

1999 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-AB133)

Received: **06/23/99**

Received By: **jkreye**

Wanted: **Soon**

Identical to LRB:

For: **Assembly Republican Caucus**

By/Representing: **Kratochwill**

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

Drafter: **jkreye**

May Contact:

Alt. Drafters:

Subject: **Tax - sales**
Tax - real estate transfer fee

Extra Copies:

Pre Topic:

ARC:.....Kratochwill - TP (3),

Topic:

Sales tax exemption for sales of flex-time time-share property

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>
/?	jkreye 06/24/99	chanaman 06/24/99		_____			
/1	jkreye 06/25/99	ygeller 06/25/99	haugca 06/24/99	_____	ismith 06/24/99		
/2			mclark 06/26/99	_____	lrb_docadmin 06/26/99		

FE Sent For:

<END>

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1?	jkreye	cmH 6/24 /1	CH 6/24	CH 6/24 KM			

FE Sent For:

<END>

J Jensen

Representative Jensen

TAX AND SPENDING MODIFICATIONS

General Fund Taxes

1154

1. *Single-Sales Apportionment for Gas and Electric Utilities.* Provide that electric and gas utilities be included in the phase-in of the single-sales factor apportionment formula for tax years beginning on or after January 1, 2001. This provision would reduce state corporate income and franchise tax revenues by an estimated \$100,000 in 2000-01. When single-sales factor apportionment is fully phased in, revenues would be reduced by an estimated \$800,000, annually

Under the Joint Finance Committee version of the bill, a single-sales factor apportionment formula under the state corporate income and franchise tax would be phased in over three years beginning with tax year 2001. For tax years beginning on or after January 1, 2001 and before January 1, 2002, the sales factor would equal 63% of the apportionment fraction and the property and payroll factors would each equal 18.5% of the fraction. For tax years beginning on or after January 1, 2002 and before January 1, 2003, the sales factor would equal 85% of the apportionment fraction and the property and payroll factors would each be 7.5% of the fraction. For tax years beginning on or after January 1, 2003, the apportionment fraction would be the sales factor. However, the current law formulas were maintained for apportioning the income of interstate public utilities (including electric and gas utilities), air carriers, motor carriers, railroad and sleeping car and carline companies and pipeline companies.

1156

2. *Sales and Use Tax Exemption for Food and Related Items Provided to Restaurant Employes at Work.* Provide a sales and use tax exemption for certain food and related items provided by restaurants to employes at work. Under current law, a restaurant owner is liable for the sales tax on: (a) food and beverages that are excluded from the general sales tax exemption for food when they are provided to restaurant employes at no charge at work; and (b) disposable products transferred with free food and beverages (napkins, straws and cups). However, a restaurant's purchases of the same items are exempt from the sales tax when they are to be resold to customers. The Department of Revenue (DOR) requires that restaurants determine the value of such items and remit the associated sales tax. Because the current provision is difficult to enforce, it is estimated that the exemption would have a minimal fiscal impact on sales tax collections.

1157

3. *Time-Share Properties.* Exempt sales of flex-time time-share property, including maintenance charges, from the sales tax and impose the real estate transfer fee on all sales of time-share property, effective on the first day of the second month beginning after publication of the bill. Under current law, sales of flex-time time-shares are subject to the sales tax and sales of fixed-time time-shares are subject to the real estate transfer fee. These provisions would specify that all sales

of time-shares are subject to the real estate transfer fee and not the sales tax. The fiscal effect is estimated to be a net reduction of general fund tax collections of \$70,000 in 1999-00 and \$90,000 in 2000-01, assuming an effective date of October 1, 1999.

1158
4. *Vending Machine Sales Tax Exemption.* Provide that, effective July 1, 2001, food and beverages that are exempt from the state sales tax when sold in a store for off-premises consumption would also be exempt when sold through a vending machine. Under current law, DOR assumes that sales of such items through vending machines are sold for on-premises consumption and are therefore subject to the sales tax. Due to the effective date of the provision, there would be no effect on general fund revenues during the 1999-01 biennium. However, it is estimated that this provision would result in reduced general fund revenues of \$3,700,000 annually, beginning in 2001-02. This estimate, which is in 1999-00 dollars, reflects a recent DOR study of vending machine compliance.

