

 **05hr_ab0606_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) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Vote Record Committee on Agriculture

Date: 9/6/05

Moved by: Hines

Seconded by: Loeffelholz

AB 606 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>
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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Joseph Parisi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>11</u>	<u>2</u>	<u>2</u>	<u> </u>

Motion Carried Motion Failed

Vote Record Committee on Agriculture

Date: 9/16/05

Moved by: Hines

Seconded by: Nerison

AB LEDLE SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt S 0195

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>
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"/>
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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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Representative Louis Molepske	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Joseph Parisi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>11</u>	<u>2</u>	<u>2</u>	<u> </u>

Motion Carried Motion Failed

Vote Record Committee on Agriculture

Date: 9/6/05

Moved by: Hines Seconded by: Ott

AB 606 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____

A/S Amdt _____ to A/S Amdt _____

(A/S Sub Amdt S 0195)

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

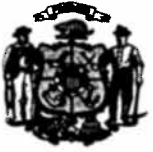
- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
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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"/>
Totals:	<u>13</u>	<u>-</u>	<u>2</u>	<u> </u>

Motion Carried

Motion Failed





State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.dor.state.wi.us>

Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

Assembly Committee on Agriculture, August 18, 2005

AB 606 - Tax Credit for Sales and Use Tax Paid on Electricity Used in Agricultural Biotechnology and Certain Products Used on Livestock

Description of Current Law and Proposed Change

The bill would provide an income and franchise tax credit for the amount of sales and use taxes paid on purchases of vitamins, supplements, and hormones used on farm livestock. In addition, the bill would define "agricultural biotechnology" and provide an income and franchise tax credit for the amount of sales and use taxes paid on purchases of electricity consumed in research or product development related to agricultural biotechnology. The credit would first apply to taxable years beginning on January 1, 2006.

Fairness/Tax Equity

- The credits 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 a credit for electricity used in agricultural biotechnology but not other types of biotechnology, non-agricultural biotechnology companies could argue that the credit is discriminatory and that their purchases of electricity should also qualify for the credit. 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 credit for sales tax paid on purchases of products used on livestock could enhance the ability of Wisconsin farmers to compete with those of other states. In addition, the credits could motivate investment in farming and agricultural research and development. However, since a livestock investment credit was recently included in the state budget, this credit is unlikely to provide significant additional incentive for farmers. Additionally, a credit for research and development expenditures and facilities is already available for all corporations.

Administrative Impact/Fiscal Effect

- The credit would reduce income and franchise tax collections. Data are not available to estimate the amount of the decrease.

Prepared by: Pam Walgren
(266-7817)

August 16, 2005

PW:skr
L:\session 05-07\hearings\pw\ab606.doc





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



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)

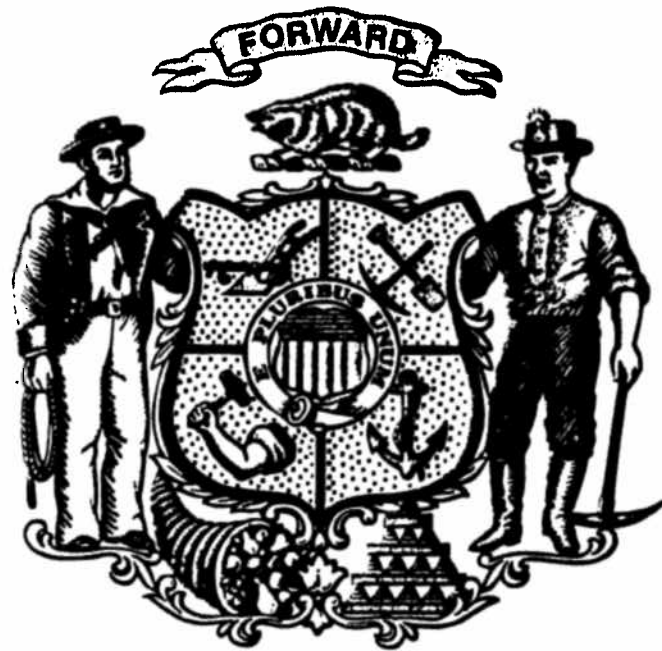
- Estimates the tax exemption could have a \$10,000 - \$12,000 impact on his operation
- With the constant addition of regulations, “I need a win.”

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.





**WISCONSIN LEGISLATIVE COUNCIL
AMENDMENT MEMO**

2005 Assembly Bill 606

**Assembly Substitute
Amendment 1**

Memo published: September 12, 2005

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

Assembly Bill 606 creates an income and franchise tax credit that may be taken by a person who pays income tax or franchise tax in Wisconsin. The amount of the income and franchise tax credit equals the amount that the taxpayer pays for sales and use tax in any taxable year on the purchase of (1) electricity that is used in research or product development for agricultural biotechnology and (2) vitamins, feed supplements, or hormones that are used on farm livestock. The bill first applies to taxable years beginning on January 1, 2006.

