

**2003 DRAFTING REQUEST**

**Assembly Amendment (AA-AB283)**

Received: **10/22/2003**

Received By: **jkreye**

Wanted: **Today**

Identical to LRB:

For: **Alvin Ott (608) 266-5831**

By/Representing: **erin**

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

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax - corp. inc. and fran.**

Extra Copies: **DOR-Tom Ourada and Pam V**

Submit via email: **YES**

Requester's email: **Rep.Ott@legis.state.wi.us**

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

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Revenue changes recommended in technical memorandum

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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>
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FE Sent For:

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FE Sent For:

<END>

## Kreye, Joseph

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**From:** Napralla, Erin  
**Sent:** Monday, October 20, 2003 10:15 AM  
**To:** Kreye, Joseph  
**Subject:** FW: DOR concerns with AB 283

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Joe,

I understand you had been working with Beata Kalies in drafting the Dairy Investment Tax Credit bill for Representative Ott (LRB 1710/2 - AB 283). She has left our office and I am now taking over the responsibilities of this particular bill. I did, however, speak with her this morning regarding the following message and attached memo from the Department of Revenue. She suggested that I forward the memo to you.

Beata indicated that you reviewed the memo when it was initially submitted in April as part of the Fiscal Estimate. She stated that at the time, you did not think it was necessary to incorporate the items DOR addressed.

I'm hoping to get your feedback once again. The Department wants to meet with the Representative to discuss their concerns. I'd rather not reinvent the wheel if this is something that has already been addressed.

Thank you for your time and consideration!

*Erin Napralla*  
*Research Assistant*  
*Office of State Representative Al Ott*  
*608.266.5831*  
*erin.napralla@legis.state.wi.us*

-----Original Message-----

**From:** Ourada, Thomas D  
**Sent:** Friday, October 17, 2003 3:16 PM  
**To:** Napralla, Erin  
**Cc:** Ourada, Thomas D  
**Subject:** DOR concerns with AB 283



lrb17102.doc

Hi, Erin: I called today, and left a message that I would be calling back on Monday, Oct.27th. I wanted to check with you to make sure that you had seen the attached technical memo, that the department had prepared on LRB 1710/2, which I believe is now AB 283. Last session, I met with Rep. Ott and Beata to discuss DOR concerns regarding the dairy farm modernization tax credit. Those concerns are outlined in the memo, which was previously sent to the LRB. I was hoping to schedule a meeting with Rep. Ott to discuss these concerns further. Thank you.

**MEMORANDUM**

April 6, 2003

**TO:** Joseph Kreye  
Legislative Reference Bureau

**FROM:** Dennis Collier  
Department of Revenue

**SUBJECT:** Technical Memorandum on LRB 1710/2

*used exclusively* \*

It would be helpful for administration of the credit if dairy farm modernization or expansion was defined more explicitly. For example, it is not clear if the purchase of a tractor for use in growing feed for dairy cows or of equipment to produce energy by wind would qualify for the credit. In either of these examples, the equipment could also be used for other purposes, such as using the tractor to grow crops for sale or using the wind equipment for energy used both for dairy and nondairy (e.g., home ) purposes.

*\* add ref to 71.08*

\*The order of computation in sec. 71.10(4)(gbm) places the credit after the alternative minimum tax, which allows the credit to offset minimum tax. However, sec. 71.07(3n)(b) provides that the credit may be applied only against the tax imposed under sec. 71.02. If the credit is intended to offset the alternative minimum tax, then sec. 71.07(3n)(b) should provide that a claimant may claim the credit against the tax imposed under both secs. 71.02 and 71.08. If it is not meant to offset the alternative minimum tax, then the order of computation should be placed somewhere between sec. 71.10(4)(b) and (f) and sec. 71.08(1)(intro.) should not be amended to include sec. 71.07(3n).

~~Secs. 71.07(3n)(c), 71.28(3n)(c), and 71.47(3n)(c) provide that no credit may be allowed for any amount paid for expenses that are claimed as a deduction under section 162 of the Internal Revenue Code (IRC). IRC section 162 allows businesses to deduct from gross income the ordinary and necessary expenses of carrying on a trade or business. This section could be interpreted to deny the credit to farmers because the costs of the items have already been deducted for federal tax purposes. Wisconsin's adjusted gross income is defined as federal adjusted gross income with certain modifications. There is no modification to add back the amount deducted for these items. Since the cost of these items has been deducted, there is no credit. If the deductions were added back to income, it would greatly reduce the benefit of the credit.~~

Generally, credit amounts are added to income in the year the credits are computed and the deduction continues to be allowed for the expenses used to compute the credit. This draft includes a provision to add the credit amount to taxable income. To be consistent with other credits, secs. 71.07(3n)(c), 71.28(3n)(c), and 71.47(3n)(c) should be eliminated.

amendment

\*Calendar year tax filers are eligible to claim the credit for six years of expenditures. Fiscal year filers may only claim the credit for five years of expenditures. To be consistent, the credit should be allowed for taxable years beginning after December 31, 2003 and beginning before January 1, 2010.

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

*approve for now*

	<u>Chapter 20</u>	<u>Amount</u>	<u>FTE</u>
one-time	s. 20.566 (1) (a)	\$18,500	
annual	s. 20.566 (1) (a)	\$73,900	1

If you have any questions regarding this technical memorandum, please contact Pam Walgren at 266-7817.



State of Wisconsin  
2003 - 2004 LEGISLATURE

LRBa1464/1

JK: A:....

JLd

ASSEMBLY AMENDMENT,  
TO 2003 ASSEMBLY BILL 283

in 10-22-03

By Ev. 10-24

- 1 At the locations indicated, amend the bill as follows: ✓
- 2 1. Page 2, line 13: after "if" insert "used exclusively". ✓
- 3 2. Page 3, line 6: delete "end". ✓
- 4 *Fix component* 3. Page 3, line 7: *delete* after "71.02" *and substitute* "and 71.08". *SS. 71.02* ✓
- 5 4. Page 5, line 13: after "if" insert "used exclusively". ✓
- 6 5. Page 6, line 2: delete "end". ✓
- 7 6. Page 7, line 17: after "if" insert "used exclusively". ✓
- 8 7. Page 8, line 6: delete "end". ✓

(END)