

2003 DRAFTING REQUEST

Bill

Received: 05/02/2003

Received By: jkreye

Wanted: As time permits

Identical to LRB: 2001 SB 409

For: Joseph Leibham (608) 266-2056

By/Representing: brett

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax - property

Extra Copies:

Submit via email: YES

Requester's email: Sen.Leibham@legis.state.wi.us

Carbon copy (CC:) to: joseph.kreye@legis.state.wi.us

Pre Topic:

No specific pre topic given

Topic:

Property tax exemption for restaurant kitchen equipment

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 05/02/2003	wjackson 05/02/2003		_____			S&L Tax
/1			jfrantze 05/02/2003	_____	mbarman 05/02/2003	lemery 07/22/2003	

FE Sent For:

Att
intro

<END>

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Jacketed

*AS LRB 2651
Leibham's
draft*

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/?	jkreye	1 WLJ 5/2	J 5/2	Self 5/2			

FE Sent For:

<END>

Fiscal Estimate - 2001 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number **01-4214/1** Introduction Number **SB-409**

Subject
 Property tax exemption for restaurant kitchen equipment

Fiscal Effect

State:

- No State Fiscal Effect
- Indeterminate
 - Increase Existing Appropriations
 - Decrease Existing Appropriations
 - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
 - Yes
 - No
- Decrease Costs

Local:

- No Local Government Costs
- Indeterminate
 - 1. Increase Costs
 - Permissive Mandatory
 - 2. Decrease Costs
 - Permissive Mandatory
 - 3. Increase Revenue
 - Permissive Mandatory
 - 4. Decrease Revenue
 - Permissive Mandatory
- 5. Types of Local Government Units Affected
 - Towns
 - Counties
 - School Districts
 - Village
 - Others
 - WTCS Districts
 - Cities

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR
 FED
 PRO
 PRS
 SEG
 SEGS Conservation Fund (State forestry taxes)

Agency/Prepared By	Authorized Signature	Date
DOR/ Blair Kruger (608) 266-1310	Brian Pahnke (608) 266-2700	02/01/2002

Fiscal Estimate Narratives
DOR 02/01/2002

LRB Number 01-4214/1	Introduction Number SB-409	Estimate Type Original
Subject Property tax exemption for restaurant kitchen equipment		

Assumptions Used in Arriving at Fiscal Estimate

The bill exempts from property tax machinery and equipment used primarily in the operation of a restaurant's kitchen to prepare or serve food or beverages, regardless of whether the machinery or equipment is attached to real property.

According to a survey of property assessors, about 75% of the value of Furniture, Fixtures and Equipment reported by restaurants is kitchen machinery and equipment. According to the Department of Workforce Development (DWD), there were 10,813 businesses classified Eating and Drinking Places in 2000. DWD reports the numbers of Eating and Drinking Places by size of staff. The personal property returns of 28 restaurants, bars and grills, and other eating places in the City of Madison were examined to generate estimates of the value of machinery and equipment used in the kitchens for each of 4 groups based on staff size. Assuming that values of restaurants in Madison are representative of the state as a whole and that the 10,813 Eating and Drinking Places would have kitchen machinery and equipment exempted under the bill, about \$219 million would be exempted.

At the 2000 statewide net tax rate of \$21.43 per \$1,000 of value, about \$4.7 million ($\$219 \text{ million} \times 0.02143$) in property taxes would be shifted from owners of kitchen machinery and equipment used in restaurants and other eating establishments to owners of other taxable property.