5. *Sales Tax Exemption for Internet Access Services.* Provide a sales and use tax exemption for Internet access services effective July 1, 2001. Under current law, DOR has interpreted the general statute relating to taxation of telecommunications services to include Internet access charges. Therefore, such services are taxable if they originate or terminate in this state and are charged to a Wisconsin billing address. This provision would exempt Internet access charges from the state sales and use tax. Due to the effective date of the provision, there would be no effect on general fund revenues during the 1999-01 biennium. However, it is estimated that this provision would result in reduced general fund revenues of \$6,400,000 annually, beginning in 2001-02. This estimate is in 1999-00 dollars and does not account for anticipated growth in sales of Internet access services subsequent to 2000-01.

6. *Individual Income Tax -- Miscellaneous Itemized Deductions.* Allow travel and home office expenses to continue to be claimed as a miscellaneous deduction under the itemized deduction credit. The income tax proposal as recommended by the Governor and modified by the Committee would eliminate miscellaneous deductions from the itemized deduction credit, with a provision to continue to allow union and professional dues to be deducted as a miscellaneous expense. The modification relating to travel and home office expenses is estimated to have a minimal fiscal effect.

1165
7. *Corporate Income and Franchise Tax -- Sourcing of Receipts from Sales of Certain Services.* Provide that, in determining sales that would be included in the single-sales factor apportionment formula, in cases where a service is rendered from a jurisdiction outside of Wisconsin that situates services based on a standard different than where the benefit of the service is received, the service provider may elect to use the cost of performance standard for all services provided. Under the Joint Finance version of the bill, sales from services are attributed to the state where the benefit is received. This provision would reduce state corporate income and franchise tax revenues by an unknown amount.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb11571

JK:.....

CHY

ARC:.....Kratochwill - TP (3), Sales tax exemption for sales of flex-time
time-share property

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 1999 ASSEMBLY BILL 133

SOON

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 953, line 21: after that line insert:

3 "SECTION 1812Lm. 77.51 (4) (c) 6. of the statutes is repealed.

4 SECTION 1812Ln. 77.52 (2) (a) 1. of the statutes is amended to read:

5 77.52 (2) (a) 1. The furnishing of rooms or lodging to transients by hotelkeepers,
6 motel operators and other persons furnishing accommodations that are available to
7 the public, irrespective of whether membership is required for use of the
8 accommodations, ~~including the furnishing of rooms or lodging through the sale of a~~
9 ~~time-share property, as defined in s. 707.02 (32),~~ if the use of the rooms or lodging
10 is not fixed at the time of sale as to the starting day or the lodging unit. In this

1 subdivision, "transient" means any person residing for a continuous period of less
 2 than one month in a hotel, motel or other furnished accommodations available to the
 3 public. In this subdivision, "hotel" or "motel" means a building or group of buildings
 4 in which the public may obtain accommodations for a consideration, including,
 5 without limitation, such establishments as inns, motels, tourist homes, tourist
 6 houses or courts, lodging houses, rooming houses, summer camps, apartment hotels,
 7 resort lodges and cabins and any other building or group of buildings in which
 8 accommodations are available to the public, except accommodations, including
 9 mobile homes as defined in s. 66.058 (1) (d), rented for a continuous period of more
 10 than one month and accommodations furnished by any hospitals, sanatoriums, or
 11 nursing homes, or by corporations or associations organized and operated
 12 exclusively for religious, charitable or educational purposes provided that no part of
 13 the net earnings of such corporations and associations inures to the benefit of any
 14 private shareholder or individual. In this subdivision, "one month" means a calendar
 15 month or 30 days, whichever is less, counting the first day of the rental and not
 16 counting the last day of the rental." ✓

2. Page 1613, line 24: after that line insert: ✓

Effective Date
 18
 19 "4g ← letter 'g'"
 20 "(3) TIME-SHARE PROPERTY. The treatment of sections 77.51 (4) (c) 6. and 77.52
 (2) (a) 1. of the statutes takes effect on the first day of the 2nd month beginning after
 publication." ✓

21 (END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb11571
JK:cmh:ch

in 6-25-99

(+jlg)

ARC:.....Kratochwill - TP (3), Sales tax exemption for sales of flex-time
time-share property

FOR 1999-01 BUDGET - NOT READY FOR INTRODUCTION

CAUCUS AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 1999 ASSEMBLY BILL 133

