

**Committee Name:**

**Assembly Committee – Rural Affairs and Forestry  
(AC–RAF)**

**Appointments**

99hr\_AC–RAF\_Appt\_pt00

**Committee Hearings**

99hr\_AC–RAF\_CH\_pt00

**Committee Reports**

99hr\_AC–RAF\_CR\_pt00

**Clearinghouse Rules**

99hr\_AC–RAF\_CRule\_99–

**Executive Sessions**

99hr\_AC–RAF\_ES\_pt00

# Hearing Records

## 99hr\_ab0078

99hr\_sb0000

**Misc.**

99hr\_AC–RAF\_\_Misc\_\_pt00

**Record of Committee Proceedings**

99hr\_AC–RAF\_RCP\_pt00

02-25-99 PH/AB78  
Info Briefing

# Vote Record

## Assembly Committee on Rural Affairs and Forestry

Date: 8-25-99 Freese  
Moved by: 18 \_\_\_\_\_ Seconded by: Klusman  
AB: \_\_\_\_\_ Clearinghouse Rule: \_\_\_\_\_  
AB: \_\_\_\_\_ SB: \_\_\_\_\_ Appointment: \_\_\_\_\_  
AJR: \_\_\_\_\_ SJR: \_\_\_\_\_ Other: \_\_\_\_\_  
A: \_\_\_\_\_ SR: \_\_\_\_\_

A/S Amdt: \_\_\_\_\_  
A/S Amdt: \_\_\_\_\_ to A/S Amdt: \_\_\_\_\_  
A/S Sub Amdt: \_\_\_\_\_  
A/S Amdt: \_\_\_\_\_ to A/S Sub Amdt: \_\_\_\_\_  
A/S Amdt: \_\_\_\_\_ to A/S Amdt: \_\_\_\_\_ to A/S Sub Amdt: \_\_\_\_\_

- By recommended for:
- Passage
  - Introduction
  - Adoption
  - Rejection
  - Indefinite Postponement
  - Tabling
  - Concurrence
  - Nonconcurrence
  - Confirmation

### Committee Member

- Rep. John Ainsworth, Chair
- Rep. Terry Musser
- Rep. Kitty Rhoades
- Rep. Stephen Freese
- Rep. Judith Klusman
- Rep. Mary Hubler
- Rep. Barbara Gronemus
- Rep. Donald Hasenohrl
- Rep. Gary Sherman

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Rep. John Ainsworth, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Terry Musser	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Kitty Rhoades	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Stephen Freese	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Judith Klusman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Mary Hubler	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Barbara Gronemus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Donald Hasenohrl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Gary Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 9 0 \_\_\_\_\_

# Committee Meeting Attendance Sheet

## Assembly Committee on Rural Affairs and Forestry

Date: 2-25-99 Meeting Type: Public Hearing  
Location: 415 Northwest - State Capitol

<u>Committee Member</u>	<u>Present</u>	<u>Absent</u>	<u>Excused</u>
Rep. John Ainsworth, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Terry Musser	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Kitty Rhoades	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Stephen Freese	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Judith Klusman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Mary Hubler	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Barbara Gronemus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Donald Hasenohrl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Gary Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>9</u>	<u>0</u>	<u>0</u>



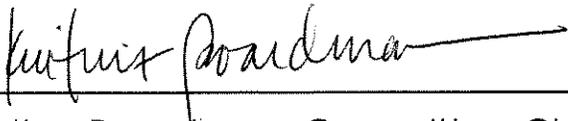
Kristina Boardman, Committee Clerk

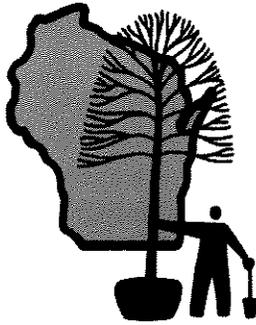
# Committee Meeting Attendance Sheet

## Assembly Committee on Rural Affairs and Forestry

Date: 8-25-99 Meeting Type: Executive Session  
Location: 415 Northwest

<u>Committee Member</u>	<u>Present</u>	<u>Absent</u>	<u>Excused</u>
Rep. John Ainsworth, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Terry Musser	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Kitty Rhoades	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Stephen Freese	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Judith Klusman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Mary Hubler	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Barbara Gronemus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Donald Hasenohrl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Gary Sherman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>9</u>	<u>0</u>	<u>0</u>

