



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

1 EAST MAIN, SUITE 200
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

October 31, 2005

MEMORANDUM

To: Representative Parisi

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

Subject: Technical Memorandum to **2005 AB-744** (LRB 05-3545/1)

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

October 26, 2005

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on Assembly Bill 744 – Tax Credit for the Purchase of Energy Star Equipment

“Consumer electronics” is not defined. In the absence of a statutory definition, the dictionary definition applies. “Consumer” is defined in Merriam-Webster's online dictionary to include “one that consumes” or “one that utilizes economic goods.” “Electronics” is defined in Merriam-Webster's online dictionary to include “a branch of physics that deals with the emission, behavior, and effects of electrons (as in electron tubes and transistors) and with electronic devices” or “electronic devices or equipment.”

Based on the above definitions, it would appear that any electronic devices other than those specifically listed in the statute (i.e., air conditioners, dehumidifiers, furnaces, boilers, refrigerators, freezers and clothes washers) would not qualify for the credit since they would meet the definition of “consumer electronics.”

If the intention of the bill is to allow the credit for other Energy Star program products in addition to those items already listed in the proposed statutory language, the specific products for which a credit is being proposed should be specifically listed in the language. The specific Energy Star product listings can be obtained at www.energystar.gov.

If there is a change in the energy efficiency guidelines under the Energy Star program, it is unclear whether the previous guidelines or the revised guidelines would apply for purposes of the credit. This should be clarified.

It is unclear whether taxpayers who lease qualifying equipment before purchasing it are eligible for the credit for the sales taxes paid on the lease payments. The cap on the credit creates complexity especially if the qualifying equipment is leased before it is purchased. For example, if a piece of qualifying equipment is leased, the lessee/purchaser would need to keep track of the tax on each of the lease payments, and if the amount of tax reaches \$1,000 at some point during the lease, the lessee/purchaser would then have to stop claiming the credit.

If you have any questions regarding this technical memorandum, please contact Kirstin Nelson at (608) 261-8984.

cc: Representative Parisi