

**2007 DRAFTING REQUEST**

**Bill**

Received: **11/13/2006**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget**

By/Representing: **Easton**

This file may be shown to any legislator: **NO**

Drafter: **jkreye**

May Contact:

Addl. Drafters:

Subject: **Tax, Other - sales**

Extra Copies:

Submit via email: **NO**

**Pre Topic:**

DOA:.....Easton, BB0165 -

**Topic:**

Sales and use tax exemptions for biotechnology

**Instructions:**

See Attached

**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 11/14/2006	kfollett 11/16/2006		_____			S&L Tax
/1	jkreye 01/23/2007	kfollett 01/23/2007	rschluet 11/16/2006	_____	sbasford 11/16/2006		S&L Tax
/2			nmatzke 01/24/2007	_____	sbasford 01/24/2007		S&L Tax
/3	jkreye 01/30/2007	kfollett 01/30/2007	jfrantze 01/30/2007	_____	sbasford 01/30/2007		

FE Sent For:

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/2		13kf 1/30	nmatzke 01/24/2007	_____	sbasford 01/24/2007		

FE Sent For:

Handwritten signature and date: 1/30 <END>

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FE Sent For:		nwn 1/23	nwn/pg 1/23	_____			<END>

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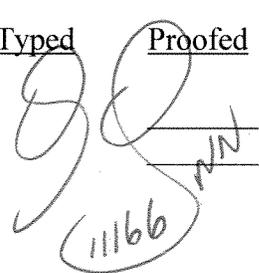
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/?	jkreye	11/16 11/16					

FE Sent For:

<END>

0725

## 2007-09 Budget Bill Statutory Language Drafting Request

- Topic: Biotech Sales Tax Exemption
- Tracking Code: BB0165
- SBO team: Tax and Local Government
- SBO analyst: Easton
  - Phone: 6-7597
  - Email: Darren.easton@wisconsin.gov
- Agency acronym: DOR
- Agency number: 566
- Priority (Low, Medium, High): Medium

**Legislative Proposal Summary  
Wisconsin Department of Revenue  
Research and Policy Division  
IS&E Division**

**August 22, 2006**

**TITLE: SALES TAX EXEMPTION FOR BIOTECHNOLOGY**

**DESCRIPTION OF CURRENT LAW AND PROBLEM**

Generally, biotechnology businesses currently do not fit within the statutory sales and use tax exemptions for manufacturers or farmers. Since biotechnology businesses, especially start-ups, often do not show profits for years, corporate tax benefits may be ineffective. In addition, sales to biotechnology businesses of specialized feed for laboratory animals, equipment to raise the animals, and sales of the animals by these businesses are typically subject to sales tax. Thus, current tax law does not promote the state's goals and policies regarding the biotechnology industry as effectively as desired.

Biotechnology is not a clearly defined industry – the federal industry classification system, NAICS, does not specify a biotechnology industry for classification purposes. Biotechnology began with technology to insert genes into DNA (recombinant DNA technology), includes medical and pharmaceutical research, and has expanded into agriculture and industrial production. For example, the Ace-Biorefinery plant in Stanley extracts pharmaceutical sugars from an ethanol by-product. According to the Wisconsin Biotechnology and Medical Device Association, Wisconsin has about 250 life sciences businesses.

**RECOMMENDATION FOR ACTION**

Define "biotechnology business" and create five biotechnology-related sales and use tax exemptions. Two exemptions would apply to businesses raising laboratory animals that are sold to biotechnology businesses or certain other entities and three exemptions would apply to biotechnology businesses.

Under the proposal, the following would be exempt:

1. Sales of machinery and equipment, including attachments, parts and accessories, used exclusively and directly in the raising of animals that are sold primarily to a qualified biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use in qualified research or manufacturing.
2. Sales of feed, animal bedding, and other items listed in s. 77.54 (3m), medicines, semen for artificial insemination, and fuel and electricity used exclusively and directly in raising animals that are sold primarily to a qualified biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use in qualified research or manufacturing.
3. Sales of machinery and equipment, including attachments, parts and accessories, used exclusively and directly in qualified research by a qualified biotechnology business.
4. Sales of tangible personal property purchased by a qualified biotechnology business that is consumed or destroyed by the biotechnology business in qualified research.