  
\_\_\_\_\_  
Kristina Boardman, Committee Clerk



9910 WEST LAYTON AVENUE  
GREENFIELD, WISCONSIN 53228  
PHONE (414) 529-4705  
FAX (414) 529-4722

## wisconsin landscape federation, inc.

State Representative John Ainsworth, Chairman  
Assembly Committee on Rural Affairs and Forestry  
P.O. Box 8952  
Madison, WI 53708

February 19, 1999

Dear Chairman Ainsworth,

On behalf of the nearly 700-member firms of the Wisconsin Landscape Federation (WLF), I would to formally enter into the public hearing record, our support for Assembly Bill 78.

This expanded sales tax exemption for electricity used in farming is particularly critical to our nursery, sod and greenhouse growers who are annually facing new regulatory burdens and increased costs for production. Whatever break we can secure from the state government in the form of fair treatment and an overdue tax break is greatly appreciated.

Our gratitude to the long list of legislative sponsors of this measure who by their action have demonstrated a genuine concern for the agriculture and horticulture communities of Wisconsin. If there is anything more we can do to expeditiously advance this legislation, please call my office.

Respectfully,

WISCONSIN LANDSCAPE FEDERATION

JOE PHILLIPS  
Executive Director

cc: Members of the Assembly Comm. on rural Affairs and Forestry  
Mr. Lou Wierichs, Pres., WLF  
Mr. Greg Long, Pres.-Elect, WLF  
Mr. Tim Gutsch, Pres., WI Nursery Assn.  
Mr. David Damitz, Pres., Commercial Flower Growers of WI

#### MEMBER ASSOCIATIONS

Commercial Flower Growers of Wisconsin • Gardens Beautiful Garden Centers • Grounds Management Association of Wisconsin  
Wisconsin Landscape Contractors Association • Wisconsin Nursery Association • Wisconsin Sod Producers Association



**WISCONSIN FARM BUREAU FEDERATION**

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1212 Deming Way  
P.O. Box 5550  
Madison, WI 53705-0550  
(608) 836-5575

TO: Members of the Assembly Rural Affairs Committee

FROM: Paul Zimmerman 

DATE: February 25, 1998 

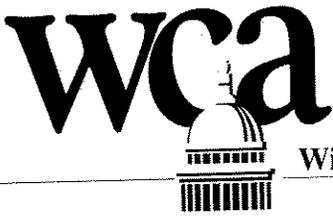
RE: Assembly Bill 78

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On behalf of the member of the Wisconsin Farm Bureau Federation, I wish to express their support for Assembly Bill 78. Currently, electricity used in farming operations during the months from November through April is exempt from the sales and use tax. AB 78 proposes to make this exemption year round.

WFBF member policy states, "The sales tax exemption for electricity used in farming should be extended to all twelve months of the year." It is estimated that this exemption would save Wisconsin farmers about \$2.5 million per year. This is a great opportunity for you and the State of Wisconsin to show support for Wisconsin farmers.

Thank you for considering our views. If you have any questions or comments, please do not hesitate to contact me at (608) 828-5708.



Wisconsin Counties Association

**MEMORANDUM**

**TO:** Honorable Members of the Assembly Committee on Rural Affairs and Forestry

**FROM:** Allison Kujawa,  Legislative Associate

**DATE:** February 25, 1999

**RE:** Assembly Bill 78

The Wisconsin Counties Association opposes Assembly Bill 78, which extends the sales tax exemption to all electricity sold for use in farming.