Assembly Substitute Amendment 1 eliminates the income and franchise tax credit in the bill, and substitutes a sales and use tax exemption. The sales and use tax exemption is for the same purposes as the bill: electricity used in research or product development for agricultural biotechnology and vitamins, feed supplements, and hormones used on farm livestock. The substitute amendment first applies to purchases on July 1, 2007.

Legislative History

Assembly Substitute Amendment 1 was adopted by a vote of Ayes, 11; Noes, 2, and recommended for passage as amended by a vote of Ayes, 11; Noes, 2.

MCP:ksm



Assembly Republican Majority

Bill Summary

Contact: Erin Ruby, Office of Rep. Al Ott

AB 606: Tax Credit for Sales & Use Tax Paid on Electricity Used in Agricultural Biotechnology and Certain Products Used on Livestock

Relating to: an income and franchise tax credit for sales and use taxes paid on the purchase of electricity used in agricultural biotechnology and on the purchase of products used on livestock

By Representatives Wieckert, Davis, Musser, Hahn, Townsend, Petrowski, Towns, Nass, Mursau, Ott, Albers, Hines, Van Roy and Gronemus; cosponsored by Senators Leibham and Roessler.

Date: September 20, 2005

BACKGROUND

Under current law, electricity used in manufacturing and in the business of farming is exempt from sales and use tax. Tractors, machinery, and a number of other inputs used exclusively and directly in the business of farming, are exempt from sales and use tax. Wisconsin is one of only eight states that tax vitamins, feed supplements and hormones used on livestock.

SUMMARY OF AB 606 (AS AMENDED BY COMMITTEE)

Assembly Bill 606 creates a sales and use tax exemption on vitamins, supplements and hormones used on livestock. In addition, the bill defines "agricultural biotechnology" and exempts from sales and use tax electricity consumed in research or product development related to agricultural biotechnology. The bill first applies to purchases on July 1, 2007.

AMENDMENTS

Assembly Substitute Amendment 1 to Assembly Bill 606 eliminates the income and franchise *tax credit* in the bill, and substitutes a sales and use *tax exemption* for vitamins, feed supplements and hormones used on livestock and electricity used in research or product development related to agricultural biotechnology [adopted 11-2-2 (Reps. Vruwink and Molepske voted no, Reps. Gronemus and Sinicki were absent)].

FISCAL EFFECT

A fiscal estimate prepared by the Department of Revenue indicates data on the sale of vitamins, supplements, and hormones used on livestock are not available as this data is aggregated with sales of feed, veterinary services and medicines, or miscellaneous expenditures. Consequently, a reliable estimate of the decrease in sales and use tax revenue is not feasible. Similarly, data regarding the use of electricity in research and development related to agricultural biotechnology is not available, making a reliable estimate of the decrease in sales tax revenue impossible.

Administrative costs of the bill are minimal and would be absorbed by the Department.

PROS

1. Removing the sales and use tax on products such as vitamins, feed supplements and hormones will help Wisconsin livestock producers compete with other states. Wisconsin is one of only eight states that currently tax these items for use on livestock.
2. Production inputs in manufacturing are generally not subject to sales and use tax. Assembly Bill 606 attempts to provide some tax equity by exempting a limited number of inputs used in the business of production agriculture and agricultural biotechnology from the sales and use tax.
3. Wisconsin currently has over 30 bio-science companies devoted to agriculture, which have sales in excess of \$632 million and provide thousands of jobs. Assembly Bill 606 would encourage the future development of the agricultural biotechnology industry in the state by extending to them the same tax exemption on electricity currently in place for other industries.

CONS

1. The exemptions under the bill would reduce tax revenue and narrow the tax base, thereby shifting more of the cost of public services to remaining taxpayers.
2. Since the bill carves out an electricity exemption for agricultural biotechnology but not biotechnology in general, non-agricultural biotechnology companies may argue that the exemption is discriminatory and that their purchases of electricity should also be exempt.

SUPPORTERS

Rep. Steve Wieckert, author; Sen. Joe Leibham, lead co-sponsor; Steve Mergen, Monsanto Dairy Business; Representative Brett Davis, 80th Assembly District; Sabrina Gentile, Wisconsin Farm Bureau Federation; Ferron Havens, Wisconsin Agribusiness Council; Greg Henderson, Monsanto; John Manske, Wisconsin Federation of Cooperatives; Jordan Lamb, Wisconsin Pork Association, Wisconsin Cattlemen's Association, and Wisconsin Biotechnology & Medical Device Association; Steven Thomas, Monsanto; Amy Winters, CropLife America and Monsanto.

OPPOSITION

No one registered or testified in opposition to Assembly Bill 606.

HISTORY

Assembly Bill 606 was introduced on August 16, 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 11-2-2 [Reps. Vruwink and Molepske voted no, Reps. Gronemus and Sinicki were absent] to recommend passage of AB 606 as amended.