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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) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**



State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Aug. 11, 2005

Michael L. Morgan
Secretary of Revenue

Assembly Committee on Agriculture Hearing, August 18, 2005

AB 547 – Sales Tax Exemption for Electricity Used in Agricultural Biotechnology and Vitamins Used for Livestock (Rep. Wieckert)

Description of Current Law and Proposed Change

The bill exempts from sales and use tax:

1. Sales of vitamins, supplements, and hormones (e.g., RBGH) used on farm livestock.
2. Sales of electricity consumed in research or product development related to agricultural biotechnology, as defined by the bill. This exemption would benefit primarily high tech firms that focus on agricultural products.

The exemptions would take effect July 1, 2007 (FY08).

Fairness/Tax Equity

- The exemptions under the bill would narrow the tax base, thereby shifting more of the cost of public services to remaining taxpayers. Agriculture already enjoys substantial income, sales and property tax breaks and benefits from a variety of government programs directed at the industry.
- Since the bill carves out an electricity exemption for agricultural biotechnology but not biotechnology, non-agricultural biotechnology companies may argue that the exemption is discriminatory and that their purchases of electricity should also be exempt. Also, it is not clear that in practice agricultural biotechnology can be distinguished from ordinary biotechnology.

Impact on Economic Development

- By reducing their costs of production, the first exemption may enhance the ability of Wisconsin farmers to compete with those of other states. In addition, the exemptions under the bill may motivate investment in farming and agricultural research and development. However, since the exemptions do not take effect until July 1, 2007, firms may delay investment until the exemption goes into effect in 2007.
- Taxing inputs to a production process leads to double taxation when the output is also taxed. However, food for home consumption is exempt from sales tax and even for taxable final products, such as restaurant meals, the percentage of the consumer's cost attributable to agricultural commodities is often small. Therefore, the first exemption under the bill is not likely to significantly reduce double taxation.

Administrative Impact/Fiscal Effect

- The exemption under the bill would reduce sales and use tax collections. Data are not available to estimate the amount of the decrease.

Prepared by: Blair Kruger, 266-1310
bkruger@dor.state.wi.us

August 11, 2005

BK:skr
L:\session 05-07\hearings\lab547.doc



Assembly Agriculture Committee

August 18, 2005

Assembly Bill 547 & Assembly Bill 606

Sales & Use Tax Exemption for Electricity Used in Agricultural Biotechnology and for Vitamins, Feed Supplements, and Hormones Used on Livestock

Rep. Steve Wieckert (In Favor)

- In part, these bill extend the exemption provided last session to manufacturing,
- We shouldn't tax inputs that go into end products. Only the end products should be taxable. (Except that most ag "end products" are not taxed...)
- AB 547 is a tax exemption, whereas AB 606 is a tax credit. The exemption benefit is realized at the point of purchase. The credit must be claimed as part of the income tax filing process. The exemption would likely be more beneficial to farmers.
- Some technical changes may need to be made per discussions with the Department.
- This bill will foster economic growth and development by letting businesses use more of their own money to reinvest in their operations.

Tom Ourada – Wisconsin Dept. of Revenue (Information Only)

- The Department is unable to obtain adequate data to generate a fiscal estimate. Vitamins, supplements and hormone sales are aggregated with the sale of feed, medicines and vet supplies.
- See written testimony.

Amy Winters – CropLife America & Monsanto (In Favor)

- Agricultural biotechnology is a missing link in the electricity sales tax exemption for manufacturing.
- Wisconsin is one of only 8 states that tax vitamins, feed supplements and hormones used on Livestock.
- See hand out.

Chris Peterson – Four Cubs Farm (In Favor)

- Feels a large number of farmers could be positively impacted by this legislation.
- Wisconsin is one of only 8 states that tax these inputs.
- The exemption (AB 547) would be more beneficial than the credit (AB 606). The benefit is realized immediately rather than having to complete a large amount of paperwork at the end of the year to claim a credit on your income tax liability.

Stephen Pederson – Dairy Business Association (In Favor)

- Owns and operates a 400 cow dairy.
- This exemption would have an immediate positive impact on his operation. He would be able to turn that money saved right back into his operation.
- He thinks AB 547 could save him \$7700 in sales tax per year on his farm.

JoAnn Maedke – Farmer & Tax Preparer (In Favor)

- This is not a special tax break for farmers – it is truly an effort to level the playing field.
- The exemption would be much more beneficial to producers.

