



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

September 6, 2005

MEMORANDUM

To: Representative Sheridan

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

Subject: Technical Memorandum to **2005 AB-600** (LRB 05-3141/1)

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 29, 2005

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Paul Ziegler
Department of Revenue

SUBJECT: Technical Memorandum on AB 600 – Sales and Use Tax Exemption for Motor Vehicles That Use Gasoline and Ethanol Mixtures as Fuel

The Department has the following concerns with the bill:

1. The bill is not clear as to whether the \$1,000 cap would apply to county and stadium taxes as well as to state taxes. If a \$1,000 cap applies to each jurisdiction, a purchase price greater than \$20,000 (\$1,000/5%) would be subject to state sales tax; a price greater than \$200,000 (\$1,000/0.5%) would be subject to county or football district tax; and a price greater than \$1,000,000 (\$1,000/0.1%) would be subject to baseball district tax. Having different sales tax bases for state and local sales taxes (\$20,000; \$200,000; and \$1,000,000) would create complexity for motor vehicle dealers and may be confusing to purchasers. The complexity of the bill could be reduced by specifying that the amount of the price subject to state taxes (e.g., the amount greater than \$20,000) is also subject to county and stadium taxes.
2. The cap on the exemption also creates complexity for motor vehicle dealers that lease flexible fuel motor vehicles. Such a dealer (or finance company) would have to keep track of the tax being exempted on the lease payments, and if it reaches \$1,000 at some point during the course of the lease, would have to begin reporting and paying tax on the lease payments. The change in the lease payment may also be confusing to purchasers of flexible fuel motor vehicles.

If you have any questions regarding this technical memorandum, please contact Blair Kruger at (608) 266-1310 or bkruger@dor.state.wi.us.

cc: Representative Sheridan