

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on
Agriculture and
Insurance
(SC-AI)

File Naming Example:

Record of Comm. Proceedings ... RCP

- > 05hr_AC-Ed_RCP_pt01a
- > 05hr_AC-Ed_RCP_pt01b
- > 05hr_AC-Ed_RCP_pt02

Published Documents

> Committee Hearings ... CH (Public Hearing Announcements)

> **

> Committee Reports ... CR

> **

> Executive Sessions ... ES

> **

> Record of Comm. Proceedings ... RCP

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*Information Collected For Or
Against Proposal*

> Appointments ... Appt

> **

> Clearinghouse Rules ... CRule

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> Hearing Records ... HR (bills and resolutions)

> **05hr_ab0021_SC-AI_pt01**

> Miscellaneous ... Misc

> **

Vote Record
Committee on Agriculture and Insurance

Date: 1-28-06

Moved by: Kedzie Seconded by: Olsen

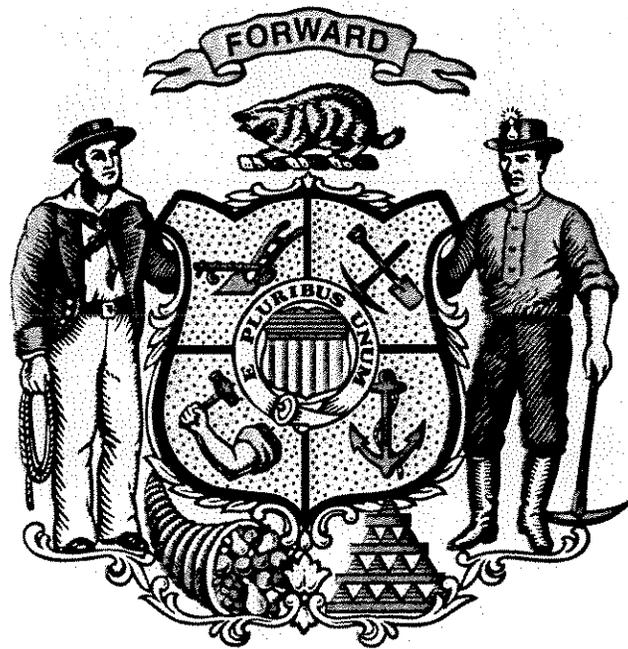
AB 21 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

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>
Senator Dan Kapanke, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Neal Kedzie	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Ronald Brown	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Luther Olsen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Jon Erpenbach	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator David Hansen	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Mark Miller	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>5</u>	<u>2</u>	_____	_____

Motion Carried Motion Failed





State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

Senate Committee on Agriculture and Insurance, January 18, 2006

AA3 to AA2 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. Bonus depreciation and increased IRC sec. 179 provisions have not been adopted for Wisconsin income and franchise taxes.

AB 21 would adopt the bonus depreciation and increased expensing rules retroactively and for farmers only. Assembly amendment 2 (AA2) would not allow retroactive bonus depreciation and increased expensing, but would allow increased IRC sec. 179 expensing in 2006 and 2007 for farmers. AA2 would also allow any future federal law changes to the bonus depreciation and expensing provisions to be automatically adopted for farmers in Wisconsin. Assembly amendment 3 to AA2 removes the increased IRC sec. 179 expensing deduction for 2006 and 2007.

As a result, the bill amended with AA2 and Assembly Amendment 3 to AA2 would not apply retroactively and would not allow increased IRC sec. 179 expensing in 2006 and 2007, but would 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 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 have 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.
- 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. The estimated fiscal effect of allowing up to \$100,000 of IRC sec. 179 expensing deduction for farmers would be to reduce state revenues by \$1.6 million per year.

Prepared by: Pam Waigren, (608) 266-7817

January 17, 2006

PW:skr

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