



JIM DOYLE

**Governor
State of Wisconsin**

To the Honorable Members of the Assembly:

I have approved Special Session Assembly Bill 1 as 2007 Wisconsin Act 226 and deposited it in the Office of the Secretary of State.

In February 2008, the Legislative Fiscal Bureau issued revisions to the revenue estimates that were used in developing the 2007-09 biennial budget which I signed in October 2007. Those revisions reflected a slowdown in the national economy brought on by a credit crisis in financial markets and higher commodity and fuel prices. The effect of this economic downturn was an estimated \$652 million deficit by the end of the biennium.

My administration took immediate action to reduce this projected deficit by rolling over repayment of short-term borrowing and ordering immediate cuts in cabinet agencies' state operations funding. In early March, as required by law, I introduced Special Session Assembly Bill 1 to bring the state budget back into balance.

I appreciate the Legislature's efforts in responding to the budget deficit. The leaders of both houses did what they could to forge a bipartisan agreement on budget repair legislation. I do not agree with all of those compromises, particularly the continued refusal by Assembly Republicans to secure Wisconsin's fair share of federal Medicaid revenues through a hospital assessment despite the overwhelming support of the state's major business and hospital

associations. This continued shortsightedness reflects a missed opportunity that would have helped the Legislature avoid the accounting tricks I have had to correct through my vetoes.

When I first took office in January 2003, I inherited a \$3.2 billion budget deficit. I closed that deficit by prioritizing spending and protecting the taxpayer. I applied those same principles in the bill I introduced in March and in the vetoes I have made to the final bill.

First and foremost, we cannot solve our problems by not paying our bills. Delaying a school aid payment weakens Wisconsin's financial balance sheet, and more importantly, creates the risk of a significant cut to education in the next biennial budget. I have always been clear that education is my top priority because it is Wisconsin's top priority.

Second, we must look to reduce spending from previously authorized levels in the face of a budget deficit. The Legislature proposed a modest lapse of \$69 million. My budget proposed a \$330 million lapse, offset by \$190 million of GPR-supported general obligation bonds for transportation. Through my vetoes, I will authorize a \$270 million lapse to bring the budget back into balance.

In addition, when facing a budget deficit, it does not make sense to also authorize large spending increases. For example, prior to the budget repair bill, spending for transportation was approximately \$350 million (15 percent) higher in this two-year budget compared with the last biennium. In the budget repair bill, the Legislature spends an additional \$180 million to provide a total increase of approximately \$530 million (22 percent) compared with the previous biennium. After vetoes, the budget repair bill I am signing today retains two of the Legislature's major increases in state spending – \$18.6 million GPR to address caseload increases in the

state's child care subsidy program and \$24.8 million SEG to address higher county highway maintenance costs brought on by one of the worst winters in Wisconsin history. Other spending in the bill and increases provided in 2007 Wisconsin Act 20 will be scaled back in order to protect priorities and meet the \$270 million lapse goal.

Third, we must seek to maximize cost savings in state government. In my 2007-09 budget, I proposed taking advantage of favorable interest rates to refinance tobacco bonds. At that time, this refinancing was estimated to save \$50 million annually to fund increased smoking cessation efforts and to help meet health care costs in the state's Medicaid program. The Legislature included the refinancing plan in Act 20. In the budget repair bill, the Legislature has proposed using state appropriation bonds for this refinancing because this approach will provide even greater interest rate reductions than the Act 20 proposal. I am glad to see that the Legislature agrees with my goal of reducing the cost of the tobacco bonds. However, I do not agree with the Legislature's overreliance on an up-front payment from the refinancing. Therefore, I am directing the Department of Administration secretary to ensure that the tobacco bond refinancing be structured to deliver the greatest economic savings to the state with a more reasonable up-front savings amount.

Finally, I have continually sought to improve the state's long-term financial condition by increasing the state's budget reserves. The Legislature's proposed \$25 million reserve is not prudent under good economic conditions let alone the current national economic uncertainty and is, in fact, lower than amounts kept in reserve after addressing the \$3.2 billion deficit. Through my vetoes, I have restored the \$65 million statutory balance and maintained an overall general fund reserve of approximately \$100 million.

In previous sessions and in Act 20, the Legislature and I have significantly reduced the number of major nonfiscal policy items in budget bills. Unfortunately, this budget repair bill includes a major policy item related to property tax exemptions for low-income housing. While this legislation has a laudable goal, it demands a full public hearing and legislative debate. I look forward to the Legislature putting a low-income housing bill on my desk that is faithful to the legislative committee and public hearing process.

The following is a brief summary of how this budget repair legislation, including my vetoes, will address some of the key issues facing the citizens of Wisconsin:

- Addresses the \$652 million deficit by scaling back spending increases, reducing the cost of borrowing and avoiding tax increases.
- Protects schools from possible future budget cuts and improves the state's long-term fiscal condition by maintaining the current law school aid payment schedule.
- Restores the \$65 million statutory balance, leaves an overall reserve of \$100 million, and maintains the requirement to transfer unanticipated revenues to the budget stabilization fund.
- Authorizes the Department of Administration secretary to lapse \$270 million over the biennium from state agency appropriations. This amount is in addition to the \$200 million lapse authority included in Act 20.

- Protects transportation-related investments and jobs by appropriating transportation revenue bond proceeds to address the \$27.5 million deficit in the transportation fund, allocating \$77 million in new federal funding for major highway construction and state highway rehabilitation projects, providing \$24.8 million for unforeseen winter maintenance costs, and authorizing \$50 million of GPR-supported general obligation bonds for highway rehabilitation projects to help reduce the impact of state agency lapses on the highway program.
- Funds unanticipated caseload growth in the state's child care subsidy program by providing \$18.6 million GPR in fiscal year 2007-08. In light of this funding increase, the Department of Workforce Development will remove the current emergency rule related to attendance-based reimbursement of providers. However, the department's authority to implement rules to base provider reimbursement on attendance is maintained in order to address any unanticipated caseload growth in fiscal year 2008-09.
- Improves the economic savings associated with the Act 20 tobacco refinancing by authorizing state appropriation bonds to replace bonds sold in 2002 by the Badger Tobacco Asset Securitization Corporation.
- Increases the current law funding of \$15 million annually for smoking cessation by \$250,000 in fiscal year 2008-09.
- Closes an unacceptable tax loophole used by multinational corporations to shift profits out of the state to avoid paying Wisconsin taxes.