5. Sales of animals purchased by a qualified biotechnology business that are used exclusively and directly by the biotechnology business in qualified research (regardless of whether the animals are consumed or destroyed).

To be a "qualified biotechnology business" under the above exemptions, a business would be required to apply for and be granted certification by the Department. The Department would publish on its website the names of qualifying biotechnology businesses.

### **ADMINISTRATIVE IMPACT**

Minimal. The Department would be able to certify qualifying biotechnology businesses with existing resources.

### **FAIRNESS/TAX EQUITY**

Businesses that conduct research and development other than biotechnology may claim that not providing a comparable exemption is unfair. For example, the proposed exemption does not extend to the research and development expenditures of businesses engaged in mechanical technologies, such as developing new medical or research tools (e.g., microscopes), computers and computer software, or manufacturing processes.

The state may promote industries' research and development efforts through tax or other incentives but it is not obligated to do so. Moreover, exemptions are exceptions to the rule and, therefore, inherently selective.

### **IMPACT ON ECONOMIC DEVELOPMENT**

The proposal is consistent with the Biostar Initiative, a multiyear program provided for construction of biotechnological facilities at state university campuses. A significant amount of basic biotechnological research is performed at universities, often funded by federal grants and when the research leads to a potentially economically viable product, a biotechnology business may be created to take the product to market. Biotechnology businesses, often located in the same area as the university at which the initial research was performed, provide high-wage jobs.

Manufacturing and agriculture are promoted under a variety of tax exemptions. Although the state has adopted a policy of promoting the biotechnology industry, biotechnology businesses do not generally qualify for preferential sales and use tax treatment under current tax law.

California and Connecticut have sales and property tax exemptions for biotechnology-related purchases, including construction. Colorado refunds sales tax on purchases of machinery, equipment, materials and supplies by biotechnology firms. Minnesota has authorized a biotechnology and life sciences zone in which sales and property tax exemptions and corporate income tax credits apply. Other states, including Massachusetts, Michigan, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania and Virginia, have more general sales tax exemptions for research and development expenditures. Still other states support biotechnology by means of reduced sales tax rates for research and development and exemptions for technology zones. The proposed exemption is modeled in part on legislation proposed in Georgia.

## FISCAL EFFECT

According to the US Department of Commerce, nationally, biotechnology firms spent about \$3.26 billion on machinery and equipment (M&E) in 2001. According to the same source, Wisconsin had 2.5% of biotechnology businesses in 2001. Assuming biotechnology expenditures on M&E in Wisconsin were about the same as its share of biotechnology businesses, those businesses would have paid about \$4 million in state sales tax in 2001. This estimate may provide an upper limit to the sales and use tax revenue decrease under the proposed exemptions.

A lower limit is provided by Colorado's refund experience: Colorado refunds state sales taxes on expenditures for research and development in biotechnology, if funds are available under that state's TABOR law. In FY03, Colorado biotechnology businesses applied for refunds on expenditures of about \$17.8 million. Under the proposal, exempting purchases of \$17.8 million would reduce Wisconsin sales and use tax revenues by about \$0.9 million.

Thus, under the proposal, state sales and use tax revenues would decrease from about \$0.9 million to \$4 million with a midpoint of about \$2.5 million.

The above estimate does not include the exemption of laboratory animals, feed and equipment. Exempting these items from state sales taxes would decrease revenues by an additional \$150,000 - \$200,000 per year.

County and stadium sales and use tax revenues would decrease by about \$0.2 million under the proposal.