Currently, Wisconsin's counties have the option of implementing a county sales tax of 0.5%. Each sales tax exemption results in decreased revenue to the fifty-one counties who have in place a county option sales tax and to the state. Revenue derived from the imposition of a county option sales tax reduces the reliance on property tax revenues to fund county services and state mandates. Additionally, with counties subjected to a tax rate limit, counties cannot afford to lose revenue in any form. Thus, any new sales tax exemption decreases county revenue that increases reliance on the property tax that could lead to cuts in county-provided services.

As the cost of providing services to Wisconsin citizens continues to rise, tax exemptions require close examination. The Wisconsin Counties Association respectfully requests your opposition to Assembly Bill 78.

Thank you for considering our comments.

100 River Place, Suite 101 ♦ Monona, Wisconsin 53716-4016  
608/224-5330 ♦ 800/922-1993 ♦ Fax: 608/224-5325

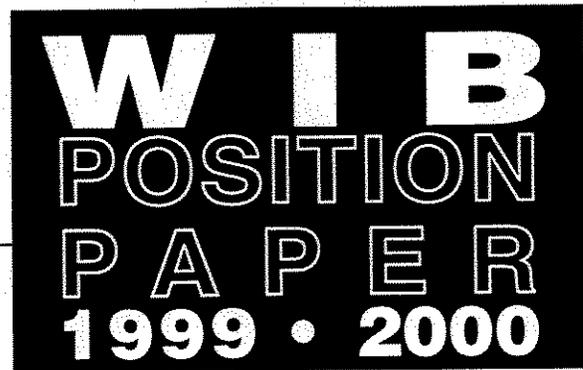
Mark M. Rogacki, Executive Director  
Darla M. Hium, Deputy Director

Mark D. O'Connell, Legislative Director  
Lynda L. Bradstreet, Administrative Director



## Agri-Business Coalition

FROM: WAYNE COREY  
*Executive Director*



### **AB 78: REMOVE THE SALES TAX ON ALL FARM ELECTRICITY**

**PREPARED FOR :** THE ASSEMBLY COMMITTEE ON  
RURAL AFFAIRS & FORESTRY

**DATE :** FEBRUARY 25, 1999

It is time to take a positive step for fairness for Wisconsin farmers. Assembly Bill 78 will exempt all electricity sold for farming use from the state sales tax. The current six-month exemption makes no sense. It is time that agriculture production be recognized in the same way Wisconsin recognizes industrial production. Like industrial production, agriculture production is a 12 month a year job in Wisconsin. The six-month sales tax exemption for electricity simply is not fair.

Representative Ainsworth, the author of AB 78, has pointed out that farmers are the only producers of a Wisconsin product sold at wholesale prices who are required to pay sales tax on electricity used in that production. Like manufacturers, farmers sell at wholesale prices and have less ability to pass on costs.

Farm owners are business owners in Wisconsin. As producers of a product, they should be treated just as the industrial producers of products. That must include a full sales tax exemption for all electricity sold for farming use.

On behalf of the owners of more than 9,000 Wisconsin farms served by Wisconsin Independent Businesses, we are grateful to Representative Ainsworth for his tireless efforts on this basic fairness issue. We urge committee support for AB 78.

Thank you for your concern.

**Wisconsin Independent Businesses, Inc.**



**State of Wisconsin • DEPARTMENT OF REVENUE**

125 SOUTH WEBSTER STREET • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933  
(608) 266-6466 • FAX (608) 266-5718 • <http://www.dor.state.wi.us>

*Tommy G. Thompson*  
Governor

*Cate Zeuske*  
Secretary of Revenue

**MEMORANDUM**

March 17, 1999

**TO:** Members of the Assembly Rural Affairs and Forestry Committee

**FROM:** Tom Ourada *TO*  
Executive Assistant

**SUBJECT:** Electricity Exemption for Farmers

This memo is in response to questions raised by members of the Assembly Rural Affairs and Forestry Committee at a hearing on Assembly Bill 78 on February 25. AB 78 would exempt all sales of electricity for use in farming from the sales tax; currently, only sales occurring in the months of November through April are exempt.

1. Income Tax Credit vs. Sales Tax Exemption

The Committee asked about an income tax credit for sales taxes paid by farmers as a possible alternative to the sales tax exemption. The Department has several major concerns with such an income tax credit.

