

2005 DRAFTING REQUEST

Assembly Amendment (AA-AB125)

Received: 03/01/2005

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, Business - credits**

Extra Copies:

Submit via email: **YES**

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

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

Pre Topic:

No specific pre topic given

Topic:

DOR technical amendment related to credits claimed by certain entities

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>
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FE Sent For:

<END>

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/1	jkreye	11 WJ 3/1					

FE Sent For:

<END>

Kreye, Joseph

From: Napralla, Erin
Sent: Tuesday, March 01, 2005 9:03 AM
To: Kreye, Joseph
Subject: Amendment to AB 125 (LRB 0007)

Joe,

Do you think it would be possible to get the simple amendment relative to DOR's first concern for AB 125 some time today?

Thanks!

Erin

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

Kreye, Joseph

From: Napralla, Erin
Sent: Monday, February 28, 2005 1:24 PM
To: Loomans, Scott; Kreye, Joseph
Cc: Patronsky, Mark
Subject: RE: LRB 1942/1 - livestock

Could I tack on my request to include 1. as an amendment to the technical changes bill (AB 125) as well?

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

From: Loomans, Scott
Sent: Monday, February 28, 2005 1:18 PM
To: Kreye, Joseph
Cc: Patronsky, Mark; Napralla, Erin
Subject: FW: LRB 1942/1 - livestock

Joe, Dept. of Revenue did submit requests today (attached) and they look like good ideas to us. Could you work them into a couple of amendments? The hearing is Thursday and we are hoping to vote the same day if things go well.

Joe and Mark, what are your thoughts on whether this should be a sub., or two or four amendments?

Also, feel free to contact either of the DOR people in the e-mail with questions.

1. The first amendment doesn't strike me as being absolutely necessary, but I guess DOR is taking questions on it and I don't think there is any harm in clarifying it for them. It looks like they are applying this to dairy and livestock.
2. I think DOR's suggestions are good. We are open to suggestions on how to clarify bovine. On poultry, we weren't thinking about the game farm birds, so could limit to turkeys, chickens, and ducks. To clarify deer, could say "farm-raised deer", which would kick them all out. I am not sure why fur-farm animals are not included in the bill but I don't see any reason to question it at this point and agree that it should be all or none for them.
3. Sounds good to me.
4. Could you keep this as a separate amendment? I think it is in keeping with when we imagined the bill would be effective, and we may want to do this just in case the bill doesn't pass in this FY.

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

From: Gates-Hendrix, Sherrie
Sent: Monday, February 28, 2005 11:18 AM
To: Loomans, Scott; Napralla, Erin
Cc: Walgren, Pamela J
Subject: LRB 1942/1 - livestock

Hi Scott, Erin -- Our technical staff have looked at LRB 1942/1 and have some questions and comments. I will be out of the office until about 3:00 today, but call Pam Walgren if you need anything. 266-7817

1. The computation of and limitations on the credit are unclear when a dairy or livestock farm is owned and operated by more than one person. For clarification, the Department suggests adding the following sentence at the end of secs. 71.07(3n)(b)1 and 2, 71.28(3n)(b)1 and 2, and 71.47(3n)(b)1 and 2 to read as follows:

If two or more persons own and operate the dairy farm or livestock farm, the farm shall compute the amount of credit, except the aggregate amount of credits that the farm may compute may not exceed \$50,000, and allocate it to owner-operators in proportion to their ownership interest.

In addition, secs. 71.07(3n)(e), 71.28(3n)(e), and 71.47(3n)(e) should be amended to read as

follows:

Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of expenses under par. (b), except the aggregate amount of credits that the entity may compute may not exceed \$50,000. A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

With this language, as under current law, a claimant is limited to an aggregate amount of \$50,000 of credits for dairy and livestock farms combined.

2. The definitions of "livestock" and "other animal products" need to be clarified. Since the term "livestock" has several dictionary definitions as well as numerous definitions under federal and state laws, it would be helpful if the definition were more specific. For example, do "bovine animals" include bison and yaks? Does "poultry" include pheasants, quail, peacocks, pigeons, and doves? Does "deer" include elk? Does "livestock" include the following domestic animals that are raised for profit: dogs, cats, pet birds, gerbils, hamsters, guinea pigs, mice, rats, rabbits, ferrets, foxes, marten, fishers, chinchilla, honey bees, and earthworms?

It is also unclear why equine animals, deer, ratites, camelidae, and mink are excluded if they are raised in a business in the production of food, fiber, or other animal products.

The Department suggests the following changes:

- (a) Revise sections 71.07(3n)(a)3, 71.28(3n)(a)3, and 71.47(3n)(a)3 as follows:

Clarify that "other animal products" includes the raising of livestock for sale except animals intended for sale as pets, pet food, laboratory animals, or bait.

Clarify the definitions of "bovine," "poultry," and "deer."

State that livestock does not include dogs, cats, pet birds, pet fish, gerbils, hamsters, guinea pigs, mice, rats, ferrets, honey bees, earthworms.

If minks are not included, then "livestock" should also not include foxes, marten, fishers, chinchilla or other animals raised for their fur.

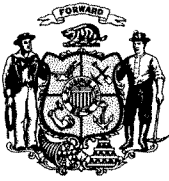
- (b) Revise sections 71.07(3n)(a)4, 71.28(3n)(a)4, and 71.47(3n)(a)4 to provide that "livestock farm modernization or expansion" does not include expenditures relating to hobby farms, petting zoos, zoos, hunting or shooting preserves, admission fishing ponds, game farms, or any other recreational, amusement, or entertainment activities involving animals.

