

**Assembly Bill 283, Relating to: an income and franchise tax credit for expenses related to operating a dairy farm.**

<p><b>BILL SPONSORS</b></p>	<p>Introduced by <b>Representative Ott</b>.</p> <p>Cosponsored by Senators <b>Schultz, Decker, S. Fitzgerald, Hansen, Harsdorf, Kanavas, A. Lasee, Roessler, Stepp and Welch</b>.</p>
<p><b>BILL HISTORY</b></p>	<p>Assembly Bill 283 was introduced on 4/23/03 and referred to the Assembly Committee on Agriculture A public hearing and executive session were held on 5/15/03.</p> <p><b>The committee recommended AB 283 for passage on a vote, 13-0.</b></p> <p><b>On 11/12/03 the Assembly adopted AA's 1,2 and 3 on a voice vote.</b></p> <p><b>AB 283 as amended was read for a third time and passed by the Assembly on 11/12/03 on a vote 96-0.</b></p> <p>On 11/13/03 AB 283 was received from the Assembly and referred to the committee on Agriculture, Financial Institutions and Insurance.</p> <p><b>A public hearing and executive session were held on 12/02/03.</b></p> <p><b>The committee adopted LRB 1813/1 as Senate Amendment 1 on a vote, 5-0</b></p> <p><b>The committee concurred on AB 283 as amended on a vote 5-0</b></p>
<p><b>LRB ANALYSIS</b></p>	<p><b>Current Law:</b> No current law.</p> <p><b>Proposed Changes:</b> This bill creates an income tax and franchise tax credit for taxpayers who pay certain expenses related to operating a dairy farm. The credit is equal to 10% of the amount the taxpayer paid in the taxable year for dairy farm modernization or expansion. "Dairy farm modernization or expansion" means, generally, the construction, the improvement, or the acquisition of buildings or facilities, or the acquisition of equipment, for dairy animal housing, confinement, animal feeding, milk production, and waste management. The credit applies to taxable years that begin after December 31, 2003, and end before January 1, 2010. The aggregate amount of credits that a taxpayer may claim is \$50,000. If the amount of the credit claimed by the taxpayer exceeds the taxpayer's tax liability, the taxpayer will not receive a refund but, instead, may carry forward the amount of the unused credit to subsequent taxable years.</p> <p><b>Major Impact:</b> Agricultural Growth and Jobs Initiative</p>
<p><b>FISCAL EFFECT</b></p>	<p>The Fiscal Estimate assumes a 5.7 million dollar annual effect if 2,650 of the 17,500 Dairy Farms in the state were to claim the credit in any one year.</p>
<p><b>SUPPORT</b></p>	<p><b>The following person/people appeared in favor of this bill:</b> (1) <b>Rep. Al Ott</b>. (2) Sec. Rod Nilsestuen, DATCP. (3) John Manske, WI Federation of Cooperatives. (4) Ed Brooks, Foremost Farms and WI Federation of Cooperatives.</p> <p><b>The following person/people registered in favor of this bill:</b> (1) <b>Senator Dale Schultz</b>. (2) <b>Senator Bob Welch</b>. (4) Laurie Fischer, Dairy Business Assn. (5) Sabrina Gentile, WI Farm Bureau. (6) Robert Streeter, Dairy Farmers of America. (7) Thomas McCaulley, Land O Lakes. (8) Jim Bird, West Bend. (9) Ron Kuehn, Various Ag. Interests. (10) David Meyers, Foremost Farms. (12) James Kleva, Assc. Milk Producers. (12) Lori Weaver, WI Federation of Coops. (13) John Umhoefer, WI Cheesmakers Assn. (14) Jeff Montsma, Alto Dairy Coop.</p> <p>The National Farmers Organization, and the Wisconsin Agribusiness Council, registered their support for the bill with the State Ethics Board, but did not testify or register at the public hearing.</p>

	The following organization registered their intention to lobby on AB 283 but did not take a position on the bill: (1) Wisconsin Merchants Federation.
<b>OPPOSITION</b>	<b>No one appeared in opposition to this bill:</b> <b>No one registered in opposition to this bill:</b> No one registered his or her opposition for the bill with the State Ethics Board.
<b>CONTACT</b>	<b>John O'Brien Committee Clerk, 266-0703</b>
<b>DATE</b>	<b>December 4, 2003</b>

Vote Record

Committee on Agriculture, Financial Institutions and Insurance

Date: 12-02-03

Moved by: Seconded by:

AB 283, 459 SB 320, 322 Clearinghouse Rule
AJR 52 SJR
AR SR Other

A/S Amdt
A/S Amdt to A/S Amdt
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- Be recommended for:
Passage Adoption Confirmation Concurrence Indefinite Postponement
Introduction Rejection Tabling Nonconcurrence

Table with 5 columns: Committee Member, Aye, No, Absent, Not Voting. Rows include Senator Dale Schultz, Senator Ronald Brown, Senator Neal Kedzie, Senator David Hansen, Senator Julie Lassa.