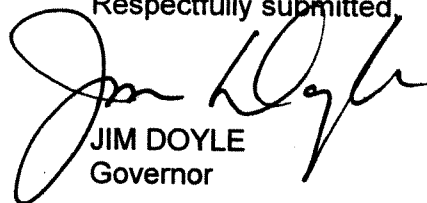
- Maintains funding to implement the federal REAL ID mandate by vetoing the Legislature's transfer of \$20 million in driver license fee revenue from the transportation fund to the general fund.
- Improves consumer protection by expanding the state's No Call List to include cell phones.
- Includes the following provisions: requires school districts that are phasing in 4-year-old kindergarten to offer the program to all eligible pupils by the 2013-14 school year; clarifies utility aid hold harmless payments; authorizes retired public safety officer annuity payments for health and long-term care insurance; defines custody for purposes of penalties related to escape from probation, parole and extended supervision; exempts nonprofit youth camps from certain town assessments; increases fees for nonresident snowmobile trail use stickers; prohibits the transporting of invasive fish species; and clarifies Act 20 provisions related to long-term care insurance agent training.

Regarding a provision associated with interest expense addback requirements for corporations, I concur with the Legislature's intent that this does not apply to legitimate intra-company loans where both entities of the company are subject to Wisconsin income tax. Some concerns have been raised regarding the interpretation of this language and I am requesting the Department of Revenue secretary ensure that companies are not, in effect, taxed twice due to this provision.

I have used my veto authority to craft a final bill that, while not addressing every issue, protects our priorities and improves the state's financial condition.

On Wisconsin.

Respectfully submitted,



JIM DOYLE
Governor

Date: May 16, 2008

VETO MESSAGE
TABLE OF CONTENTS

1.	General School Aids Payment Delay	1
2.	Tobacco Bond Refinancing	1
3.	Lapses or Transfers to the General Fund	2
4.	REAL ID Implementation Funds.....	2
5.	Required General Fund Balance.....	3
6.	Authorization for Child Care Payments	3
7.	Property Tax Exemption for Low-Income Housing	4
8.	Payments to Related Entities – Australian Unit Trusts	4

1. General School Aids Payment Delay

Sections 1, 3, 4 [as it relates to reductions in school aid; delayed payment and transfers], 5, 6, 7, 22, 104, 107, 108, 109, 110, 9137, 9237 and 9437

Sections 109, 110, 9137, 9237 and 9437 implement an additional general aid payment delay of \$125 million, from \$75 million under current law to \$200 million, beginning with payments made in July 2008, which are applicable to the 2007-08 school year. In addition, section 108 changes the date of the delayed payments from the fourth to the first Monday in July of the following fiscal year. Finally, sections 1, 3, 4 [as it relates to reductions in school aid; delayed payment and transfers], 5, 6, 7, 22, 104, 107, 108, 109 and 110 create a mechanism to reverse the \$200 million delayed payment, restoring some or all of the delayed payment to the appropriate fiscal year using additional general fund tax revenue realized by the state.

I am vetoing these provisions because I object to further exacerbating the state's generally accepted accounting principles deficit and because, more importantly, it creates a risk of future cuts to education in the next biennial budget.

2. Tobacco Bond Refinancing

Sections 14, 15, 17, 23, 24, 25, 26 and 9255 (2)

Sections 14, 15, 17, 23, 24, 25 and 26 authorize the issuance of appropriation bonds to refinance tobacco settlement obligations. A cross reference relating to the definition of appropriation obligation under s. 16.527 (2) (am) is missing. Therefore, I am vetoing section 17 and partially vetoing sections 14, 15, 23, 24, 25 and 26 in order to address this technical problem. As a result of this veto, the Department of Administration will also be authorized to refund the tobacco appropriation bonds in the future based on call provisions included in the bond structure.

Section 9255 (2) authorizes the transfer of monies from the permanent endowment fund to the Medical Assistance trust fund in fiscal year 2008-09 if appropriation bonds related to tobacco settlement revenues created under the bill are issued before July 1, 2009.

I am partially vetoing section 9255 (2) to allow the transfer to occur any time during the 2007-09 biennium to provide maximum flexibility in ensuring a balanced budget.

While I agree with the Legislature's goal of reducing the interest cost of the tobacco bonds, I disagree with the amount of the up-front payment. The bill provides the Department of Administration secretary with the authority to structure the tobacco bond refinancing. I am requesting the Department of Administration secretary to structure the refinancing in a way that is most cost-effective for the state, including a lower up-front payment.

3. Lapses or Transfers to the General Fund

Sections 119 and 9201

Section 119 limits the amount of funds that can be transferred from the Department of Transportation under the provisions of 2007 Wisconsin Act 20 to no more than \$50 million over the 2007-09 biennium and specifies that the transfer must come from the appropriation for state highway rehabilitation.

Section 9201 authorizes the Department of Administration secretary to lapse or transfer to the general fund \$69 million in the 2007-09 biennium and in the 2009-11 biennium from all executive branch agency appropriations, except for appropriations for school aids, SeniorCare, tobacco use control grants, and for the Departments of Revenue and Transportation.

I am vetoing section 119 because I object to the restriction on the amount of funds that can be transferred from the transportation fund to the general fund. Meeting the lapses necessary to address the budget deficit requires flexibility in setting priorities in all programs, including transportation. The Legislature spent an additional \$180 million above the \$350 million transportation spending increase authorized prior to this bill. This represents a 22 percent increase in transportation spending over the previous biennium. This increase can be scaled back and still maintain a very robust increase in highway investments.

I am partially vetoing section 9201 in order to increase the lapse and transfer amount to \$270 million during the 2007-09 biennium in order to balance the budget. This increase will help ensure a responsible balance in the general fund and avoid the need to delay school aid payments. In addition, the partial veto also removes all exemptions in order to provide maximum flexibility in achieving the lapse and transfer amount.

4. REAL ID Implementation Funds

Sections 9148 (1) and 9248 (1)

Section 9148 (1) prohibits the Joint Committee on Finance from allotting spending authority in its supplemental appropriation to the Department of Transportation for implementing the federal REAL ID Act of 2005. If the Committee does not provide this supplement, the spending authority lapses to the transportation fund. Section 9248 (1) transfers the cash associated with this authority, \$22 million generated by a \$10 federal security verification mandate fee enacted in 2007 Wisconsin Act 20, to the general fund.

I am vetoing section 9148 (1) and partially vetoing section 9248 (1) to transfer only \$2 million of REAL ID implementation funds to the general fund and to allow the Committee to supplement the Department of Transportation during the remainder of the biennium for REAL ID implementation. The \$10 federal security verification mandate fee was enacted for the specific purpose of funding REAL ID compliance activities and

should be used primarily for that purpose. Additionally, the federal Department of Homeland Security recently issued final rules for REAL ID implementation, and the Department of Transportation will need funding during this biennium to begin complying with those rules.

5. Required General Fund Balance

Sections 19 and 20

These sections reduce the required ending balance in the general fund for fiscal years 2007-08 and 2008-09 from \$65 million to \$25 million.

