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STEPHEN R. MILLER
CHIEF

March 19, 2007

MEMORANDUM

To: Senator Leibham

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

Subject: Technical Memorandum to **2007 SB 94** (LRB-1923/1) by **DOR**

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

March 15, 2007

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on SB 94 – Credit for property tax paid on machinery and equipment used in a restaurant’s kitchen

Because the amount of property tax related to restaurant equipment is not listed separately on the property tax bill, it would be difficult for taxpayers to calculate the amount of the credit and for the Department to verify the correct amount of credit is being claimed. Paragraph (5i)(b) in each of the three subsections should provide that the claimant must attach a copy of the paid property tax bill as well as the completed statement of personal property that the taxpayer submits to their local assessor that specifically lists the value of the qualifying machinery under s. 70.11(27)(a)2.

In addition, any state aid or credit that reduces the tax on the property tax bill should reduce the amount of property tax that qualifies for the credit. Paragraph (5i)(b) in each of the three subsections should provide that the credit is for the net tax paid on the qualifying machinery.

Section 71.07(5i)(b) allows the credit to be offset against the taxes imposed under s. 71.02. However, the order of computation (s. 71.10(4)(gxx)) places the credit after the alternative minimum tax. If it is the intent that the credit offset alternative minimum tax, s. 71.08(1)(intro.) should be amended to include s. 71.07(5i) in the list of credits not considered when determining alternative minimum tax. Section 71.07(5i)(b) should also include a reference to the taxes imposed under s. 71.08.

Section 71.07(5i)(a)3. provides that “restaurant” includes snack bars and beverage bars. Does a bar that sells mainly alcoholic beverages and snacks or limited food items qualify? This should be clarified.

Finally, the order of claiming the credits should be the same for corporations and insurance companies. In addition, the credit should be claimed before the refundable credits. To accomplish this, we recommend that s. 71.49(1)(gxx) be renumbered to 71.49(1)(epa).

If you have any questions regarding this technical memorandum, please contact Michael Oakleaf at 261-5173 or via email at Michael.oakleaf@dor.state.wi.us.

cc: Senator Leibham