Totals:



**Wisconsin Federation of Cooperatives**

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December 2, 2003

TO: Senator. Dale Schultz, Chair and Members,  
Senate Agriculture, Financial Institutions & Insurance Committee

FROM: John Manske, Government Relations Director

RE: **Assembly Bill 283 - Dairy Investment Tax Credit**

Thank you for allowing the Wisconsin Federation of Cooperatives (WFC) the opportunity to express our strong support for AB 283, the Dairy Investment Tax Credit legislation. Today I am joined by Ed Brooks, the dairy producer chair of the Foremost Farms USA Board of Directors. Ed will inform you about how the difficulties being faced by Wisconsin dairy producers have impacted his cooperative and the news is certainly not good. We at WFC all appreciate the leadership shown on this issue by Rep. Al Ott and Senator Schultz and we are thankful for the timely hearing on this bill that has already passed the Assembly on a 96-0 vote.

The Dairy Investment Tax Credit bill meets a vital need for our state's struggling dairy industry. Our bill provides an economic incentive to Wisconsin dairy producers, regardless of size, to modernize their dairy operations. Unfortunately, the average age of our dairy facilities dates back to the mid-1960's and this negatively impacts our state's relative competitiveness. This diminishing competitiveness is demonstrated by a series of charts produced by the Federal Milk Marketing Administrator (Market Administrator).

The document notes that U.S. 2002 milk production increased 2.6% over 2001, and Wisconsin's milk production fell .6% from 2001 levels. As noted on page two, between 1990 and 2002, Wisconsin lost 9.5% of its milk production, while California gained 66.5%, New York gained 10.4% and Pennsylvania gained 8.5%. Unfortunately for the Upper Midwest, Minnesota also lost 15.7% of its milk production since 1990. This milk

production loss in our state has placed severe stress on our dairy infrastructure as we lose producers, their milk, and now dairy plants because of the inability to obtain sufficient milk to run our plants efficiently.

The two charts on page six note that our state ranks low in production per cow at number 26. The number one state is Arizona and it is the home to many of the newest dairy operations. Our low ranking is due in large part to the age of our facilities.

Ten years ago, Wisconsin accounted for fully 16% of the nation's milk production. Now, we account for 13%, with 1.27 million cows producing 22.1 billion pounds of milk.

Overall, this legislation has a cost to the state and these are difficult times. However, the cost only occurs if the modernization occurs and brings forth additional income, property and sales tax revenues. Without this modernization, the Legislature will unfortunately have more years like this year where projected state expenditures exceed projected state revenues. We want to be a part of the state's fiscal solution, but our state's 16,623 dairy producers need this tax credit to offset part of the cost of modernizing.

Legislation is moving ahead that will help bring renewed vitality to Wisconsin agriculture and our state's vitally important dairy industry. We are thrilled that several bills initiated by WFC have become key elements of the legislative-led Agricultural Renewal Initiative, and they also have the support of Governor Doyle. Among these bills are:

- (1) **This bill, AB 283**, to provide an economic incentive for dairy farm modernization;
- (2) **AB 684, to create a Wisconsin Rural Finance Authority** to provide low interest loans to producers and rural economic enterprises and to reform existing state programs currently housed at WHEDA;
- (3) **SB 204, to authorize Cooperative Health Care Purchasing Alliances** to provide quality, affordable health care for cooperatives and their producer members so that the producers do not have to make the choice between dairy

farming or "working in town" to obtain health insurance. This legislation will be signed into law by Governor Doyle December 11); and

- (4) A second **Wisconsin Cooperative Law** for new value-added cooperatives that allows for limited outside investment in return for limited voting rights. This is being finalized in drafting.

Please give our dairy industry a shot in the arm by advancing Assembly Bill 283. Thank you for your consideration.

Testimony of Ed Brooks, Reedsburg, Chairman of Foremost Farms USA, on  
AB 283 at hearing of Senate Committee on Agriculture, Financial  
Institutions and Insurance, December 2, 2003

**Good day, Chairman Schultz and members.**

My name is Ed Brooks and I operate a dairy farm at Reedsburg, currently milking 50 head of Brown Swiss. In that regard, I'm very traditional in size of operation and reflect what **still is** a state consisting mostly of smaller dairy operations. I have been chairman of the Board of Foremost Farms USA for 13 years. I have served on the WFC Board of Directors for 16 years and have been chairman for 4 years. Among my other activities, I have been chairman of the town of Reedsburg for 18 years.

I salute you Senator Schultz for taking the lead on AB 283 in the Senate, and the other legislators who have signed onto this bill. It demonstrates a knowledge that Wisconsin will need to forge stronger partnerships with its dairy producers if we are going to stabilize and grow our milk production and overall dairy industry. The 10 percent dairy investment tax credit is an important part of the Agricultural Renewal package of legislative items that legislators of both parties, WFC and others hope to advance to ensure that this remains "Wisconsin's Dairyland" and that our overall state agriculture is strengthened. The recent Assembly 96-0 vote in support of AB 283 is a great outcome for legislation that also enjoys the support of Governor Doyle and DATCP.