With a slowing economy, it is more important than ever that the state has a substantial ending balance in the general fund. I am vetoing these sections to return the required general fund balance to the current law level of \$65 million in each fiscal year because it is fiscally prudent. The bill I am signing, with vetoes, will leave a total estimated general fund balance of approximately \$100 million on June 30, 2009.

6. Authorization for Child Care Payments

Section 43

This section prescribes a specific methodology for reimbursing child care providers under the Wisconsin Shares child care subsidy program. Wisconsin Shares recipients are generally authorized for a set number of hours of child care per week. With limited exceptions, this section would require that licensed providers be reimbursed for all authorized hours of care, whether or not a Wisconsin Shares recipient actually uses these hours. Under current law, the Department of Workforce Development has the authority to implement administrative rules that establish an "attendance-based" reimbursement methodology, which reimburses providers for the number of hours of care a Wisconsin Shares recipient actually uses. To address a projected Wisconsin Shares funding shortfall in fiscal year 2007-08, the Department of Workforce Development recently published an emergency rule that reimburses child care providers on a per hour basis if a Wisconsin Shares recipient attended less than 50 percent of his or her authorized hours of care.

I am vetoing this section because it will prohibit the use of this methodology in virtually any situation. Recognizing that the bill provides \$18.6 million to address the fiscal year 2007-08 Wisconsin Shares funding shortfall, I am directing the Department of Workforce Development to suspend the current attendance-based rule for the remainder of fiscal year 2007-08. However, the Department of Children and Families (which will operate the Wisconsin Shares program effective July 1, 2008) needs to retain the authority to implement the rule in fiscal year 2008-09 given the possibility of a funding shortfall next year.

I remain committed to retaining Wisconsin's tradition of broadly accessible, high-quality child care, and I look forward to working with the Legislature to ensure adequate funding for these programs.

7. Property Tax Exemption for Low-Income Housing

Sections 49, 50, 51, 52, 9141 (2) and 9341 (2)

These provisions allow educational, religious and benevolent institutions, and other specified charitable organizations to use a portion of rent income from low-income housing for certain purposes related to other commonly-owned low-income housing without losing entitlement to a property tax exemption for the income-producing project.

Additionally, the provisions increase the acreage limit for low-income housing owned by churches or religious or benevolent associations from 10 acres to 30 acres, with a 10 acre limit within any one municipality. The provisions would apply initially to property tax assessments as of January 1, 2009. However, property omitted from the property tax rolls during the years prior to 2009 will not be subject to retroactive tax liability under the new provisions.

I am vetoing these provisions because they are major nonfiscal policy and should not be included in this bill. These provisions implement a substantial change in the treatment of certain low-income housing projects for property tax purposes that necessitates full public discussion. I support tax relief for organizations that offer housing to Wisconsin's low-income population; however, historically, this issue has been the subject of intense debate and myriad solutions have been considered and discarded, which demonstrates the need for public hearings on this issue.

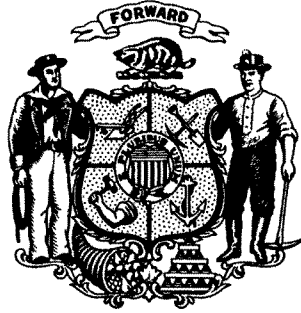
8. Payments to Related Entities – Australian Unit Trusts

Section 66

Section 66 provides a definition for "qualified real estate investment trust," an entity that is not subject to the rental and interest expense addback requirements created in the bill. Among other requirements, a qualified real estate investment trust cannot be owned by a single entity that is taxable as a corporation. The section further identifies certain entities that, for purposes of the addback requirements, are not considered taxable as a corporation. This includes tax exempt entities, Australian unit trusts and foreign entities that are similar to U.S. real estate investment trusts.

I am partially vetoing this section to remove the provision that specifically identifies Australian unit trusts as entities not considered taxable as a corporation because it is redundant and unnecessary. The section contains other provisions that generally address foreign entities with qualities similar to those of an Australian unit trust. Further, should any Australian unit trust business structure not fall under these provisions, a taxpayer may request that the Department of Revenue determine it is not subject to the addback requirements upon proving that the structure is for legitimate business purposes and not tax avoidance.

State of Wisconsin



March 2008 Special Session
Assembly Bill 1

Date of enactment:
Date of publication*:

2007 WISCONSIN ACT

AN ACT *to repeal* 16.526, 20.505 (1) (sd), 20.505 (1) (sh), 20.505 (1) (sm), 20.505 (1) (sp), 25.17 (1) (es) and 25.59; *to renumber* 40.08 (2), 71.34 (1) and 71.42 (1); *to renumber and amend* 71.26 (2) (a), 79.04 (4m) and 946.42 (1) (a); *to amend* 13.101 (6) (a), 13.40 (3) (b), 16.50 (1) (b), 16.518 (title), 16.52 (10), 16.527 (title), 16.527 (1), 16.527 (3) (b) 2. and 3., 16.527 (10), 16.63 (2), 20.003 (4) (ft), 20.003 (4) (fv), 20.505 (1) (br), 20.505 (1) (iq), 20.835 (1) (d), 20.866 (2) (uur), 25.69, 49.175 (1) (p), 66.0721 (title), 66.0721 (2), 66.0721 (3), 70.11 (intro.), 70.11 (4), 71.05 (6) (a) 15., 71.30 (2), 71.45 (2) (a) 10., 71.80 (1) (b), 86.30 (2) (e), 100.52 (1) (f), 118.14 (title), 118.153 (4) (b), 121.004 (7) (c) 1. (intro.), 121.004 (7) (cm), 121.007, 121.15 (1m) (a) 3., 121.15 (1m) (b), 350.12 (3j) (b), 628.348 (1) and 973.01 (2) (c) 2. a.; *to create* 16.518 (2m), 16.518 (3) (b) 3., 16.527 (1) (b), 16.527 (2) (d), 16.527 (2) (e), 16.527 (3) (c), 16.527 (8) (f), 20.255 (2) (at), 20.505 (1) (bq), 20.505 (1) (iw), 23.225, 23.245, 40.02 (48g), 40.05 (4r), 40.08 (2) (b), 40.80 (2t), 49.155 (6m), 66.0721 (1) (ae), 70.11 (4a), 70.11 (4b), 71.01 (1am), 71.01 (1t), 71.01 (5s), 71.01 (9ad), 71.01 (9am), 71.01 (9an), 71.05 (6) (a) 24., 71.05 (6) (b) 45., 71.05 (6) (b) 46., 71.22 (1b), 71.22 (1tm), 71.22 (3m), 71.22 (9ad), 71.22 (9am), 71.22 (9an), 71.26 (2) (a) 7., 71.26 (2) (a) 8., 71.26 (2) (a) 9., 71.34 (1am), 71.34 (1b), 71.34 (1e), 71.34 (1k) (j), 71.34 (1k) (k), 71.34 (1k) (L), 71.34 (1L), 71.34 (1p), 71.34 (1r), 71.42 (1b), 71.42 (1s), 71.42 (1t), 71.42 (4d), 71.42 (4m), 71.42 (4n), 71.45 (2) (a) 16., 71.45 (2) (a) 17., 71.45 (2) (a) 18., 71.80 (23), 79.04 (4m) (b), 100.52 (1) (bm), 118.14 (3), 121.15 (1m) (a) 4., 946.42 (1) (a) 1. bm., 946.42 (1) (a) 1. c. and h., 946.42 (2m) and 946.42 (4) of the statutes; and *to affect* 2007 Wisconsin Act 20, section 9201 (1c) (a); **relating to:** state finances and appropriations.