Laurie Fischer – Dairy Business Association (In Favor)

- The exemption would be of greater benefit to her members
- See written testimony.

Dan Brick – Dairy Business Association (In Favor)

- Milks 500 cows and has 8 employees. He hopes to expand to 1000 head.
- Wisconsin producers are at a disadvantage because other states do not charge sales tax on these items.
- He spend \$5,000 - \$6,000 per year on these inputs.
- On the sales tax exemption for agricultural biotechnology research electricity use – investment in technology will help producers in the long run. It is vital.
- Sees more benefit in the exemption versus the credit.

Keith Moritz – Pond Hill Dairies (In Favor)

- Owns and operates a 750 cow dairy. Also works with genetics and embryo transfers.
- Sees the potential for a direct benefit to his operation.

Jay Richardson (In Favor)

- Estimates the tax exemption could have a \$10,000 - \$12,000 impact on his operation
- With the constant addition of regulations, “I need a win.”

John Vrieze (In Favor)

- Would actually be opposed to the tax credit – the exemption is what’s needed. The credit is just another round of paperwork.

Kristy Wech – Monsanto Dairy Business (In Favor)

- Other states have found a way to make this exemption work. Wisconsin needs to follow suit.



Testimony of
State Representative Steve Wieckert
Before the
Assembly Committee on Agriculture
Regarding

AB 547 / AB 606 – Agricultural Biotechnology Tax Relief



August 18, 2005
Room 328 Northwest, State Capitol

Thank you for having a hearing on this legislation.

We are very proud of our agricultural industry. It is clearly one of our founding industries in Wisconsin, and plays a vital and key role in our state's economy today.

The agricultural industry in Wisconsin is very dynamic. It is continually growing, changing, and improving. This is not only because of our very hardworking citizens involved in the industry, but also because of our first-class research and teaching institutions, especially through the University of Wisconsin.

To keep Wisconsin on the cutting edge for our agricultural industry, I have proposed this bill, which would exempt electricity from the sales tax if the electricity was used in the pursuit of agricultural research and biotechnology.

I would like to see that we do everything we can to eliminate the tax drag on research and development. This is a first important step in that direction.

Last session, as you may recall, I had authored legislation to eliminate the tax on electricity used in manufacturing. Many industries were helped by this bill, which eventually became law, including our state's paper industry, which uses the most electricity of any industry in the state.

The bill also includes provisions to reduce the cost of doing business for farmers, by exempting from the sales tax vitamins, supplements, and hormones used for farm livestock.

To make this bill as helpful as possible to the agricultural industry, the definition of agricultural biotechnology is very broad. I think it would be helpful if I read the definition. It is as follows:

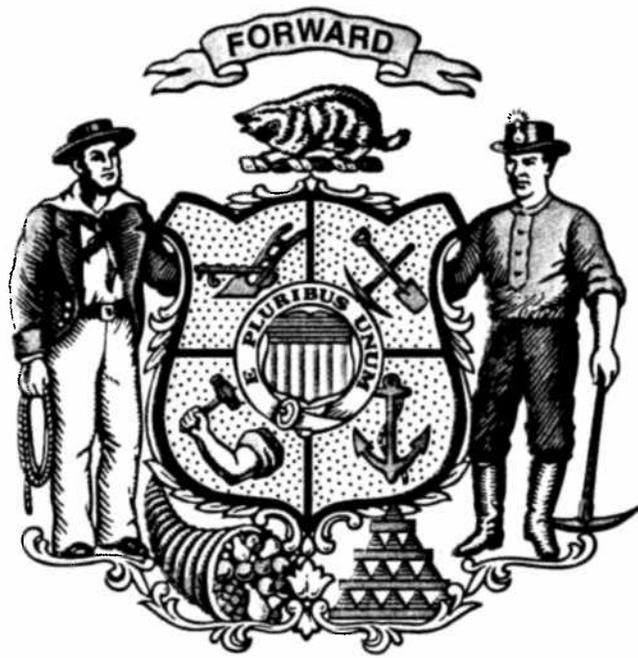
“The application of technologies, including recombinant deoxyribonucleic acid techniques, biochemistry, molecular and cellular biology, genetics, genetic engineering, biological cell fusion techniques, and new bioprocesses, that use living organisms or parts of organisms to produce or modify products, improve plants or animals used in

agriculture, develop microorganisms for specific agricultural uses, identify targets for small molecule pharmaceutical development for agricultural use, or transform biological systems into useful agricultural products and processes.”