I truly believe that the prospect of a tax advantage will encourage many to make the investment to upgrade facilities and equipment. The conservative nature of most of Wisconsin's farmers has meant that only about ten percent of us dairy producers have modernized much of our facilities and equipment. Adoption of new technology has **not** been something that is readily visible in the Wisconsin countryside – though we all see the producers who have really stepped forward with major projects and investments – occasionally too much, too fast.

I view AB 283 as a means of helping some make the commitment that they might not otherwise make to modernize - to stay in dairying - and to have a modern and efficient facility for their family member, neighbor or other “next generation” person to operate when the time comes to exit a challenging, satisfying and often misunderstood profession.

The beauty for the state now is that despite the continuing state budget challenges, enactment of this bill will have little impact on the state treasury at a time that most of us have no tax liability. Of course, strengthened milk prices will lead us to a point where qualifying for the credit will mean some short-term impact on the state treasury. But I believe that in the long run, increased opportunity for income and real property valuation will mean that this proposal can become a “**cash cow**” for the treasuries of the state and local governments.

Skeptics ask why support something that should lead to more milk production when there currently exists a national and international surplus of milk production for the established markets. My answer is that **in**



**Wisconsin** we can not continue to compete with the growth areas of dairying when we primarily have the bulk of producers operating in outdated and inefficient facilities. Wisconsin can give its producers an advantage when we stimulate investment through targeted programs and public policies that the others don't have.

I could not come before you today without acknowledging the difficult decision my cooperative made earlier this year when it decided to close four Wisconsin facilities. As a producer, this is especially hard. But the primary fact that drove the decisions was the inability of Wisconsin's dairy industry to sustain and grow milk production over the last couple of years. We should do everything possible (and affordable) as a state to address the situation with creative answers and get on with working together to ensure that we have the production for our plants.

Thank you for your attention and interest. I'll attempt to answer any questions you might have.

**Present for WFC Dairy Legislative & Regulatory Committee, 12-2-03**

✓ (Chairman) Bob Streeter, Dairy Farmers of America (Madison)

✓ Tom MCaulley, Land O' Lakes, Denmark

✓ Dave Myers, Foremost Farms USA, Baraboo

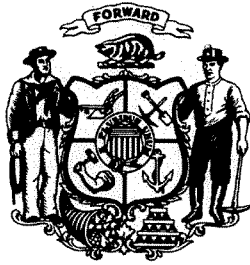
✓ Jim Kleva, Associated Milk Producers Inc., Blair

Gordy Toyne, Swiss Valley Farms, Davenport, Iowa

✓ Jeff Montsma, Alto Dairy, Waupun

✓ Jim Bird, Milwaukee Milk Producers, Brookfield

Gary Sloan, CoBank, Minneapolis, MN.



**Senate Committee on Agriculture, Financial Institutions  
and Insurance**

Room 18 South State Capitol, PO Box 7882, Madison WI 53707-7882  
(608) 266-0703

**Senator Dale W. Schultz, Chairman**

Committee Clerk. John O'Brien

Assembly Bill 283

VOTE ON CONCURANCE

*AS Amended  
RB 181311*

	AYE	NAY	ABSENT
SENATOR SCHULTZ	✓	_____	_____
SENATOR BROWN	✓	_____	_____
SENATOR KEDZIE	✓	_____	_____
SENATOR HANSEN	✓	_____	_____
SENATOR LASSA	✓	_____	_____

*12-02-03*

Vote Record

Committee on Agriculture, Financial Institutions and Insurance

Date: 12-0
Moved by: Hasow
Seconded by: Redyic
AB 283
SB
Clearinghouse Rule
AJR
SJR
Appointment
AR
SR
Other

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Introduction Rejection Tabling Nonconcurrence

Table with 5 columns: Committee Member, Aye, No, Absent, Not Voting. Rows include Senator Dale Schultz, Senator Ronald Brown, Senator Neal Kedzie, Senator David Hansen, and Senator Julie Lassa.

Totals: 5 0

Vote Record

Committee on Agriculture, Financial Institutions and Insurance

Date: 12-02-03

Moved by: Brown

Seconded by: LASSA

AB 283 SB Clearinghouse Rule
AJR Appointment
AR SR Other

A/S Amdt 1
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AS Amended

Table with 4 columns: Committee Member, Aye, No, Absent, Not Voting. Rows include Senator Dale Schultz, Senator Ronald Brown, Senator Neal Kedzie, Senator David Hansen, Senator Julie Lassa.

Totals: \_\_\_\_\_

Vote Record

Committee on Agriculture, Financial Institutions and Insurance

Date: 12-02-03

Moved by: Seconded by:

AB 283 SB Clearinghouse Rule
AJR SJR Appointment
AR SR Other

A/S Amdt 1 LRB-1813/1

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Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
Introduction Rejection Tabling Nonconcurrence

Committee Member

Table with 4 columns: Aye, No, Absent, Not Voting. Rows for Senator Dale Schultz, Senator Ronald Brown, Senator Neal Kedzie, Senator David Hansen, Senator Julie Lassa.

Totals: