and 40% of the negative number calculated for the second year of the transition period.

Because these provisions would be retroactive to include taxes due for 1998 and would sunset beginning with ad valorem taxes due for 2000, the full effect of the proposal would occur in 1999-00. It is estimated that these provisions would result in reduced utility tax collections of \$870,000 in 1999-00.

[Change to Bill: -\$870,000 GPR-REV]



State of Wisconsin  
1999 - 2000 LEGISLATURE

LRBb06727

JK:.....

6-12-99

JLG RMK

LFB:.....Russell - Telecommunications company transitional adjustment fee  
as a credit against ad valorem tax assessment

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

LFB AMENDMENT

TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

SOON

1 At the locations indicated, amend the bill as follows:

2 1. Page 907, line 9: after that line insert:

3 "SECTION 1810~~1~~<sup>d</sup> 76.91 (1m)<sup>x</sup> of the statutes is created to read:

4 76.91 (1m) If the amount calculated under sub. (1)<sup>✓</sup> is a negative amount and  
5 the taxpayer's annual gross revenue under s. 76.38, 1993 stats., is less than  
6 \$10,000,000<sup>✓</sup>, the taxpayer may claim a credit against the fee imposed under this  
7 subchapter as follows:

8 (a) For the transitional adjustment fee paid for 1999, the taxpayer may  
9 consider the negative amount calculated under sub. (1) to be a positive amount and  
10 may claim a credit in an amount equal to 60%<sup>✓</sup> of the positive amount.

1 (b) For the transitional adjustment fee paid for <sup>the year</sup> 2000, the taxpayer may  
 2 consider the negative amount calculated under sub. (1) to be a positive amount and  
 3 may claim a credit in an amount equal to 40% of the positive amount." ✓

4 2. Page 1462, line 3: after that line insert:  
 5 <sup>initial</sup> ~~(22f)~~ <sup>f</sup> TRANSITIONAL ADJUSTMENT FEE CREDIT. The treatment of section 76.91  
 6 (1m) of the statutes first applies retroactively to transitional adjustment fees paid  
 7 in May 1998." ✓

8 3. Page 1477, line 11: after that line insert:  
 9 <sup>eff</sup> ~~(7d)~~ <sup>date</sup> TRANSITIONAL ADJUSTMENT FEE CREDIT. The treatment of section 76.91 (1m)  
 10 of the statutes takes effect retroactively <sup>to</sup> ~~on~~ May 1, 1998." ✓



State of Wisconsin  
1999 - 2000 LEGISLATURE

LRBb0672/1  
JK:jlg:mrc

LFB:.....Russell – Telecommunications company transitional adjustment fee  
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FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

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TO 1999 ASSEMBLY BILL 133 AND 1999 SENATE BILL 45

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 907, line 9: after that line insert:

3 “**SECTION 1810d.** 76.91 (1m) of the statutes is created to read:

4 76.91 (1m) If the amount calculated under sub. (1) is a negative amount and  
5 the taxpayer’s annual gross revenue under s. 76.38, 1993 stats., is less than  
6 \$10,000,000, the taxpayer may claim a credit against the fee imposed under this  
7 subchapter as follows:

8 (a) For the transitional adjustment fee paid for 1999, the taxpayer may  
9 consider the negative amount calculated under sub. (1) to be a positive amount and  
10 may claim a credit in an amount equal to 60% of the positive amount.



1 (b) For the transitional adjustment fee paid for the year 2000, the taxpayer may  
2 consider the negative amount calculated under sub. (1) to be a positive amount and  
3 may claim a credit in an amount equal to 40% of the positive amount.”.

4 **2.** Page 1462, line 3: after that line insert:

5 “(22f) TRANSITIONAL ADJUSTMENT FEE CREDIT. The treatment of section 76.91  
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8 **3.** Page 1477, line 11: after that line insert:

9 “(7d) TRANSITIONAL ADJUSTMENT FEE CREDIT. The treatment of section 76.91 (1m)  
10 of the statutes takes effect retroactively to May 1, 1998.”.

11

(END)