## DRAFTING INSTRUCTIONS

- Create an exemption from Wisconsin sales or use tax in s. 77.54, for:

The gross receipts from the sale of and the storage, use or consumption of machines and specific processing equipment, including accessories, attachments and parts for the machines or equipment, that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing.

**Note:** This exemption is similar to that for manufacturing. The exemption would include non-mechanical hand tools and devices, computer software, cages, etc.

- Create an exemption from Wisconsin sales or use tax in s. 77.54, for:

The gross receipts from the sale of and the storage, use or consumption of feed, animal bedding, and other items listed in s. 77.54 (3m), medicines, semen for artificial insemination, fuel, and electricity used exclusively and directly in raising animals that are sold primarily to a qualified biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing.

**Note:** For the two exemptions above, (1) include a provision in each exemption that it is the responsibility of the person claiming the exemption to obtain written documentation from the person's customers related to each customer's use of animals, including the percentage of

animals sold to the customer that are used exclusively and directly by such customers in qualified research, so that the person claiming the exemption may determine if its purchases of machinery and equipment, feed, bedding, etc., qualify for exemption.

**(2)** provide that "qualified research," for purposes of these two exemptions, has the meaning provided in 26 U.S.C. § 41 (d) (1), except that research conducted by public or private institutions of higher education or governmental units is "qualified research" if the application of the research is intended to be useful in the development of a new or improved product or service, and the research meets the provisions of 26 U.S.C. § 41 (d) (1)(B)(i) and (C),

**(3)** provide that "manufacturing," for purposes of these two exemptions, has the meaning provided in s. 77.54(6m), Stats., and

**(4)** ensure that the phrase "for exclusive and direct use in qualified research or manufacturing" applies to qualified biotechnology businesses, public or private institutions of higher education, and governmental units (i.e., not just to governmental units).

- Create the following definition of "biotechnology business" in s. 77.51:

"Biotechnology business" means a business, as certified by the department in the manner prescribed by the department, engaged primarily in the application of biotechnologies, such as recombinant DNA techniques, biochemistry, molecular and cellular biology, genetics, genetic engineering, biological cell fusion, and bioprocesses, using living organisms or parts of organisms to produce or modify products to improve plants or animals, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

- Provide that a biotechnology business purchasing animals for qualified research is "qualified" if it has been certified as such in writing by the Department of Revenue and its name is published by the department on its web site.

- Create an exemption from Wisconsin sales or use tax in s. 77.54, for:

The gross receipts from the sale of, and the storage, use or consumption of machines and specific processing equipment, including accessories, attachments, and parts, purchased by a qualified biotechnology business and used by that qualified biotechnology business exclusively and directly in "qualified research" in biotechnology.

- Create an exemption from Wisconsin sales or use tax in s. 77.54, for:

The gross receipts from the sale of and the storage, use or consumption of tangible personal property purchased by a qualified biotechnology business that is consumed or destroyed or loses its identity exclusively and directly in "qualified research" in biotechnology.

- Create an exemption from Wisconsin sales or use tax in s. 77.54, for:

The gross receipts from the sale of and the storage, use or other consumption of animals purchased by a purchased by a qualified biotechnology business that are used by that qualified biotechnology business exclusively and directly in "qualified research" in biotechnology.

**Notes: (1)** "Animals," for purposes of the five exemptions above, includes bacteria, viruses, and other microorganisms.

**(2)** A 2005 bill, LRB-3751/2 was drafted to provide the five exemptions proposed above. This bill was approved in the IS&E Division Analysis prepared on October 20, 2005.

#### **EFFECTIVE DATE AND/OR INITIAL APPLICABILITY**

First day of the second month beginning after publication.

#### **INTERESTED/AFFECTED PARTIES**

The Wisconsin Biotechnology and Medical Device Association and the general business community would likely support the proposal and may attempt to broaden it.

#### **DOR CONTACT PERSON**

Blair Kruger, (608) 266-1310  
Mike Hinnendael, (608) 267-5022

BK:VG:MH:skr  
e/Mike/Leg Prop; biotech; 8-22-06.doc

0725/11

DOA - BPO165

~~2005 BILL~~

in 11-14-06

Do Not Gen

1 AN ACT ~~to renumber~~ 77.51 (1); and ~~to create~~ 77.51 (1d), 77.51 (1e) and 77.54 (48)

2 ~~of the statutes~~ relating to: creating sales tax and use tax exemptions for

3 tangible personal property that is sold to a biotechnology business, an

4 institution of higher education, or a governmental unit and used in research or

5 manufacturing. *Me budget*

TAXATION  
OTHER TAXATION

**Analysis by the Legislative Reference Bureau**

This bill creates sales and use tax exemptions for machines, equipment, animals, and certain other tangible personal property that are sold to a biotechnology business for use exclusively in research. Under the bill, a biotechnology business is a business that is primarily engaged in the application of biotechnologies that use a living organism or parts of an organism to produce or modify products to improve plants or animals, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

This bill also creates sales and use tax exemptions for machines, equipment, and certain other tangible personal property that are used exclusively in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for use by any such entity in research or manufacturing.

This bill will be referred to the Joint Survey Committee on Tax Exemptions for a detailed analysis, which will be printed as an appendix to this bill.

**BILL**

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

---

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           SECTION 1. 77.51 (1) of the statutes is renumbered 77.51 (1h).

2           SECTION 2. 77.51 (1d) of the statutes is created to read:

3           77.51 (1d) “Biotechnologies” include recombinant deoxyribonucleic acid  
4 techniques, biochemistry, molecular and cellular biology, genetics, genetic  
5 engineering, biological cell fusion, and other bioprocesses.

6           SECTION 3. 77.51 (1e) of the statutes is created to read:

7           77.51 (1e) “Biotechnology business” means a business, as certified by the  
8 department in the manner prescribed by the department, that is primarily engaged  
9 in the application of biotechnologies that use a living organism or parts of an  
10 organism to produce or modify products to improve plants or animals, develop  
11 microorganisms for specific uses, identify targets for small molecule pharmaceutical  
12 development, or transform biological systems into useful processes and products.

13           SECTION 4. 77.54 (48) of the statutes is created to read:

14           77.54 (48) (a) In this subsection:

15           1. “Animals” include bacteria, viruses, and other microorganisms.

16           2. “Manufacturing” has the meaning given in sub. (6m).

17           3. “Qualified research” means qualified research as defined under section 41  
18 (d) (1) of the Internal Revenue Code, except that research conducted by a public or  
19 private institution of higher education or by a governmental unit is “qualified  
20 research” if applying the research is intended to be useful in developing a new or

**BILL**

1 improved product or service and the research satisfies section 41 (d) (1) (B) (i) and  
2 (C) of the Internal Revenue Code.

3 (b) The gross receipts from the sale of and the storage, use, or other  
4 consumption of:

5 1. Machines and specific processing equipment, including accessories,  
6 attachments, and parts for the machines or equipment, that are used exclusively and  
7 directly in raising animals that are sold primarily to a biotechnology business, a  
8 public or private institution of higher education, or a governmental unit for exclusive  
9 and direct use by any such entity in qualified research or manufacturing.

10 2. The items listed in sub. (3m) (a) to (m), medicines, semen for artificial  
11 insemination, fuel, and electricity that are used exclusively and directly in raising  
12 animals that are sold primarily to a biotechnology business, a public or private  
13 institution of higher education, or a governmental unit for exclusive and direct use  
14 by any such entity in qualified research or manufacturing.

15 3. Machines and specific processing equipment, including accessories,  
16 attachments, and parts for the machines or equipment, that are sold to a  
17 biotechnology business and used exclusively and directly in qualified research in  
18 biotechnology.

19 4. Tangible personal property that is sold to a biotechnology business, if the  
20 property is consumed or destroyed or loses its identity while being used exclusively  
21 and directly in qualified research in biotechnology.

22 5. Animals that are sold to a biotechnology business and used exclusively and  
23 directly in qualified research in biotechnology.

24 (c) A person who claims an exemption under par. (b) 1. and 2. shall obtain  
25 written documentation from the person's customers related to each customer's use

**BILL**

**SECTION 4**

1 of animals, including the percentage of animals sold to the customer that are used  
2 exclusively and directly in qualified research.

3 (d) The department shall publish on the department's Internet site a list of all  
4 biotechnology businesses certified by the department.

**SECTION 5. Effective date.**

(1) This act takes effect on the first day of the 2nd month beginning after publication.

(END)

The treatment of sections 77.51 (1), (1d), and (1e) and 77.54 (51) of the statutes

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9441 ; Revenue

**Department of Revenue LRB Draft Comments**  
**LRB 0725/1**

1. **Bill and/or LRB Number:** LRB-0725/1; Sales and use tax exemptions for certain biotechnology-related transactions.

2. **Type of Taxes Affected:** (please list all that apply)

Sales and Use

3. **Description of the Bill:** (briefly describe the subject matter of the bill and the change/s)

This bill creates sales and use tax exemptions for certain items of tangible personal property sold to a biotechnology business for use exclusively in qualified research. The bill also creates sales and use tax exemptions for certain items of tangible personal property used exclusively in raising animals that are sold to a biotechnology business, a public or private institution of higher education, or a governmental unit for use exclusively in research or manufacturing.

4. **Statutory language problems, if any:**  Yes  No

(If yes, describe problems and indicate suggested corrective language. Example of problem: The bill language is unclear, does not fully accomplish the desired result, or has undesirable side effects.)

**Note:** It would be best if the second paragraph of the analysis were to include the exclusive requirement in its description of the exemptions in one more place: "...This bill also creates sales and use tax exemptions...for use by any such entity *exclusively* in research or manufacturing."

5. **Effective date problems, if any, including transitional problems:**  Yes  No

(If yes, describe problem and suggested effective date or transitional language needed.)



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-0725/1

JK:kjf:fa

RM not R

DOA:.....Easton, BB0165 - Sales and use tax exemptions for biotechnology  
FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

m 1-23-07

Don't Gen

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*

**TAXATION**

**OTHER TAXATION**

This bill creates sales and use tax exemptions for machines, equipment, animals, and certain other tangible personal property that are sold to a biotechnology business for use exclusively in research. Under the bill, a biotechnology business is a business that is primarily engaged in the application of biotechnologies that use a living organism or parts of an organism to produce or modify products to improve plants or animals, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

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This bill will be referred to the Joint Survey Committee on Tax Exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

exclusively  
exclusively

This is a preliminary draft. An analysis will be provided in a later version.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           **SECTION 1.** 77.51 (1) of the statutes is renumbered 77.51 (1h).

2           **SECTION 2.** 77.51 (1d) of the statutes is created to read:

3           **77.51 (1d)** “Biotechnologies” include recombinant deoxyribonucleic acid  
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3 (d) The department shall publish on the department's Internet site a list of all  
4 biotechnology businesses certified by the department.

5 **SECTION 9441. Effective dates; Revenue.**

6 (1) The treatment of section 77.51 (1), (1d), and (1e) and 77.54 (51) of the  
7 statutes takes effect on the first day of the 2nd month beginning after publication.

8 (END)

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-0725/3dn  
JK:kjf:nwa

*Date*

This draft reconciles LRB-0725/2<sup>✓</sup> and LRB-0728/4<sup>✓</sup>. Both of these drafts should continue to appear in the compiled bill.

Joseph T. Kreye  
Legislative Attorney  
Phone: (608) 266-2263  
E-mail: joseph.kreye@legis.wisconsin.gov



State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-0725/2

JK:kjf:mwn

3  
RMR

DOA:.....Easton, BB0165 - Sales and use tax exemptions for biotechnology  
FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

m 1-30-07  
D-N  
Don't Gen

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*Analysis by the Legislative Reference Bureau*

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4 techniques, biochemistry, molecular and cellular biology, genetics, genetic  
5 engineering, biological cell fusion, and other bioprocesses.

6        SECTION 3. 77.51 (1e) of the statutes is created to read:

7            77.51 (1e) "Biotechnology business" means a business, as certified by the  
8 department in the manner prescribed by the department, that is primarily engaged  
9 in the application of biotechnologies that use a living organism or parts of an  
10 organism to produce or modify products to improve plants or animals, develop  
11 microorganisms for specific uses, identify targets for small molecule pharmaceutical  
12 development, or transform biological systems into useful processes and products.

13        SECTION 4. 77.54 ~~(51)~~<sup>53</sup> of the statutes is created to read:

14        77.54 ~~(51)~~<sup>53</sup> (a) In this subsection:

- 15            1. "Animals" include bacteria, viruses, and other microorganisms.
- 16            2. "Manufacturing" has the meaning given in sub. (6m).
- 17            3. "Qualified research" means qualified research as defined under section 41  
18 (d) (1) of the Internal Revenue Code, except that research conducted by a public or  
19 private institution of higher education or by a governmental unit is "qualified  
20 research" if applying the research is intended to be useful in developing a new or

1 improved product or service and the research satisfies section 41 (d) (1) (B) (i) and  
2 (C) of the Internal Revenue Code.

3 (b) The gross receipts from the sale of and the storage, use, or other  
4 consumption of:

5 1. Machines and specific processing equipment, including accessories,  
6 attachments, and parts for the machines or equipment, that are used exclusively and  
7 directly in raising animals that are sold primarily to a biotechnology business, a  
8 public or private institution of higher education, or a governmental unit for exclusive  
9 and direct use by any such entity in qualified research or manufacturing.

10 2. The items listed in sub. (3m) (a) to (m), medicines, semen for artificial  
11 insemination, fuel, and electricity that are used exclusively and directly in raising  
12 animals that are sold primarily to a biotechnology business, a public or private  
13 institution of higher education, or a governmental unit for exclusive and direct use  
14 by any such entity in qualified research or manufacturing.

15 3. Machines and specific processing equipment, including accessories,  
16 attachments, and parts for the machines or equipment, that are sold to a  
17 biotechnology business and used exclusively and directly in qualified research in  
18 biotechnology.

19 4. Tangible personal property that is sold to a biotechnology business, if the  
20 property is consumed or destroyed or loses its identity while being used exclusively  
21 and directly in qualified research in biotechnology.

22 5. Animals that are sold to a biotechnology business and used exclusively and  
23 directly in qualified research in biotechnology.

24 (c) A person who claims an exemption under par. (b) 1. and 2. shall obtain  
25 written documentation from the person's customers related to each customer's use

1 of animals, including the percentage of animals sold to the customer that are used  
2 exclusively and directly in qualified research.

3 (d) The department shall publish on the department's Internet site a list of all  
4 biotechnology businesses certified by the department.

5 **SECTION 9441. Effective dates; Revenue.**

6 (1) The treatment of section 77.51 ~~(1d)~~ (1d), and (1e) and 77.54 ~~(5e)~~ of the  
7 statutes takes effect on the first day of the 2nd month beginning after publication.

8 (END)

53

D-Note

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-0725/3dn  
JK:kjf:jf

January 30, 2007

This draft reconciles LRB-0725/2 and LRB-0728/4. Both of these drafts should continue to appear in the compiled bill.

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State of Wisconsin  
2007 - 2008 LEGISLATURE

LRB-0725/3

JK:kjf:jf

DOA:.....Easton, BB0165 - Sales and use tax exemptions for biotechnology

FOR 2007-09 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

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*Analysis by the Legislative Reference Bureau*

**TAXATION**

**OTHER TAXATION**

This bill creates sales and use tax exemptions for machines, equipment, animals, and certain other tangible personal property that are sold to a biotechnology business for use exclusively in research. Under the bill, a biotechnology business is a business that is primarily engaged in the application of biotechnologies that use a living organism or parts of an organism to produce or modify products to improve plants or animals, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

This bill also creates sales and use tax exemptions for machines, equipment, and certain other tangible personal property that are used exclusively in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for use by any such entity exclusively in research or manufacturing.

This bill will be referred to the Joint Survey Committee on Tax Exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           **SECTION 1.** 77.51 (1d) of the statutes is created to read:

2           77.51 (1d) "Biotechnologies" include recombinant deoxyribonucleic acid  
3 techniques, biochemistry, molecular and cellular biology, genetics, genetic  
4 engineering, biological cell fusion, and other bioprocesses.

5           **SECTION 2.** 77.51 (1e) of the statutes is created to read:

6           77.51 (1e) "Biotechnology business" means a business, as certified by the  
7 department in the manner prescribed by the department, that is primarily engaged  
8 in the application of biotechnologies that use a living organism or parts of an  
9 organism to produce or modify products to improve plants or animals, develop  
10 microorganisms for specific uses, identify targets for small molecule pharmaceutical  
11 development, or transform biological systems into useful processes and products.

12           **SECTION 3.** 77.54 (53) of the statutes is created to read:

13           77.54 (53) (a) In this subsection:

- 14           1. "Animals" include bacteria, viruses, and other microorganisms.  
15           2. "Manufacturing" has the meaning given in sub. (6m).  
16           3. "Qualified research" means qualified research as defined under section 41  
17 (d) (1) of the Internal Revenue Code, except that research conducted by a public or  
18 private institution of higher education or by a governmental unit is "qualified  
19 research" if applying the research is intended to be useful in developing a new or  
20 improved product or service and the research satisfies section 41 (d) (1) (B) (i) and  
21 (C) of the Internal Revenue Code.

1 (b) The gross receipts from the sale of and the storage, use, or other  
2 consumption of:

3 1. Machines and specific processing equipment, including accessories,  
4 attachments, and parts for the machines or equipment, that are used exclusively and  
5 directly in raising animals that are sold primarily to a biotechnology business, a  
6 public or private institution of higher education, or a governmental unit for exclusive  
7 and direct use by any such entity in qualified research or manufacturing.

8 2. The items listed in sub. (3m) (a) to (m), medicines, semen for artificial  
9 insemination, fuel, and electricity that are used exclusively and directly in raising  
10 animals that are sold primarily to a biotechnology business, a public or private  
11 institution of higher education, or a governmental unit for exclusive and direct use  
12 by any such entity in qualified research or manufacturing.

13 3. Machines and specific processing equipment, including accessories,  
14 attachments, and parts for the machines or equipment, that are sold to a  
15 biotechnology business and used exclusively and directly in qualified research in  
16 biotechnology.

17 4. Tangible personal property that is sold to a biotechnology business, if the  
18 property is consumed or destroyed or loses its identity while being used exclusively  
19 and directly in qualified research in biotechnology.

20 5. Animals that are sold to a biotechnology business and used exclusively and  
21 directly in qualified research in biotechnology.

22 (c) A person who claims an exemption under par. (b) 1. and 2. shall obtain  
23 written documentation from the person's customers related to each customer's use  
24 of animals, including the percentage of animals sold to the customer that are used  
25 exclusively and directly in qualified research.

1 (d) The department shall publish on the department's Internet site a list of all  
2 biotechnology businesses certified by the department.

3 **SECTION 9441. Effective dates; Revenue.**

4 (1) The treatment of section 77.51 (1d), and (1e) and 77.54 (53) of the statutes  
5 takes effect on the first day of the 2nd month beginning after publication.

6 (END)