I am also pleased to report that the following organizations are supporting this legislation:

- Wisconsin Dairy Business Association
- Monsanto Company
- CropLife America
- Syngenta
- Wisconsin Federation of Cooperatives
- Wisconsin Cheesemakers Association

I will be happy to answer any questions you may have.





Capitol Strategies, LLC

Government relations and Public Policy Consulting Firm

DATE: August 18, 2005

TO: Assembly Committee on Agriculture

FROM: Amy Winters, Contract Lobbyist for CropLife America and Monsanto Company

RE: Talking Points on Assembly Bill 547 pertaining to a Sales and use tax exemption for electricity used in research and development of agricultural biotechnology and for vitamins, feed supplements and hormones used on Livestock.

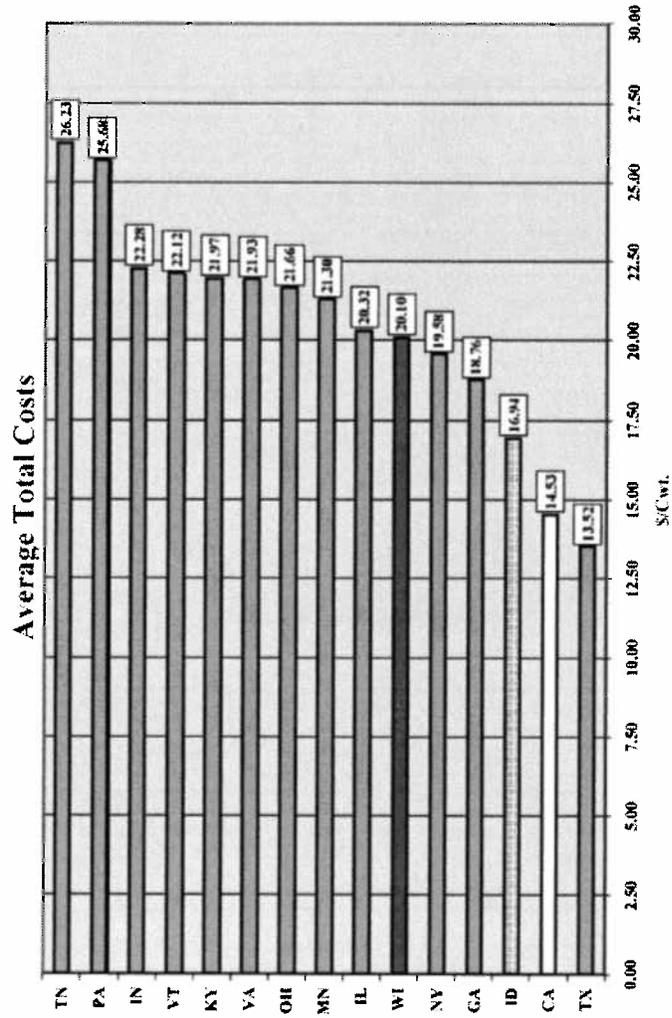
- Exempting Vitamins, feed supplements and hormones used on livestock will help make Wisconsin producers more competitive with those in other states. Wisconsin is one of only 8 states, and the only top 5 dairy state, that does not have a sales and use tax exemption for these agricultural inputs (see attached map).
- With Wisconsin dairy production costs \$5.57 per hundredweight higher than California and \$3.16 higher than Idaho, the rising stars among cheese states, Wisconsin needs to do everything it can to help its producers stay competitive, this bill will help level the playing field (see attached graph)
- Currently, manufacturing inputs in the state, including electricity, are exempt from the sales and use tax; agriculture is also exempt from paying a sales and use tax on electricity. The agriculture biotechnology industry however is a missing link in this exemption that needs to be connected.
- Wisconsin has over 30 bio-science companies devoted to agriculture that provide thousands of jobs and sales in excess of \$632 million. Research that is being done right here in Wisconsin is providing our state's farmers with the advanced tools they need to be profitable and succeed.
- In 2002 there was a \$498 million impact associated with biotech crops in Wisconsin, a significant boost to the state's economy; animal biotechnology, has provided valuable tools in milk production and produced vaccines to protect animals against disease such as swine pseudorabies.
- AB 547 would not only encourage the future development of the biotechnology industry in the state, it will also level the playing field for these companies.
- With Wisconsin looking to market itself as a biotechnology center, this legislation is an important initiative and sends a strong message to the industry that they are welcome in our state.