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

SECTION 1. 13.101 (6) (a) of the statutes, as affected by 2007 Wisconsin Act 20, is amended to read:

13.101 (6) (a) As an emergency measure necessitated by decreased state revenues and to prevent the necessity for a state tax on general property, the committee may reduce any appropriation made to any board, commission, department, or the University of Wisconsin System, or to any other state agency or activity, by such amount as it deems feasible, not exceeding 25% of the appropriations, except appropriations made by ss. 20.255 (2) (ac),

(at), (bc), (bh), (cg), and (cr), 20.395 (1), (2) (cq), (eq) to (ex) and (gq) to (gx), (3), (4) (aq) to (ax), and (6) (af), (aq), (ar), and (au), 20.435 (6) (a) and (7) (da), and 20.437 (2) (a) and (dz) or for forestry purposes under s. 20.370 (1), or any other moneys distributed to any county, city, village, town, or school district. Appropriations of receipts and of a sum sufficient shall for the purposes of this section be regarded as equivalent to the amounts expended under such appropriations in the prior fiscal year which ended June 30. All functions of said state agencies shall be continued in an efficient manner, but because of the uncertainties of the existing situation no public funds should be expended or obligations incurred

* Section 991.11, WISCONSIN STATUTES 2005-06 : Effective date of acts. "Every act and every portion of an act enacted by the legislature over the governor's partial veto which does not expressly prescribe the time when it takes effect shall take effect on the day after its date of publication as designated" by the secretary of state [the date of publication may not be more than 10 working days after the date of enactment].

2007 Wisconsin Act

unless there shall be adequate revenues to meet the expenditures therefor. For such reason the committee may make reductions of such appropriations as in its judgment will secure sound financial operations of the administration for said state agencies and at the same time interfere least with their services and activities.

SECTION 2. 13.40 (3) (b) of the statutes is amended to read:

13.40 (3) (b) An appropriation to honor a moral obligation undertaken pursuant to ss. ~~16.526 (8)~~, 16.527 (10), 18.61 (5), 85.25 (5), 101.143 (9m) (i), 229.50 (7), 229.74 (7), 229.830 (7), 234.15 (4), 234.42 (4), 234.54 (4) (b), 234.626 (7), 234.93 (6), 234.932 (6), 234.933 (6), and 281.59 (13m).

SECTION 3. 16.50 (1) (b) of the statutes is amended to read:

16.50 (1) (b) This subsection does not apply to appropriations under ss. 20.255 (2) (ac), and (at), 20.835, and 20.865 (4).

SECTION 4. 16.518 (title) of the statutes is amended to read:

16.518 (title) Transfers Reductions in school aid; delayed payment and transfers to the budget stabilization fund and the cash building projects fund.

SECTION 5. 16.518 (2m) of the statutes is created to read:

16.518 (2m) (a) If the amount of moneys projected to be deposited in the general fund during the fiscal year that are designated as "Taxes" in the summary are less than the amount of such moneys actually deposited in the general fund during the fiscal year, the secretary shall reduce the amount of the delayed general school aid payment required under s. 121.15 (1m) (a) 4. by the difference.

(b) If there is a balance remaining after the amount of the delayed general school aid payment required under s. 121.15 (1m) (a) 4. is reduced to zero under par. (a), the secretary shall use it to reduce the amount of the delayed general school aid payment required under s. 121.15 (1m) (a) 3.

SECTION 6. 16.518 (3) (b) 3. of the statutes is created to read:

16.518 (3) (b) 3. If the amounts of the delayed general school aid payments required under s. 121.15 (1m) (a) 3. and 4. are not reduced to zero under sub. (2m), the secretary may not make the transfer under par. (a).

SECTION 7. 16.52 (10) of the statutes is amended to read:

16.52 (10) DEPARTMENT OF PUBLIC INSTRUCTION. The provisions of sub. (2) with respect to refunds and sub. (5) (a) with respect to reimbursements for the prior fiscal year shall not apply to the ~~appropriation~~ appropriations under s. 20.255 (2) (ac) and (at).

SECTION 8. 16.526 of the statutes is repealed.

SECTION 9. 16.527 (title) of the statutes is amended to read:

16.527 (title) ~~Retirement of state's unfunded liabilities under the Wisconsin Retirement System; appropriation~~ Appropriation obligations.

SECTION 10. 16.527 (1) of the statutes is amended to read:

16.527 (1) ~~LEGISLATIVE FINDING AND DETERMINATION FINDINGS AND DETERMINATIONS.~~

(a) Recognizing that the state, by prepaying part or all of the state's unfunded prior service liability under s. 40.05 (2) (b) and the state's unfunded liability under s. 40.05 (4) (b), (bc), and (bw) and subch. IX of ch. 40, may reduce its costs and better ensure the timely and full payment of retirement benefits to participants and their beneficiaries under the Wisconsin Retirement System, the legislature finds and determines that it is in the public interest for the state to issue appropriation obligations to obtain proceeds to pay the state's anticipated unfunded prior service liability under s. 40.05 (2) (b) and to pay part or all of the state's unfunded prior service liability under s. 40.05 (2) (b) and the state's unfunded liability under s. 40.05 (4) (b), (bc), and (bw) and subch. IX of ch. 40.

SECTION 11. 16.527 (1) (b) of the statutes is created to read:

16.527 (1) (b) The legislature finds and determines that the purchase of any of the tobacco settlement revenues that had been sold by the secretary under s. 16.63 from the net proceeds of appropriation obligations issued under this section is appropriate and in the public interest and will serve a public purpose.

SECTION 12. 16.527 (2) (d) of the statutes is created to read:

16.527 (2) (d) "Tobacco settlement agreement" has the meaning given in s. 16.63 (1) (b).

SECTION 13. 16.527 (2) (e) of the statutes is created to read:

16.527 (2) (e) "Tobacco settlement revenues" has the meaning given in s. 16.63 (1) (c).