3. The definition of "dairy farm modernization or expansion" provides that the building or equipment must be used exclusively related to dairy animals. If the credit is for livestock farm modernization or expansion, the building or equipment must be used exclusively related to livestock (livestock does not include dairy animals). If, for example, a farmer constructs a new barn which is used 50% to house dairy animals and 50% to house steers, it appears this farmer would not qualify for the credit as the barn is not used exclusively for dairy animals nor is it used exclusively for livestock. Therefore, we recommend revising secs. 71.07(3n)(a)5, 71.28(3n)(a)5, and 71.47(3n)(a)5 to read as follows:

"Used exclusively" means used for dairy farm modernization or expansion, livestock farm modernization or expansion, or a combination thereof, to the exclusion of all other uses except for other use not exceeding 5 percent of total use.

4. The effective date would present a problem if the bill were passed late in the year, after the deadline for sending forms to the printer. The Department recommends language to specify that the credit would first apply to taxable years beginning on January 1 of the year in which the credit would take effect, except that if it were to take effect after July 31, the credit would first apply to taxable years beginning on January 1 of the following year.

Sherrie



State of Wisconsin
2005 - 2006 LEGISLATURE

LRBa0246/1

JK:.....

WJ

ASSEMBLY AMENDMENT,
TO 2005 ASSEMBLY BILL 125

(attached)

in 3-1-05
Trudley

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 2, line 10: after that line insert:

3 **“SECTION 2m.** 71.07 (3n) (e) of the statutes is renumbered 71.07 (3n) (e) 1. and

4 amended to read:

5 71.07 (3n) (e) 1. Partnerships, limited liability companies, and tax-option

6 corporations may not claim the credit under this subsection, but the eligibility for,

7 and the amount of, the credit are based on their payment of expenses under par. (b),

8 except that the aggregate amount of credits that the entity may compute shall not

9 exceed \$50,000. A partnership, limited liability company, or tax-option corporation

10 shall compute the amount of credit that each of its partners, members, or

11 shareholders may claim and shall provide that information to each of them.

12 Partners, members of limited liability companies, and shareholders of tax-option

13 corporations may claim the credit in proportion to their ownership interest.

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109; 2003 a. 72, 99, 135, 183, 255, 267, 326.

1 **SECTION 2n.** 71.07 (3n) (e) 2. of the statutes is created to read:

2 71.07 **(3n)** (e) 2. If 2 or more persons own and operate the dairy farm, each
3 person may claim a credit under par. (b) in proportion to his or her ownership
4 interest, except that the aggregate amount of the credits claimed by all persons who
5 own and operate the farm shall not exceed \$50,000.” ✓

6 ↓ **2.** Page 2, line 20: after that line insert:

7 “**SECTION 4m.** 71.28 (3n) (e) of the statutes is renumbered 71.28 (3n) (e) 1. and
8 amended to read:

9 71.28 **(3n)** (e) 1. Partnerships, limited liability companies, and tax–option
10 corporations may not claim the credit under this subsection, but the eligibility for,
11 and the amount of, the credit are based on their payment of expenses under par. (b),
12 except that the aggregate amount of credits that the entity may compute shall not
13 exceed \$50,000. A partnership, limited liability company, or tax–option corporation
14 shall compute the amount of credit that each of its partners, members, or
15 shareholders may claim and shall provide that information to each of them.
16 Partners, members of limited liability companies, and shareholders of tax–option
17 corporations may claim the credit in proportion to their ownership interest.

History: 1987 a. 312; 1987 a. 411 ss. 88, 130 to 139; 1987 a. 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292; 1993 a. 16, 112, 232, 491; 1995 a. 2; 1995 a. 27 ss. 3399r to 3404c, 9116 (5); 1995 a. 209, 227; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16; 2003 a. 72, 99, 135, 255, 267, 326.

18 **SECTION 4n.** 71.28 (3n) (e) 2. of the statutes is created to read:

19 71.28 **(3n)** (e) 2. If 2 or more persons own and operate the dairy farm, each
20 person may claim a credit under par. (b) in proportion to his or her ownership
21 interest, except that the aggregate amount of the credits claimed by all persons who
22 own and operate the farm shall not exceed \$50,000.”.

23 ↓ **3.** Page 3, line 5: after that line insert:

1 “SECTION 6m. 71.47 (3n) (e) of the statutes is renumbered 71.47 (3n) (e) 1. and
2 amended to read:

3 71.47 (3n) (e) 1. Partnerships, limited liability companies, and tax-option
4 corporations may not claim the credit under this subsection, but the eligibility for,
5 and the amount of, the credit are based on their payment of expenses under par. (b),
6 except that the aggregate amount of credits that the entity may compute shall not
7 exceed \$50,000. A partnership, limited liability company, or tax-option corporation
8 shall compute the amount of credit that each of its partners, members, or
9 shareholders may claim and shall provide that information to each of them.
10 Partners, members of limited liability companies, and shareholders of tax-option
11 corporations may claim the credit in proportion to their ownership interest.

History: 1987 a. 312, 411, 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292, 315; 1993 a. 16, 112; 1995 a. 27 ss. 3407m to 3412m, 9116 (5); 1995 a. 209, 227, 417; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16; 2003 a. 72, 99, 135, 255, 267, 326.

12 **SECTION 6n.** 71.47 (3n) (e) 2. of the statutes is created to read:

13 71.47 (3n) (e) 2. If 2 or more persons own and operate the dairy farm, each
14 person may claim a credit under par. (b) in proportion to his or her ownership
15 interest, except that the aggregate amount of the credits claimed by all persons who
16 own and operate the farm shall not exceed \$50,000.”

17

(END)