Livestock Vitamins, Supplements and hormones Sales and Use Tax Status In the United States



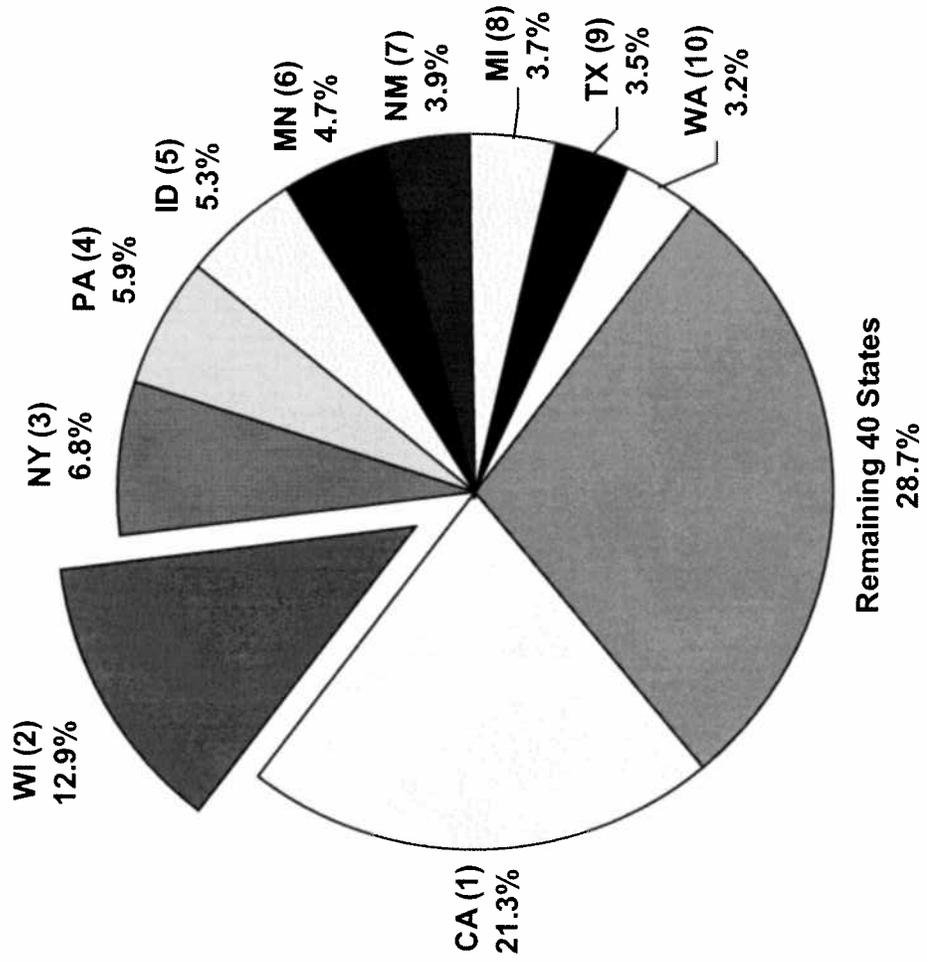
Sales and Use Tax Status
■ No Sales Tax (42)
□ Taxed (8)