SECTION 14. 16.527 (3) (b) 2. and 3. of the statutes are amended to read:

16.527 (3) (b) 2. The sum of appropriation obligations issued under this section for the purpose under subd. 1., excluding any obligations that have been defeased under a cash optimization program administered by the building commission and any obligations issued pursuant to subd. 3., ~~and revenue obligations issued under s. 16.526, if any,~~ may not exceed \$1,500,000,000.

3. The department may contract appropriation obligations as the department determines is desirable to fund or refund outstanding appropriation obligations issued under this section for the purpose under subd. 1., to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay the costs of credit enhancement, or to make payments under other agreements entered into under sub. (4) (e).

SECTION 15. 16.527 (3) (c) of the statutes is created to read:

16.527 (3) (c) 1. Before July 1, 2009, subject to the limitation under subd. 2., the department may contract appropriation obligations of the state under this section for the purpose of purchasing any of the tobacco settlement revenues that had been sold by the secretary under s. 16.63.

2. The sum of appropriation obligations issued under this section for the purpose under subd. 1., excluding any obligations that have been defeased under a cash optimization program administered by the building commission and any obligations issued pursuant to subd. 3., may not exceed \$1,700,000,000, excluding amounts representing original issue discount, unless a higher amount is required by Badger Tobacco Asset Securitization Corporation to defease any outstanding indebtedness secured by such tobacco settlement revenues and to release repurchased tobacco settlement revenues to the state free and clear of any security interest therein. The secretary's certification as to the amount so required shall be conclusive for all purposes of this section.

3. The department may contract appropriation obligations as the department determines is desirable to fund outstanding appropriation obligations issued under this section for the purpose under subd. 1., to pay issuance or administrative expenses, to make deposits to reserve funds, to pay accrued or funded interest, to pay the costs of credit enhancement, or to make payments under other agreements entered into under sub. (4) (e).

SECTION 16. 16.527 (8) (f) of the statutes is created to read:

SECTION 21. 20.005 (3) (schedule) of the statutes: at the appropriate place, insert the following amounts for the purposes indicated:

20.505 Administration, department of
 (1) SUPERVISION AND MANAGEMENT
 (bq) Appropriation obligations repayment;
 tobacco settlement revenues

		2007-08	2008-09
GPR	A	-0-	165,000,000

SECTION 22. 20.255 (2) (at) of the statutes is created to read:

20.255 (2) (at) *General equalization aids; reduction in delayed payment.* A sum sufficient equal to the amount of the reductions made under s. 16.518 (2m) in the current fiscal year to the amounts of the delayed school aid payments under s. 121.15 (1m) (a) 3. and 4., for the payment of educational aids under s. 121.08.

SECTION 23. 20.505 (1) (bq) of the statutes is created to read:

20.505 (1) (bq) *Appropriation obligations repayment; tobacco settlement revenues.* The amounts in the schedule to pay debt service costs due in the current fiscal year on appropriation obligations issued under s. 16.527

16.527 (8) (f) The department may enter into a contract with any firm or individual engaged in financial services for the performance of any of its duties under this section, using selection and procurement procedures established by the department. The contract is not subject to s. 16.705 or 16.75.

SECTION 17. 16.527 (10) of the statutes is amended to read:

16.527 (10) **MORAL OBLIGATION PLEDGE.** Recognizing its moral obligation to do so, the legislature expresses its expectation and aspiration that it shall make timely appropriations from moneys in the general fund that are sufficient to pay the principal and interest due with respect to any appropriation obligations in any year, to make payments of the state under agreements and ancillary arrangements entered into under sub. (4) (e), to make deposits into reserve funds created under sub. (3) (b) 3. or (c) 3., and to pay related issuance or administrative expenses.

SECTION 18. 16.63 (2) of the statutes is amended to read:

16.63 (2) ~~The~~ Before July 1, 2009, the secretary may sell for cash or other consideration the state's right to receive any of the payments under the tobacco settlement agreement.

SECTION 19. 20.003 (4) (ft) of the statutes is amended to read:

20.003 (4) (ft) For fiscal year 2007-08, ~~\$65,000,000~~ \$25,000,000.

SECTION 20. 20.003 (4) (fv) of the statutes is amended to read:

20.003 (4) (fv) For fiscal year 2008-09, ~~\$65,000,000~~ \$25,000,000.

for the purpose under s. 16.527 (3) (c) 1., to make payments of the state under agreements and ancillary arrangements entered into under s. 16.527 (4) (e), and to pay related issuance or administrative expenses.

SECTION 24. 20.505 (1) (br) of the statutes is amended to read:

20.505 (1) (br) *Appropriation obligations repayment; unfunded liabilities under the Wisconsin Retirement System.* The amounts in the schedule to pay debt service costs due in the current fiscal year on appropriation obligations issued under s. 16.527 for the purpose under s. 16.527 (3) (b) 1., to make payments of the state under agreements and ancillary arrangements entered into under s. 16.527 (4) (e), to make deposits into reserve

funds created under s. 16.527 (3) (b) 3., and to pay related issuance or administrative expenses.

SECTION 25. 20.505 (1) (iq) of the statutes is amended to read:

20.505 (1) (iq) *Appropriation obligation proceeds; unfunded liabilities under the Wisconsin Retirement System.* All moneys received from the sale of appropriation obligations that are issued under s. 16.527 for the purpose under s. 16.527 (3) (b) 1., and any earnings on such moneys and on any other moneys held for the purpose of this paragraph, to pay part or all of the state's unfunded prior service liability under s. 40.05 (2) (b) and the state's unfunded liability under s. 40.05 (4) (b), (bc), and (bw) and subch. IX of ch. 40, as determined by the department of administration, and to provide for reserves and for expenses of issuance and administration of the appropriation obligations, and to pay interest on the appropriation obligations, the redemption price of refunded appropriation obligations and any related obligations incurred under agreements entered into under s. 16.527 (4) (e), as determined by the department of administration. Estimated disbursements under this paragraph shall not be included in the schedule under s. 20.005.

SECTION 26. 20.505 (1) (iw) of the statutes is created to read:

20.505 (1) (iw) *Appropriation obligation proceeds; tobacco settlement revenues.* All moneys received from the sale of appropriation obligations that are issued under s. 16.527 for the purpose under s. 16.527 (3) (c) 1., and any earnings on such moneys and on any other moneys held for the purpose of this paragraph, to purchase any of the tobacco settlement revenues that had been sold by the secretary under s. 16.63, as determined by the department of administration, and to provide for reserves and for expenses of issuance and administration of the appropriation obligations, and to pay interest on the appropriation obligations, the redemption price of refunded appropriation obligations and any related obligations incurred under agreements entered into under s. 16.527 (4) (e), as determined by the department of administration. Estimated disbursements under this paragraph shall not be included in the schedule under s. 20.005.