SOON

INSERT 1-1 ✓

- 1 At the locations indicated, amend the substitute amendment as follows:
- 2 **1.** Page 953, line 21: after that line insert:
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- 4 **SECTION 1812Ln.** 77.52 (2) (a) 1. of the statutes is amended to read:
- 5 77.52 (2) (a) 1. The furnishing of rooms or lodging to transients by hotelkeepers,
- 6 motel operators and other persons furnishing accommodations that are available to
- 7 the public, irrespective of whether membership is required for use of the
- 8 accommodations, ~~including the furnishing of rooms or lodging through the sale of a~~
- 9 ~~time share property, as defined in s. 707.02 (32),~~ if the use of the rooms or lodging
- 10 is not fixed at the time of sale as to the starting day or the lodging unit. In this

1 subdivision, "transient" means any person residing for a continuous period of less
 2 than one month in a hotel, motel or other furnished accommodations available to the
 3 public. In this subdivision, "hotel" or "motel" means a building or group of buildings
 4 in which the public may obtain accommodations for a consideration, including,
 5 without limitation, such establishments as inns, motels, tourist homes, tourist
 6 houses or courts, lodging houses, rooming houses, summer camps, apartment hotels,
 7 resort lodges and cabins and any other building or group of buildings in which
 8 accommodations are available to the public, except accommodations, including
 9 mobile homes as defined in s. 66.058 (1) (d), rented for a continuous period of more
 10 than one month and accommodations furnished by any hospitals, sanatoriums, or
 11 nursing homes, or by corporations or associations organized and operated
 12 exclusively for religious, charitable or educational purposes provided that no part of
 13 the net earnings of such corporations and associations inures to the benefit of any
 14 private shareholder or individual. In this subdivision, "one month" means a calendar
 15 month or 30 days, whichever is less, counting the first day of the rental and not
 16 counting the last day of the rental.

17 **2.** Page 1613, line 24: after that line insert:

✓ 77.21(1)

18 "(4g) TIME-SHARE PROPERTY. The treatment of sections 77.51 (4) (c) 6, and 77.52
 19 and 2 and 707.46(3) ✓
 20 (2) (a) 1. of the statutes takes effect on the first day of the 2nd month beginning after
 21 publication."

(END)

Insert 2-16 ✓

1999-2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBb1157/lins
JK:cmh:ch

Insert 1 - 1

1 1. Page 953, line 14: after that line insert:

2 "SECTION 1810dm. 77.21 (1) of the statutes is amended to read:

3 77.21 (1) "Conveyance" includes deeds and other instruments for the passage
4 of ownership interests in real estate, including contracts and assignments of a
5 vendee's interest therein, including instruments that are evidence of a sale of
6 time-share property, as defined in s. 707.02 (32), and including leases for at least 99
7 years but excluding leases for less than 99 years, easements and wills."

Insert 2 - 16

8 SECTION 1812Lp. 77.52 (2) (a) 2. of the statutes is amended to read:

9 77.52 (2) (a) 2. The sale of admissions to amusement, athletic, entertainment
10 or recreational events or places except county fairs, the sale, rental or use of regular
11 bingo cards, extra regular cards, special bingo cards and the sale of bingo supplies
12 to players and the furnishing, for dues, fees or other considerations, the privilege of
13 access to clubs or the privilege of having access to or the use of amusement,
14 entertainment, athletic or recreational devices or facilities, including, ~~in connection~~
15 ~~with the sale or use of time-share property, as defined in s. 707.02 (32),~~ the sale or
16 furnishing of use of recreational facilities on a periodic basis or other recreational
17 rights, including but not limited to membership rights, vacation services and club
18 memberships."

19 2. Page 1407, line 18: after that line insert:

20 "SECTION 3049m. 707.46 (3) of the statutes is created to read:

1 707.46 (3) [✓] RECORDING. A contract for the purchase of a time-share and any
2 other instrument that is evidence of a purchase of a time-share is valid only if it is
3 recorded.”.



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBb1157/2
JK:cmh&jlg:mrc

ARC:.....Kratochwill - TP (3), Sales tax exemption for sales of flex-time
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21 private shareholder or individual. In this subdivision, “one month” means a calendar
22 month or 30 days, whichever is less, counting the first day of the rental and not
23 counting the last day of the rental.

24 **SECTION 1812Lp.** 77.52 (2) (a) 2. of the statutes is amended to read:

