

# **05hr\_ab0021\_AC-Ag\_pt01**



Details:

(FORM UPDATED: 07/12/2010)

## **WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS**

### **2005-06**

(session year)

### **Assembly**

(Assembly, Senate or Joint)

### **Committee on ... Agriculture (AC-Ag)**

#### **COMMITTEE NOTICES ...**

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**
- Record of Comm. Proceedings ... **RCP**

#### **INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL**

- Appointments ... **Appt**
  - Clearinghouse Rules ... **CRule**
  - Hearing Records ... bills and resolutions
    - (**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)
    - (**sb** = Senate Bill)                              (**sr** = Senate Resolution)
  - Miscellaneous ... **Misc**
- (**ajr** = Assembly Joint Resolution)  
(**sjr** = Senate Joint Resolution)

## Vote Record Committee on Agriculture

Date: 9/16/05

Moved by: Towns

Seconded by: Loeffelholz

AB 21 SB \_\_\_\_\_ Clearinghouse Rule \_\_\_\_\_  
 AJR \_\_\_\_\_ SJR \_\_\_\_\_ Appointment \_\_\_\_\_  
 AR \_\_\_\_\_ SR \_\_\_\_\_ Other \_\_\_\_\_

A/S Amdt \_\_\_\_\_  
 A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_  
 A/S Sub Amdt \_\_\_\_\_  
 A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_  
 A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

Be recommended for:  
 Passage     Adoption     Confirmation     Concurrence     Indefinite Postponement  
 Introduction     Rejection     Tabling     Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
<b>Representative Alvin Ott, Chair</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative Lee Nerison</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative John Ainsworth</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative Jerry Petrowski</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative J.A. Hines</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative Scott Suder</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative Mary Williams</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative Gabe Loeffelholz</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative Debra Towns</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative Barbara Gronemus</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Representative Amy Sue Vruwink</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative Robert Ziegelbauer</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative Christine Sinicki</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Representative Louis Molepske</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Representative Joseph Parisi</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Totals:</b>	<u>12</u>	<u>1</u>	<u>2</u>	<u>    </u>

Motion Carried       Motion Failed

## Vote Record Committee on Agriculture

Date: 9/16/05

Moved by: Towns

Seconded by: Petrowski

AB 21 SB \_\_\_\_\_ Clearinghouse Rule \_\_\_\_\_  
 AJR \_\_\_\_\_ SJR \_\_\_\_\_ Appointment \_\_\_\_\_  
 AR \_\_\_\_\_ SR \_\_\_\_\_ Other \_\_\_\_\_

A/S Amdt 2  
 A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_  
 A/S Sub Amdt \_\_\_\_\_  
 A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_  
 A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

- Be recommended for:
- Passage       Adoption       Confirmation       Concurrence       Indefinite Postponement
  - Introduction       Rejection       Tabling       Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Ainsworth	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jerry Petrowski	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative J.A. Hines	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Scott Suder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gabe Loeffelholz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Debra Towns	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Christine Sinicki	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Joseph Parisi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Totals:</b>	<u>12</u>	<u>1</u>	<u>2</u>	<u>    </u>

Motion Carried       Motion Failed



**Assembly Agriculture Committee**  
**August 18, 2005**  
**Assembly Bill 21**  
**Depreciation of Farm Equipment**

**Rep. Debi Towns (In Favor)**

- The paint on farm equipment fades faster in the eyes of the IRS than it does for the state Department of Revenue.
- Accelerated depreciation encourages economic development by allowing producers to have more of their own money at their disposal.
- Under the current system, farmers are required to keep two sets of books in order to do their taxes – this is not an inexpensive undertaking.
- This bill will foster economic growth and development by letting businesses use more of their own money to reinvest in their operations.
  
- As amended:
  - Automatically triggers change in state law to mirror all federal depreciation changes for farm equipment.
  - Removes the retroactive provisions of the original bill. Will apply only to future purchases.

**Tom Ourada – Wisconsin Dept. of Revenue (Opposed)**

- The Department remains opposed to the bill despite the amendments.
- Automatic changes to Wisconsin's tax law – without legislative review and approval – based on future changes at the federal level is inappropriate.
- Bill does not promote tax equity by favoring one industry. This change could be helpful to all Wisconsin businesses.
- The Department currently does an annual review of federal tax law changes. They submit recommendations to the Governor and legislature to update state tax laws relative to the federal changes as part of the budget process and as separate legislation. The federal depreciation acceleration was submitting to the legislature for consideration, but was not approved.
  - Why? Huge fiscal estimate. For all industry it was estimated to cost the state \$200 - \$300 million
- The bill would have a significant fiscal impact upon implementation.
- Most states did not follow the federal government's lead on this accelerated depreciation.

***Petrowski** – Was there any consideration of the gains in income tax collection from this accelerated depreciation when tabulating the fiscal estimate?*

- Not certain – Will look in to this and report back.

***Parisi** – Won't this eventually become revenue neutral? Depreciation is a finite thing.*

- Yes – Over time it should be revenue neutral.

**JoAnn Maedke – Farmer and Tax Preparer (In Favor)**

- This is the first time Wisconsin has not followed the federal depreciation schedule. (Only 13 states do not mirror the feds on depreciation.)
- Over the life of the asset, this bill would not impact state revenue.
- The current system makes filing taxes unnecessarily complicated. This will be compounded when these assets start to be sold.

**John Vrieze (In Favor)**

- It costs thousands of dollars per year to keep duplicate records and will cost more in the future as assets are sold. This is a very complicated system.
- He could be investing the amount of money he spends on keeping these duplicate records back into his business.





# State of Wisconsin • DEPARTMENT OF REVENUE

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PHONE (608) 268-6466 • FAX (608) 268-5718 • <http://www.dor.state.wi.us>

**Jim Doyle**  
Governor

**Michael L. Morgan**  
Secretary of Revenue

## Assembly Committee on Agriculture, August 18, 2005

### **AA 2 to AB 21 - Computing Expense Deductions and Amortization and Depreciation on Property Used in Farming (Representative Towns)**

#### *Description of Current Law and Proposed Change*

Wisconsin has not adopted federal bonus depreciation rules and increases in expensing of investments under section 179 of the Internal Revenue Code (IRC), as provided in the Job Creation and Worker Assistance Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003. Under the IRC, taxpayers may claim an additional 30% first-year bonus depreciation deduction for qualifying property acquired after September 10, 2001 and before May 6, 2003, and placed in service before January 1, 2005, and may claim an additional 50% bonus depreciation deduction for property placed in service after May 5, 2003 and before January 1, 2005. Also, the amount of IRC sec. 179 expensing deduction is increased from \$25,000 to \$100,000. Under IRC sec. 179, the cost of certain business assets purchased during the year, subject to specific limitations, may be deducted rather than depreciated.

AB 21 would adopt these depreciation and expensing rules retroactively and for farmers only. As amended, the bill would not apply retroactively, but would allow increased IRC sec. 179 expensing for farmers for taxable years beginning in 2006 and 2007. The amendment would also automatically pick up any future federal changes to bonus depreciation and IRC sec. 179 expensing for farmers without further state review.

#### *Fairness/Tax Equity*

- The bill provides an economic advantage to farmers that would not be available to other businesses. As amended, the bill would allow farmers increased IRC sec. 179 deductions from taxable income that other types of businesses could not take.
- The amended bill automatically applies any future federal changes to bonus depreciation and increases in section 179 expensing for farmers without further state review. As a result, these changes would apply without consideration of other competing programs and priorities of state revenues.
- Adoption of bonus depreciation and the increase in IRC sec. 179 expensing has previously been considered and rejected by the legislature as part of its review to update the Internal Revenue Code.

#### *Impact on Economic Development*

- As originally drafted, the bill provides a retroactive depreciation deduction for qualifying property acquired and placed in service before January 1, 2005. A retroactive provision



would not encourage additional investment by farmers, since those purchases have already been made. It would only reward past behavior.

- Although the amendment eliminates the retroactivity of the original bill, it still provides disincentives for economic development since application of major components of the bill are dependent upon future law changes. The bill could encourage farmers to delay investments until a federal law change occurs that would trigger the bonus depreciation deductions.