SECTION 27. 20.505 (1) (sd) of the statutes is repealed.

SECTION 28. 20.505 (1) (sh) of the statutes is repealed.

SECTION 29. 20.505 (1) (sm) of the statutes is repealed.

SECTION 30. 20.505 (1) (sp) of the statutes is repealed.

SECTION 31. 20.835 (1) (d) of the statutes is amended to read:

20.835 (1) (d) *Shared revenue account.* A sum sufficient to meet the requirements of the shared revenue account established under s. 79.01 (2) to provide for the distributions from the shared revenue account to coun-

ties, towns, villages and cities under ss. 79.03, 79.04 (1) to (4) (4m), and 79.06.

SECTION 32. 20.866 (2) (uur) of the statutes is amended to read:

20.866 (2) (uur) *Transportation; state highway rehabilitation projects.* From the capital improvement fund, a sum sufficient for the department of transportation to fund state highway rehabilitation projects, as provided under s. 84.95. The state may contract public debt in an amount not to exceed \$250,000,000 for this purpose. In addition, the state may contract public debt in an amount not to exceed \$50 million for this purpose.

SECTION 33. 23.225 of the statutes is created to read:

23.225 Invasive fish species. (1) In this section, "invasive fish species" means a species of fish that is not native to the waters of this state and that causes, or is likely to cause, harm to the economy, to the environment, or to human health.

(2) No person may possess, release, control, store, sell, or transport any fish, or viable fish eggs, that are of an invasive fish species if the person knows, or should know, that the fish or the eggs are of an invasive fish species.

(3) The prohibitions under sub. (2) do not apply to any of the following:

(a) A person who holds a scientific collector permit under s. 29.614.

(b) A person who holds a permit to import fish under s. 29.735.

(c) A person who holds a permit to introduce, plant, or stock fish under s. 29.736.

(e) A person who operates a state or municipal fish hatchery.

(f) A person who is authorized by the department to possess, release, control, sell, or transport fish or fish eggs for scientific or educational purposes or for the purpose of controlling the population of fish that are of an invasive fish species.

(g) A person who, while lawfully fishing, inadvertently catches a fish that is of an invasive fish species.

(4) The department shall promulgate rules specifying fish that are of an invasive fish species for purposes of this section and the requirements for sub. (3) (g).

(5) Any person who violates sub. (2) shall forfeit not more than \$1,000.

SECTION 34. 23.245 of the statutes is created to read:

23.245 Transporting certain boats and equipment on highways. (1) In this section:

(a) "Highway" has the meaning given in s. 340.01 (22).

(b) "Invasive species" has the meaning given in s. 23.22 (1) (c).

(2) No person may transport a boat, boat trailer, or boating equipment upon a highway if the boat, boat trailer, or boating equipment has an invasive species, as

specified by the department by rule, in, or attached to, the boat, boat trailer, or boating equipment.

(3) The prohibition under sub. (2) does not apply to the persons described under s. 23.225 (3).

(4) Any person who violates sub. (2) shall forfeit not more than \$1,000.

SECTION 35. 25.17 (1) (es) of the statutes is repealed.

SECTION 36. 25.59 of the statutes is repealed.

SECTION 37. 25.69 of the statutes, as affected by 2007 Wisconsin Act 20, is amended to read:

25.69 Permanent endowment fund. There is established a separate nonlapsible trust fund designated as the permanent endowment fund, consisting of all of the proceeds from the sale of the state's right to receive payments under the Attorneys General Master Tobacco Settlement Agreement of November 23, 1998, and all investment earnings on the proceeds. There Any revenues or proceeds that are derived from the repurchase by the state of the tobacco settlement revenues under s. 16.527 (3) (c) 1. are also deposited into the permanent endowment fund. Beginning in the 2009–10 fiscal year, there is transferred from the permanent endowment fund to the Medical Assistance trust fund \$50,000,000 in each fiscal year and the remainder of moneys deposited into the permanent endowment fund in each fiscal year is transferred to the general fund.

SECTION 38. 40.02 (48g) of the statutes is created to read:

40.02 (48g) “Public safety officer” has the meaning given in 26 USC 402 (I) (4) (C).

SECTION 39. 40.05 (4r) of the statutes is created to read:

40.05 (4r) PAYMENT OF CERTAIN INSURANCE PREMIUMS. If an annuitant is a public safety officer and receives health care coverage or long-term care coverage under a plan other than one offered under subch. IV, and if the annuitant so elects by providing written notice to the department, the premium shall be paid as a deduction under s. 40.06 (1) (a) from the annuitant's annuity. If the annuitant receives an annuity that is not sufficient to cover premium payments, the annuitant shall make premium payments directly to the insurer. The department shall establish procedures to permit an annuitant who is a public safety officer to elect to have his or her premium paid as a deduction under s. 40.06 (1) (a) from his or her annuity. The annuitant shall provide the department with all necessary information to permit the department to make the payment in a timely manner.

SECTION 40. 40.08 (2) of the statutes is renumbered 40.08 (2) (a).

SECTION 41. 40.08 (2) (b) of the statutes is created to read:

40.08 (2) (b) If permitted under a deferred compensation plan established under subch. VII, insurance premiums for health or long-term care insurance coverage for a public safety officer may be deducted from an

amount distributed under a deferred compensation plan and paid directly to an insurer.

SECTION 42. 40.80 (2t) of the statutes is created to read:

40.80 (2t) The deferred compensation board may require a deferred compensation plan under this subchapter, upon election by a participant who is a public safety officer, to allow for the deduction of insurance premiums for health or long-term care insurance coverage from an amount distributed from a participant's account and for the payment of the premiums directly to an insurer.

SECTION 43. 49.155 (6m) of the statutes is created to read:

49.155 (6m) AUTHORIZATION FOR PAYMENT. (a) In this subsection:

1. “Certified provider” means a child care provider certified under s. 48.651.

2. “Child care administrative agency” means any agency that has a contract with the department to administer child care funds or any agency that has a subcontract to administer child care funds with an agency that has a contract with the department.

3. “Licensed provider” means a child care provider licensed under s. 48.65.

(b) A child care administrative agency shall authorize payment to child care providers as follows:

1. For a licensed provider, the child care administrative agency shall authorize payment based on authorized units of service, except as follows:

a. The child care administrative agency may authorize payment to a licensed provider based on units of service used by each child, up to the maximum number of authorized units, with the reimbursement rate increased by 10 percent to account for absent days, if the schedule of child care to be used is expected to vary widely.

b. The child care administrative agency may authorize payment to a licensed provider based on units of service used by each child, up to the maximum number of authorized units, if the child care administrative agency has documented 3 separate occasions on which the provider significantly overreported the attendance of a child.