Both the sales tax exemption and income tax credit proposals would require farmers to meter electricity used in agricultural production separately from non-farm uses. One of the primary advantages that a sales tax exemption has over an income tax credit is its simplicity and ease of use. The sales tax exemption is a simple and direct reduction in farm electricity expenses; the farmer receives the benefit at the time of use rather than when income taxes are filed. In order to receive the exemption, a farm operation would simply need to obtain an exemption certificate from the state and present it to the utility company.

In contrast, an income tax credit can only be claimed after the expenses are incurred and when an income tax return is filed. Most farmers run relatively small operations, so many of the credit claims would be for small amounts. In order to claim a credit, a farmer would need to fill out an additional tax schedule similar to the Manufacturer's Sales Tax Credit Schedule, a copy of which is attached. This schedule would require a separate tax calculation for total income and farm income. The credit can only be applied against the tax on farm income. If there is no tax, the credit cannot be used. As such, an income tax credit would not be advantageous to farmers.

A credit would also be difficult for the Department of Revenue to administer. The Department is likely to incur high administrative costs for processing and auditing

claims, especially in comparison to the relatively small benefit that individual farmers would likely receive from a credit. Procedures would need to be developed to ensure that the credit was only used to offset tax on income from the farming business, and not from wages or other individual income. Additional procedures would also be needed to verify that the credit for farm partnerships is properly allocated among the owners of the farm, and that an appropriate amount is allocated for electricity used in agricultural production.

The Committee asked whether the income tax credit could be allowed against tax on non-farm income, for example, the spouse's wages or investment income, when there is no farm income. Benefits that target a certain business should be limited to that business only; thus, the credit should be allowed only to the extent of tax on income earned from the farm, and not against the tax on income earned from other sources. Allowing the credit on other income may create the potential for abuse: for example, hobby farmers could use credits to offset income from other sources. It should be noted that the tax law already takes account of farm losses on the couple's ability to pay taxes by allowing these losses, with some exceptions, to reduce other income; this reduces the tax on their non-farm income. Current exceptions to farm losses include limiting the amount of farm losses if Wisconsin adjusted gross income is more than \$55,000 (\$27,500 if married filing separately).

Current law exempts both households and farmers from the sales and use tax on electricity during the winter months of November to April. Manufacturing businesses currently receive the benefit of an income and franchise tax credit for sales tax on electricity used in manufacturing. There is no exemption for electricity and fuel used in non-manufacturing businesses. Given that agricultural production, like manufacturing, is a year-round activity, from an equity standpoint farmers should be provided a year-round sales tax exemption.

It should be noted that prior to tax year 1998, only manufacturing businesses organized as corporations were entitled to the credit. 1997 Wisconsin Act 27 extended the credit to all manufacturing firms regardless of how they are organized.

In summary, the Department feels that a direct exemption would be the simplest and most equitable method of offsetting farm electricity expenses.

2. The Committee also asked if the Department's fiscal estimate for AB 78 included all agricultural producers. According to sec. 77.54 (3) and (3m), Wis. Stats., and Tax 11.12 (2d) and (2h), Administrative Code, aquaculture, greenhouses and tree farming operations are considered farms for tax purposes. As such, our fiscal estimate includes all agricultural producers that would qualify for the existing law exemption.
3. Does the Department track fluctuations in adjusted gross income of farmers arising from changes in commodity prices? While the department does not specifically track such fluctuations, our econometric model of the state's economy, which is used in estimating tax revenues and in our quarterly economic forecasts, takes into account fluctuations in farm income resulting from changes in the prices of agricultural commodities.

4. The Committee asked for information on the amount of farm income. According to the 1997 Wisconsin Individual Income Tax Sample, total farm income of the nearly 73,000 Schedule F (farm return) filers was negative: approximately -\$112 million. As shown in the following table, almost 41,000 (56%) of the farmers reported a farm loss totaling nearly \$420 million, or an average loss of \$10,141. The remaining 32,000 farmers (44%) reported positive farm income of almost \$308 million, or an average of \$9,748.