#### *Administrative Impact/Fiscal Effect*

- The Department estimates that the 30% and 50% bonus depreciation provisions of the bill as originally drafted would result in a one-time revenue loss of \$25 million in FY06. Because a large amount of the basis of the property would be depreciated in the first year, depreciation deductions would be less in later years, producing a revenue gain until the property was fully depreciated.
- Based on information from the 2003 individual income tax sample, the Department estimates that the fiscal effect of the amended bill, allowing up to \$100,000 of IRC sec. 179 expensing deduction for farmers, would reduce state revenues by \$1.6 million in tax year 2006 and 2007.
- Also as amended, the state would automatically pick up future changes to bonus depreciation and IRC sec. 179 expensing. Since these provisions are dependent upon future federal law changes, a fiscal estimate cannot be determined. However, if the prior 50% bonus depreciation provisions were extended at some time in the future so that they would apply at the state level, it would reduce state revenues by an estimated \$11 million in the first year. However, the estimated revenue loss would be less in later years, decreasing for approximately seven years until it leveled out.
- Section 202 of P.L. 108-27 allows an increased IRC sec. 179 expensing deduction for taxable years beginning after 2002 and before 2006. Section 201 of P.L. 108-357 extends the increased deduction two more years, to 2008. Therefore, sec. 71.765(1) of the bill, as amended, should apply to property acquired and placed in service in taxable years beginning after December 31, 2005 and before January 1, 2008. Similarly, sec. 71.765(2) should allow a deduction for future law changes beginning with taxable years on or after January 1, 2008.

#### *DOR Position*

- Oppose. As amended, the bill precludes state legislative review of federal changes to bonus depreciation and sec. 179 expensing as they relate to farmers.

Prepared by: Pam Walgren, 266-7817

August 15, 2005

PW:skr

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→ 9/16 - Exec. Session

AA2 - AB21

→  
Will reflect future changes in the  
federal tax law. (Automatic)

Removes retroactivity

Still does not adopt this federalization  
for business as a whole.

Zinkebauer - Concerned w/ turning  
over a portion of the <sup>essentially</sup> WI tax  
code to the states.





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## WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

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**2005 Assembly Bill 21**

**Assembly  
Amendment 2**

*Memo published:* September 13, 2005

*Contact:* Mark C. Patronsky, Senior Staff Attorney (266-9280)

*Current law* provides that for the purposes of state income taxation, a taxpayer is eligible to claim expense deductions and amortization and depreciation using computations based on the federal Internal Revenue Code as amended to December 31, 2000. As a result of this state statute, Wisconsin taxpayers are not eligible to claim certain “bonus depreciation” deductions under section 101 of Public Law 107-147 and section 201 of Public Law 108-27 and the “expensing” deduction authorized under section 202 of Public Law 108-27 because these three federal law provisions were adopted after December 31, 2000. These three federal bonus depreciation and expensing provisions are favorable to taxpayers because they allow a greater portion of the capital investment in business property to be deducted earlier.

*Assembly Bill 21* adopts all three federal depreciation and expensing rules for taxpayers who are actively engaged in farming. “Actively engaged in farming” is defined in U.S. Department of Agriculture regulations. The bill entitles farmers to claim depreciation and expenses for property placed in service on various dates from 2001 to 2005. The fiscal estimate prepared by the Department of Revenue contains specific information on the dates to which the bill applies.

*Assembly Amendment 2* eliminates the retroactive applicability of the bill, which would have allowed farmers to amend tax returns filed in prior years to take advantage of the depreciation and expensing provisions in the bill. The amendment instead provides that, if section 101 of Public Law 107-147 or section 201 of Public Law 108-27 are amended after December 31, 2005, they will apply to property acquired and placed in service in taxable years commencing on January 1 by a person engaged in farming.

The effect of Assembly Amendment 2 is to maintain current Wisconsin law relating to depreciation and amortization of property acquired by a person engaged in farming but to automatically adopt for Wisconsin income tax purposes any future amendments adopted by the federal government to sections 101 of Public Law 107-147 or section 201 of Public Law 108-27 adopted after December 31 2005, applicable only to property acquired and placed in service in taxable years commencing on

January 1, 2006. Also, the amendment incorporates existing federal tax law that makes these expensing and depreciation provisions applicable to property acquired by and placed in service in taxable years beginning on January 1, 2006. Finally, the amendment incorporates any future changes made by Congress to the expensing and depreciation provisions, making them applicable to persons actively engaged in farming, but only if Congress specifically amends the federal tax laws which provide for the expensing and depreciation.

**Legislative History**

Assembly Amendment 2 was recommended for adoption on September 6, 2005, by the Assembly Committee on Agriculture by a vote of Ayes, 12; Noes, 1. The committee recommended passage of the bill as amended by a vote of Ayes, 12; Noes, 1, on September 6, 2005.

