

**1999 DRAFTING REQUEST**

**Assembly Amendment (AA-ASA1-AB133)**

Received: 06/23/99

Received By: **shoveme**

Wanted: As time permits

Identical to LRB:

For: Assembly Republican Caucus 6-1452

By/Representing: **Kratochwill**

This file may be shown to any legislator: NO

Drafter: **shoveme**

May Contact:

Alt. Drafters:

Subject: **Tax - individual income  
Tax Credits - miscellaneous**

Extra Copies:

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**Pre Topic:**

ARC:.....Kratochwill - Am #312-6,

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**Topic:**

Individual income tax, miscellaneous itemized deductions; home office expenses

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**Instructions:**

See Attached

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**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	shoveme 06/23/99	gilfokm 06/23/99	hhagen 06/23/99	_____	lrb_docadmin 06/24/99		

FE Sent For:

<END>

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*312(6)*  
*DEAR*

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*11 NES 6/23*

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<END>

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.

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.

MES  
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.

MES  
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.

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 sources 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

LRBb1193/1

MES...  
*King*

ARC:.....Kratochwill - Am; # 312 (6) Individual income tax, miscellaneous itemized deductions; home office expenses

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

**CAUCUS AMENDMENT**

**TO ASSEMBLY SUBSTITUTE AMENDMENT 1,**

**TO 1999 ASSEMBLY BILL 133**

*D-note*

- 1 At the locations indicated, amend the substitute amendment as follows:
- 2 1. Page 849, line 13: after "labor union" insert ", to travel expenses or to home
- 3 office expenses".

4 (END)

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRBb1193/ldn

MES...: King

Based on your instructions, I believe that this amendment accomplishes your intent. You may want to have the draft reviewed by the department of revenue, however, to ensure that no cross-references to the Internal Revenue Code are necessary.

Marc E. Shovers  
Senior Legislative Attorney  
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E-mail: Marc.Shovers@legis.state.wi.us

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRBb1193/1dn  
MES:kmg:ksh

June 23, 1999

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State of Wisconsin  
1999 - 2000 LEGISLATURE

LRBb1193/1  
MES:kmg:ksh

ARC:.....Kratochwill - Am #312-6, Individual income tax, miscellaneous  
itemized deductions; home office expenses

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