Farm Income, 1997

	Number of Farmers	%	Total Income (millions)	Average (\$)
Negative Farm Income	41,376	57%	(\$419.6)	(10,141)
Positive Farm Income	31,586	43%	\$307.9	9748
Total	72,962		(\$111.7)	1531

\*Number of filers reporting farm income on federal Schedule F or partnership income on federal Schedule E.

Source: Department of Revenue, 1997 Wisconsin Individual Income Tax Sample.

If you have any questions regarding this memorandum, please contact me.

CZ:JS:ds  
t:\secmem\js\farmelectric.411

Attachment

cc: Cate Zeuske

**SCHEDULE MS**

**Manufacturer's Sales Tax Credit**

**1998**

Wisconsin Department of Revenue

◆ Attach to your Wisconsin income tax return ◆

Name(s) shown on Form 1, 1NPR, or 2

Identifying number as shown on page 1 of your tax return

1. Cost of fuel and electricity purchased for use in Wisconsin (including sales and use taxes paid thereon) .....	1	
2. Cost of fuel and electricity included in line 1 above purchased for purposes other than manufacturing (including sales and use taxes paid thereon) .....	2	
3. Subtract line 2 from line 1 .....	3	
4. County and stadium sales and use taxes included in line 3 .....	4	
5. Subtract line 4 from line 3 .....	5	
6. Purchases included in line 5 on which no Wisconsin sales or use taxes were paid .....	6	
7. Subtract line 6 from line 5 .....	7	
8. Divide the amount on line 7 by twenty-one (21). This is the amount of state sales and use tax included in the amount on line 7 .....	8	
9. County and stadium sales and use taxes from line 4 .....	9	
10. Add lines 8 and 9. (Exception: Estates and trusts should first read the instructions for line 10.) Also fill in this amount on line 4 of Form 1 (line 15, column B of Form 1NPR or line 5 of Schedule A of Form 2) .....	10	
11. 1998 manufacturer's sales tax credit from an estate or trust, partnership, or tax-option corporation (Caution: Beneficiaries of estates and trusts, see instructions) .....	11	
12. Add lines 10 and 11. This is the 1998 sales tax credit available .....	12	
13. Tax from line 24 of Form 1, line 45 of Form 1NPR, or line 10 of Form 2 .....	13	
14. Married couple credit from line 25 of Form 1 or line 46 of Form 1NPR .....	14	
15. Subtract line 14 from line 13 .....	15	
16. Recomputed 1998 tax liability (see instructions) .....	16	
17. Subtract line 16 from line 15. If zero or less, fill in -0- .....	17	
18. Fill in the smaller of line 12 or line 17. Also fill in this amount on line 26 of Form 1 (line 47 of Form 1NPR or line 11 of Form 2) .....	18	

**General Instructions**

**Purpose of Schedule MS** Schedule MS is used by individuals, estates, and trusts to determine the allowable manufacturer's sales tax credit.

**Who May Claim the Credit** If you are engaged in manufacturing in Wisconsin, you may claim a credit for Wisconsin state, county, and stadium sales and use taxes paid on fuel and electricity consumed in manufacturing.

Shareholders in a tax-option corporation and partners may claim the credit based on eligible sales and use taxes paid by the partnership or tax-option corporation. Estates and trusts must share the credit with the beneficiaries in proportion to the income allocable to each.

**What is Manufacturing?** "Manufacturing" is the production by machinery of a new article with a different form,

use, and name from existing materials by a process popularly regarded as manufacturing.

Manufacturing includes the assembly of finished units of tangible personal property and packaging when it is a part of a operation performed by the producer of the product or by another on his or her behalf and the package or container becomes a part of the tangible personal property as such unit is customarily offered for sale by the manufacturer.

It includes the conveyance of raw materials and supplies from plant inventory to the work point of the same plant, conveyance of work in progress directly from one manufacturing operation to another in the same plant, and conveyance of finished products to the point of first storage at the plant premises. It includes the testing or inspection throughout the production cycle.