MCP;jal:tl



# **Assembly Republican Majority**

## **Bill Summary**

**Contact:** Erin Ruby, Office of Rep. Al Ott

### **AB 21: Depreciation of Farm Equipment**

Relating to: computing expense deductions and amortization and depreciation on property used in farming for income and franchise tax purposes.

By Representatives Towns, LeMahieu, Ott, Nass, Kestell, Petrowski, Hines, Hahn, Gronemus, Ainsworth, McCormick, Hundertmark, Freese, Gunderson, Vrakas, Stone, Musser, Suder, F. Lasee, Kreibich, Wood, Pettis, Albers, Bies, Van Roy, Vos, Nelson and Davis; cosponsored by Senators Kedzie, Harsdorf, Olsen, Zien, Kanavas, Roessler and Brown.

**Date:** September 20, 2005

### **BACKGROUND**

Under current law, for the purposes of state income taxation, a taxpayer is eligible to claim expense deductions and amortization and depreciation using computations based on the federal Internal Revenue Code (IRC) as amended up until December 31, 2000. As a result, Wisconsin taxpayers are not eligible to claim the "bonus depreciation" deductions and "expensing" deductions included under the IRC because these provisions were adopted after December 31, 2000. The IRC allowed taxpayers to claim a 30% first-year bonus depreciation deduction for qualifying property acquired after September 10, 2001 and before May 6, 2003. Taxpayers could claim a 50% bonus depreciation deduction for property acquired and placed in service after May 5, 2003 and before January 1, 2005. Further, the expensing deduction is increased from \$25,000 to \$100,000 for taxable years beginning after 2002 and before 2006. However, because Wisconsin did not adopt these federal changes, Wisconsin businesses must maintain two sets of records – relative to depreciation and expensing deduction – for tax preparation purposes.

### **SUMMARY OF AB 21 (AS AMENDED BY COMMITTEE)**

Assembly Bill 21 would automatically adopt, for Wisconsin income tax purposes, any future federal changes to bonus depreciation and expensing rules for taxpayers who are actively engaged in farming. The term, "actively engaged in farming" is defined in U.S. Department of Agriculture regulations.

Assembly Bill 21 generally maintains current Wisconsin law relating to depreciation and amortization of property acquired by a person engaged in farming. However, if the federal bonus depreciation rules are amended after December 31, 2005, these changes will automatically apply for state income tax purposes, but only as it relates to farm equipment acquired and placed in service in taxable years beginning with January 1, 2006. The same would generally apply to expensing deduction changes in the IRC.

The bill also would allow farmer equipment owners to claim the increased expensing deduction, under the current IRC, for taxable years 2006 and 2007.

### **AMENDMENTS**

**Assembly Amendment 2** to Assembly Bill 21 eliminates the retroactive applicability of the bill, which would have allowed farmers to amend tax returns filed in prior years to take advantage of the depreciation and expensing provisions in the bill. The amendment instead provides that, if the federal bonus depreciation rules



are amended after December 31, 2005, they will apply to property acquired and placed in service in taxable years commencing on January 1 by a person engaged in farming.

The effect of Assembly Amendment 2 is to maintain current Wisconsin law relating to depreciation and amortization of property acquired by a person engaged in farming, but to automatically implement for Wisconsin income tax purposes any future amendments approved by the federal government to federal bonus depreciation rules adopted after December 31 2005, applicable only to property acquired and placed in service in taxable years beginning with January 1, 2006. Also, the amendment incorporates existing federal tax law that makes these expensing and depreciation provisions applicable to property acquired by and placed in service in taxable years beginning on January 1, 2006. Finally, the amendment incorporates any future changes made by Congress to the expensing and depreciation provisions, making them applicable to persons actively engaged in farming, but only if Congress specifically amends the federal tax laws which provide for the expensing and depreciation [adopted 12-1-2 (Rep. Ziegelbauer voted no, Reps. Gronemus and Sinicki were absent)].

### **FISCAL EFFECT**

A fiscal estimate prepared by the Department of Revenue indicates Assembly Bill 21, as originally introduced, would result in a one-time revenue loss of \$25 million in Fiscal Year 2006.

Assembly Amendment 2, removes the retroactive applicability of the bill, but adopts any future changes to bonus depreciation or expensing rules. Since these provisions are dependent upon future federal law changes, a fiscal estimate cannot be determined. If the prior 50% bonus depreciation provisions were extended at some time in the future so that they would apply at the state level, it would reduce state revenues by an estimated \$11 million in the first year. However, the estimated revenue loss would be less in later years, decreasing for approximately seven years until it leveled out.