Dairy Production Costs in Top Dairy States



* Costs are for 2003

2004 Market Share of Milk Produced for Top 10 Dairy States







WISCONSIN FARM BUREAU FEDERATION®

P.O. Box 5550 • 1212 Deming Way • Madison, WI 53705 • 608-836-5575

August 18, 2005

TO: Assembly Agriculture Committee

FR: Sabrina Gentile, Director of Governmental Relations

RE: Support AB 346, AB 547 and AB 606

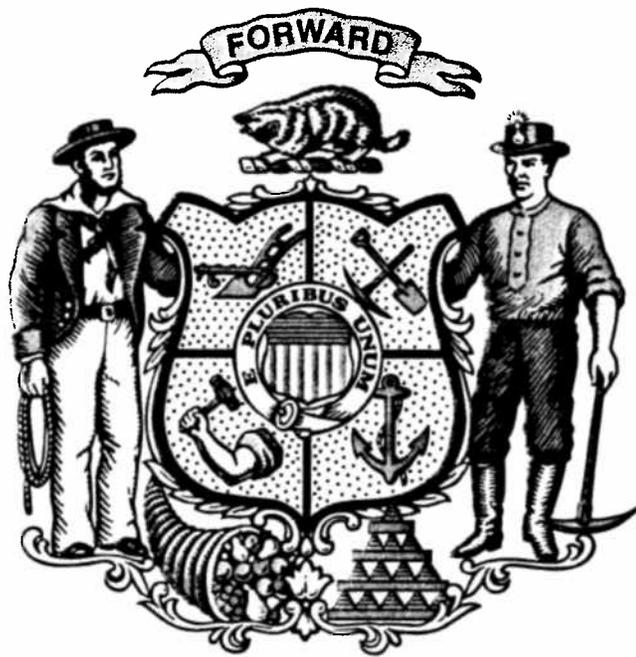
Farm Bureau respectfully requests your support for AB 346, AB 547 and AB 606. These are various bills that relate to sales tax exemptions for items used in farming.

Farm Bureau policy states:

Sales Tax Exemption -- The application of the sales tax on items used directly in farming, business or industry compounds the tax on products produced by such business enterprises. Therefore, we recommend that such items as machinery, equipment, supplies and all materials used directly in farming be exempt from the sales and use tax. Further, we support improving the identification system for the purchase of tax-exempt farm items.

Thank you for having this hearing today on these bills. If you have any questions or concerns, please do not hesitate to contact me.

Sabrina Gentile
608.828.5711



Ruby, Erin

From: Richard Wagner [richard@tregafoods.com]
Sent: Friday, August 26, 2005 9:47 AM
To: Rep.Ott
Cc: amywinters@capitol-strategies.net

**Representative Alvin Ott
Chairperson, Assembly Committee on Agriculture
323 North, State Capitol
Madison, WI 53702**

August 26, 2005

Dear Al:

We at Quantum Dairy, Weyauwega, WI would like to register herein in favor of the pending Bill AB 547, which would create a sales and use tax exemption for some of our business inputs. We kindly ask that you distribute a copy of this e-mail correspondence to the other members of your committee. Thank you for any consideration of this, and, of course, your continued creative work on this important committee!

Sincerely,

Richard Wagner, President
Quantum Dairy, LLC

08/26/2005



Testimony of Laurie Fischer
Executive Director of the Dairy Business Association
in support of Assembly Bill 547

Date?

Good morning Chairman Ott and members of the Assembly Committee on Agriculture. My name is Laurie Fischer and I am here on behalf of the Dairy Business Association to express our support for Assembly Bill 547 and the positive effect it will have on making Wisconsin's dairy industry more competitive with other dairy producing states.

Currently Wisconsin is one of only eight states, and the only top five dairy producing state, that does not have a sales and use tax exemption for electricity used in research and development of agricultural biotechnology; and for vitamins, feed supplements and hormones used on livestock. All of our neighboring states and the large producing states of California and Idaho are not charged a sales and use tax on these inputs, but in Wisconsin we are.

The manufacturing and agriculture industries in Wisconsin are currently exempt from the sales and use tax on electricity. The agriculture biotechnology industry however is a missing link in this exemption that needs to be connected. Wisconsin has over 30 bio-science companies devoted to agriculture that provide thousands of jobs and sales in excess of \$632 million. Research that is being done in Wisconsin is providing our state's producers with the advanced tools they need to be profitable and succeed.

In 2002 there was a \$498 million impact associated with biotech crops in Wisconsin, a significant boost to the state's economy. Animal biotechnology has provided valuable tools in milk production and produced vaccines to protect animals against disease. With Wisconsin looking to market itself as a biotechnology center, this legislation is an important initiative and sends a strong message to the industry that they are welcome in our state.

Wisconsin's dairy producers are already at a competitive disadvantage with states like California and Idaho on the cost of production. Dairy production costs are \$5.57 per hundredweight higher in Wisconsin than in California and \$3.16 per hundredweight higher than in Idaho. By passing Assembly Bill 547 you will be taking an important step towards leveling the playing field for Wisconsin's dairy industry.

On behalf of the Dairy Business thank you for your consideration of this important piece of legislation and we respectfully urge your support in passing this out of committee.