State forestry taxes would decrease by about \$44,000 ($\$219 \text{ million} \times 0.0002$) per year.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 01-4214/1		Introduction Number SB-409	
Subject			
Property tax exemption for restaurant kitchen equipment			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			-44,000
TOTAL State Revenues	\$		\$-44,000
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-44,000		\$
Agency/Prepared By		Authorized Signature	
DOR/ Blair Kruger (608) 266-1310		Brian Pahnke (608) 266-2700	
		Date	
		02/01/2002	

5-2-03

Brett — Sen Liebman

SB 409 — property tax ex. for kitchen
equipment

Need by next wednesday (5-7-03)

2651/1

2001 SENATE BILL 409

By Mon 5-5

January 30, 2002 - Introduced by Senators M. MEYER, DARLING, WELCH, LAZICH and ROESSLER, cosponsored by Representatives BIES, PLALE, KEDZIE, KRAWCZYK, GARD, PETTIS, LADWIG, ZIEGELBAUER, AINSWORTH, MUSSER, GROTHMAN, SERATTI, SYKORA, STARZYK, OWENS, SCHOOFF, MCCORMICK, LEIBHAM, FREESE, PETROWSKI, GUNDERSON, VRAKAS, JESKEWITZ, STONE, OTT, SUDER, F. LASEE, GRONEMUS and UNDERHEIM. Referred to Joint Committee on Tax Exemptions.

REGEN

1 AN ACT to create 70.11 (27m) of the statutes; relating to: a property tax
2 exemption for restaurant kitchen equipment.

Analysis by the Legislative Reference Bureau

This bill creates a property tax exemption for machinery and equipment used primarily in the operation of a restaurant's kitchen to prepare or serve food or beverages, regardless of whether the machinery or equipment is attached to real property.

This bill will be referred to the joint survey committee on tax exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* 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:

3 SECTION 1. 70.11 (27m) of the statutes is created to read:

4 70.11 (27m) RESTAURANT KITCHEN EQUIPMENT. (a) In this subsection,
5 "machinery" has the meaning given in sub. (27) (a) 2.

SENATE BILL 409

1 (b) Machinery and equipment used primarily in the operation of a restaurant's
2 kitchen to prepare or serve food or beverages, regardless of whether the machinery
3 or equipment is attached to real property.

4 **SECTION 2. Initial applicability.**

5 (1) This act first applies to the property tax assessments as of January 1, ~~2002~~²⁰⁰³

6

(END)



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
P. O. BOX 2037
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
REFERENCE SECTION: (608) 266-0341
FAX: (608) 264-6948

STEPHEN R. MILLER
CHIEF

August 20, 2003

MEMORANDUM

To: Senator Leibham

From: Joseph T. Kreye, Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **SB-216** (LRB 03-2651/1)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

August 19, 2003

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Dennis Collier
Department of Revenue

SUBJECT: Technical Memorandum on SB 216 – Property Tax Exemption for Restaurant Kitchen Equipment

The department has several concerns regarding the bill:

1. The exemption applies to machinery and equipment used primarily in the operation of a restaurant's kitchen to prepare or serve food or beverages. It is unclear what is meant by "restaurant". Under the North American Industry Classification System (NAIC), there are many entities that could sell food for immediate consumption. Under NAIC 7221, full-service restaurants are defined to be establishments primarily engaged in providing food services to patron who order and are served while seating and pay after eating. There are also, limited-service eating places (NAIC 7222) that is comprised of establishments primarily engaged in providing food services where patrons generally order items and pay before eating. These establishments may or may not have seating. Included in this group are establishments such as fast-food restaurants, pizza delivery establishments, snack bars, delicatessens, cafeterias, beverage bars, carryout service pretzel or bagel shops, and takeout eating places. Also, under NAIC 722330, there are mobile food services such as mobile snack stands, mobile canteens, and ice cream truck vendors. It is unclear if the author intends for the machinery equipment of all these types of entities would be exempt under the bill. Similarly, it is unclear if the grill and other cooking equipment in a bar or a bowling alley would qualify as restaurant machinery and equipment.
2. It is unclear if only the machinery and equipment attributable to retail sales of food would be exempt under the bill or would all machinery and equipment be exempt if it was also used for wholesale or catering activities.
3. The bill first applies to the property tax assessments as of January 1, 2003. The assessment for 2003 is already completed to the extent that the boards of review of most municipalities have adjourned. The department is concerned that the initial applicability of January 1, 2003 provides insufficient time for assessors to incorporate the changes. The author may wish to consider a January 1, 2004 initial applicability for ease of administration.

If you have questions regarding this technical memorandum, please contact Rebecca Boldt at 266-6785.