Based on information from the 2003 individual income tax sample, the Department estimates that the fiscal effect of the amended bill, allowing up to \$100,000 of expensing deductions for farmers, would reduce state revenues by \$1.6 million in tax years 2006 and 2007.

### **PROS**

1. Adopting the federal bonus depreciation and expensing provisions would encourage economic development by allowing producers to have more their own money available for reinvestment in their farm operations.
2. The current system of two separate deduction schedules – one for state income taxes and one for federal income taxes – is costly and unnecessarily complicated for farmers. Assembly Bill 21 would provide consistency and eliminate the need to maintain duplicate records.

### **CONS**

1. As amended, the bill precludes state legislative review of federal changes to bonus depreciation and expensing deductions as they relate to farmers. This can be viewed as turning over a portion of the Wisconsin tax code to the federal government.
2. The bill provides an economic advantage to farmers that would not be provided to other businesses, thereby creating tax equity issues.

### **SUPPORTERS**

Rep. Debi Towns, author; Sen. Neal Kedzie, lead co-sponsor; JoAnn Maedke; John Vrieze; Sabrina Gentile, Wisconsin Farm Bureau Federation; Laurie Fischer, Dairy Business Association; Ferron Havens, Wisconsin Agribusiness Council; Jordan Lamb, Wisconsin State Cranberry Growers Association, Wisconsin Potato & Vegetable Growers Association, Wisconsin Soybean Association, Wisconsin Pork Association and Wisconsin Cattlemen's Association; John Manske, Wisconsin Federation of Cooperatives; Steven Thomas, Monsanto.

### **OPPOSITION**

Tom Ourada, Wisconsin Department of Revenue.

### **HISTORY**

Assembly Bill 21 was introduced on January 20, 2005, and referred to the Assembly Committee on Agriculture. A public hearing was held on August 18, 2005. On September 6, 2005, the Committee voted 12-1-2 [Rep Ziegelbauer voted no, Reps. Gronemus and Sinicki were absent] to recommend passage of AB 21 as amended.



**Rep. Towns testimony on AB 21 Farm Equipment Depreciation**

Date?

Thank you, Mr. Chair and committee members, for hearing Assembly Bill 21 today. Last session this bill was known as AB 781. It passed unanimously out of the Assembly Agriculture Committee but failed to proceed through the rest of the process to become law.

Probably the best way to explain this bill is to use an example:

~~The paint on our tractors fades a little more every day, -- but if you ask the Internal Revenue Service it may fade faster than the Wisconsin Department of Revenue thinks it does. That's because farm equipment sometimes depreciates at two different rates for state and federal tax purposes.~~

Assembly Bill 21 aims to correct this costly difference by allowing the Wisconsin tax code that defines depreciation of farm equipment to mirror the Internal Revenue Service tax code.

In recent years the federal government has sometimes used an accelerated schedule for depreciating farm equipment to help stimulate re-investment in the agricultural industries.

Their program to accelerate depreciation by 30% in 2002; by 30% and an additional 50% in 2003 & 2004 has been credited with helping to generate an uptick in the general economy of this nation. This could certainly have helped the State of Wisconsin if we had aligned our depreciation schedule with that of the IRS.

The original text of AB 21 was patterned after last session's bill. The bill was worded to adopt the accelerated depreciation rate I just spoke of. The amendment(s) you received were crafted with the assistance of the Department of Revenue, merely update the bill. It creates a trigger for our state to permanently mirror the federal depreciation rate on all farm equipment purchases in the future. The amendment also removes any provisions that would allow an owner to retroactively amend their tax return or existing depreciation rates.

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Obviously, the long range tax collections will remain the same as depreciation expense is confined to a closed window – so if depreciation is accelerated as the IRS chose to allow, the owner merely expenses more dollars earlier in the cycle and less later in the cycle.

Adding insult to injury, the owner likely endures an extra direct expense if their tax accountant must maintain two separate sets of records. It is not hard to see that using different depreciation expense schedules creates problems for annuity contributions by employers as well as calculation of retirement assets.

In closing, I would just like to say that this bill, which passed unanimously out of the Assembly Committee on Agriculture last session, reflects a concept that we frequently speak of in this building, but find it difficult to actually endorse ----- The concept of fostering business growth and development by finding ways to keep more dollars available for turnover in the economy. This has proven time and time again to be the most powerful stimulator of job creation.