2. For a certified provider, the child care administrative agency shall authorize payment for units of service used by each child, up to the maximum number of authorized units, except as provided in par. (c).

(c) A child care administrative agency may authorize payment to a licensed or certified provider to hold a slot for a child if the child's parent has a temporary break in employment and intends to return to work and to continue to use the services of the provider upon returning to work. The child care administrative agency may authorize payment for no more than 6 weeks if the absence is due to a medical reason and is documented by a physician or for no more than 4 weeks if the absence is due to another reason. The department and child care adminis-

2007 Wisconsin Act

trative agency may not consider payment for a temporary absence to be an overpayment if the parent intended to, but does not actually, return to work.

SECTION 44. 49.175 (1) (p) of the statutes, as affected by 2007 Wisconsin Act 20, is amended to read:

49.175 (1) (p) *Direct child care services.* For direct child care services under s. 49.155, \$340,601,800 \$359,201,800 in fiscal year 2007–08 and \$355,352,000 in fiscal year 2008–09.

SECTION 45. 66.0721 (title) of the statutes is amended to read:

66.0721 (title) Special assessments on certain farmland or camps for construction of sewerage or water system.

SECTION 46. 66.0721 (1) (ae) of the statutes is created to read:

66.0721 (1) (ae) “Camp” means all real property and the personal property situated therein, of any camp conducted by a nonprofit corporation, a charitable trust, or other nonprofit association that is described in section 501 (c) (3) of the Internal Revenue Code and is exempt from federal tax under section 501 (a) of the Internal Revenue Code and that is organized under the laws of this state, so long as the property is used primarily for camping for children and not for pecuniary profit of any individual.

SECTION 47. 66.0721 (2) of the statutes is amended to read:

66.0721 (2) Except as provided in sub. (3), no town sanitary district or town may levy any special assessment on eligible farmland or a camp for the construction of a sewerage or water system.

SECTION 48. 66.0721 (3) of the statutes is amended to read:

66.0721 (3) (a) If any eligible farmland or camp contains a structure that is connected to a sanitary sewer or public water system at the time, or after the time, that a town sanitary district or town first levies a special assessment for the construction of a sewerage or water system in the service area in which the eligible farmland or camp is located, the town sanitary district or town may levy a special assessment for the construction of a sewerage or water system on the eligible farmland or camp that includes that structure. If that connection is made after the first assessment, the town sanitary district or town may also charge interest, from the date that the connection is made, on the special assessment at an annual rate that does not exceed the average interest rate paid by the district or town on its obligations between the time the district or town first levies a special assessment for the construction of a sewerage or water system in the service area in which the eligible farmland or camp is located and the time it levies the special assessment on that eligible farmland or camp. That assessment may not exceed the equivalent of an assessment for that purpose on a square acre or, if the governing body of a town sanitary district

or town so specifies by ordinance, the maximum size of any lot that is in that service area and that is not devoted exclusively to agricultural use or exclusively to use as a camp.

(b) If after an initial special assessment for the construction of a sewerage or water system is levied in a service area any eligible farmland or camp subject to par. (a) or exempted from a special assessment under sub. (2) is divided into 2 or more parcels at least one of which is not devoted exclusively to agricultural use or exclusively to use as a camp, the town sanitary district or town may levy on each parcel on which it has either levied a special assessment under par. (a) or has not levied a special assessment for the construction of a sewerage or water system a special assessment for that purpose that does not exceed the amount of the special assessment for that purpose that would have been levied on the parcel if the parcel had not been exempt under sub. (2) or that has already been levied under par. (a). The special assessment shall be apportioned among the parcels resulting from the division in proportion to their area. The town sanitary district or town may also charge interest, from the date the eligible farmland or camp is divided into 2 or more parcels at least one of which is not devoted exclusively to agricultural use or exclusively to use as a camp, on the special assessment at an annual rate that does not exceed the average interest rate paid by the district or town on its obligations between the time the district or town first levies a special assessment for the construction of a sewerage or water system in the service area in which the eligible farmland or camp is located and the time it levies the special assessment on that eligible farmland or camp under this paragraph. This paragraph does not apply to any eligible farmland or camp unless the town sanitary district or town records a lien on that eligible farmland or camp in the office of the register of deeds within 90 days after it first levies a special assessment for the construction of a sewerage or water system for the service area in which the eligible farmland or camp is located, describing either the applicability of par. (a) or the exemption under sub. (2) and the potential for a special assessment under this paragraph.

(c) If, after a town sanitary district or town first levies a special assessment for the construction of a sewerage or water system in a service area, the eligible farmland or camp in that service area exempted from the special assessment under sub. (2) is not devoted exclusively to agricultural use or exclusively to use as a camp for a period of one year or more, the town sanitary district or town may levy on that eligible farmland or camp the special assessment for the construction of a sewerage or water system that it would have levied if the eligible farmland or camp had not been exempt under sub. (2). The town sanitary district or town may also charge interest, from the date the eligible farmland or camp has not been devoted exclusively to agricultural use or exclu-

sively to use as a camp for a period of at least one year, on the special assessment at an annual rate that does not exceed the average interest rate paid by the district or town on its obligations between the time the district or town first levies a special assessment for the construction of a sewerage or water system in the service area in which the eligible farmland or camp is located and the time it levies the special assessment on that eligible farmland or camp. This paragraph does not apply to any land unless the town or special purpose district records a lien on that eligible farmland or camp in the office of the register of deeds within 90 days after it first levies a special assessment for the construction of a sewerage or water system in the service area in which the eligible farmland or camp is located, describing the exemption under sub. (2) and the potential for a special assessment under this paragraph.

SECTION 49. 70.11 (intro.) of the statutes is amended to read:

70.11 Property exempted from taxation. (intro.) The property described in this section is exempted from general property taxes if the property is exempt under sub. (1), (2), (18), (21), (27) or (30); if it was exempt for the previous year and its use, occupancy or ownership did not change in a way that makes it taxable; if the property was taxable for the previous year, the use, occupancy or ownership of the property changed in a way that makes it exempt and its owner, on or before March 1, files with the assessor of the taxation district where the property is located a form that the department of revenue prescribes or if the property did not exist in the previous year and its owner, on or before March 1, files with the assessor of the taxation district where the property is located a form that the department of revenue prescribes. Leasing Except as provided in sub. (4a) (e), leasing a part of the property described in this section does not render it taxable if the lessor uses all of the leasehold income for maintenance of the leased property or construction debt retirement of the leased property, or both, and, except for residential housing, if the lessee would be exempt from taxation under this chapter if it owned the property. Any lessor who claims that leased property is exempt from taxation under this chapter shall, upon request by the tax assessor, provide records relating to the lessor's use of the income from the leased property. Property exempted from general property taxes is:

SECTION 50. 70.11 (4) of the statutes is amended to read:

70.11 (4) EDUCATIONAL, RELIGIOUS AND BENEVOLENT INSTITUTIONS; WOMEN'S CLUBS; HISTORICAL SOCIETIES; FRATERNITIES; LIBRARIES. Property owned and used exclusively by educational institutions offering regular courses 6 months in the year; or by churches or religious, educational or benevolent associations, including benevolent nursing homes and retirement homes for the aged but not including an organization that is organized under

s. 185.981 or ch. 611, 613 or 614 and that offers a health maintenance organization as defined in s. 609.01 (2) or a limited service health organization as defined in s. 609.01 (3) or an organization that is issued a certificate of authority under ch. 618 and that offers a health maintenance organization or a limited service health organization and not including property owned by any nonstock, nonprofit corporation which services guaranteed student loans for others or on its own account, and also including property owned and used for housing for pastors and their ordained assistants, members of religious orders and communities, and ordained teachers, whether or not contiguous to and a part of other property owned and used by such associations or churches, and also including property that is low-income housing, as defined under sub. (4a) (a); or by women's clubs; or by domestic, incorporated historical societies; or by domestic, incorporated, free public library associations; or by fraternal societies operating under the lodge system (except university, college and high school fraternities and sororities), but not exceeding 10 acres of land necessary for location and convenience of buildings while such property is not used for profit. Property owned by churches or religious associations necessary for location and convenience of buildings, used for educational purposes and not for profit, shall not be subject to the 10-acre limitation but shall be subject to a 30-acre limitation. Property owned by churches or religious or benevolent associations necessary for location and convenience of buildings, used for a low-income housing project, as defined under sub. (4a) (b), including other low-income housing projects under common control with such project, shall not be subject to the 10-acre limitation but shall be subject to a limitation of 30 acres and a limitation of 10 contiguous acres in any one municipality. Property that is exempt from taxation under this subsection and is leased remains exempt from taxation only if, in addition to the requirements specified in the introductory phrase of this section, the lessee does not discriminate on the basis of race.

SECTION 51. 70.11 (4a) of the statutes is created to read:

70.11 (4a) LOW-INCOME HOUSING. (a) For purposes of sub. (4), "low-income housing" means any housing project described in sub. (4b) or any residential unit within a low-income housing project that is occupied by a low-income or very low-income person or is vacant and is only available to such persons.

(b) For purposes of this subsection and sub. (4), "low-income housing project" means a residential housing project for which all of the following apply:

1. At least 75 percent of the occupied residential units are occupied by low-income or very low-income persons or are vacant and available only to low-income or very low-income persons.

2. At least one of the following applies:

2007 Wisconsin Act

a. At least 20 percent of the residential units are rented to persons who are very low-income persons or are vacant and are only available to such persons.

b. At least 40 percent of the residential units are rented to persons whose income does not exceed 120 percent of the very low-income limit or are vacant and only available to such persons.

(c) For purposes of this subsection, low-income persons and very low-income persons shall be determined in accordance with the income limits published by the federal department of housing and urban development for low-income and very low-income families under the National Housing Act of 1937.

(d) For purposes of this subsection and sub. (4), all properties included within the same federal department of housing and urban development contract or within the same federal department of agriculture, rural development, contract are considered to be one low-income housing project.

(e) Leasing property that is exempt from taxation under sub. (4) as low-income housing does not render it taxable if the lessor uses all of the leasehold income from the property for any of the following reasonable expenditures directly related to the low-income housing project to which the property belongs, except that the lessor may use up to 10 percent of the leasehold income for any of the following reasonable expenditures directly related to any other low-income housing project under common control with that project and located in this state, and except that the lessor may use any of the leasehold income for debt service for any other low-income housing project under common control with that project, under the same mortgage, and located in this state and such amount is not considered for purposes of the 10 percent maximum described in this paragraph:

1. Maintenance.
2. Capital replacements.
3. Insurance premiums.
4. Project management.
5. Debt retirement.
6. Moneys reserved for project-related purposes.
7. General and administrative expenses.
8. Social services and other resident services provided at the project.
9. Utilities.
10. Financing costs.
11. Any other expenditure related to preserving and managing the project.
12. Any other similar project-related expenditure.

(f) 1. Annually, no later than March 1, each person who owns a low-income housing project shall file with the assessor of the taxation district in which the project is located a statement that specifies which units were occupied on January 1 of that year by persons whose income satisfied the income limit requirements under par. (a), as certified by the property owner to the appropri-

ate federal or state agency, and a copy of the federal department of housing and urban development contract or federal department of agriculture, rural development, contract, if applicable.

2. The format and distribution of statements under this paragraph shall be governed by s. 70.09 (3).

3. If the statement required under this paragraph is not received on or before March 1, the taxation district assessor shall send the property owner a notice, by certified mail to the owner's last known address of record, stating that failure to file a statement is subject to the penalties under subd. 5.

4. In addition to the statement under subd. 1., the taxation district assessor may require that a property owner submit other information to prove that the person's property qualifies as low-income housing that is exempt from taxation under sub. (4).

5. A person who fails to file a statement within 30 days after notification under subd. 3. shall forfeit \$10 for each succeeding day on which the form is not received by the taxation district assessor, but not more than \$500.

SECTION 52. 70.11 (4b) of the statutes is created to read:

70.11 (4b) HOUSING PROJECTS FINANCED BY HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY. All property of a housing project that satisfies all of the following:

(a) It is owned by a corporation, organization, or association described in section 501 (c) (3) of the Internal Revenue Code that is exempt from taxation under section 501 (a) of the Internal Revenue Code.

(b) It is financed by the Housing and Economic Development Authority under s. 234.03 (13).

(c) The Housing and Economic Development Authority holds a first-lien mortgage security interest on it.

(d) It is in existence on January 1, 2008.

SECTION 53. 71.01 (1am) of the statutes is created to read:

71.01 (1am) "Aggregate effective tax rate" means the sum of the effective tax rates imposed by a state, U.S. possession, foreign country, or any combination thereof, on the person or entity.

SECTION 54. 71.01 (1t) of the statutes is created to read:

71.01 (1t) "Effective tax rate" means the maximum tax rate imposed by the state, U.S. possession, or foreign country, multiplied by the apportionment percentage, if any, applicable to the person or entity under the laws of that state, U.S. possession, or foreign country.

SECTION 55. 71.01 (5s) of the statutes is created to read:

71.01 (5s) For purposes of s. 71.05 (6) (a) 24. and (b) 46., "interest expenses" means interest that would otherwise be deductible under section 163 of the Internal Revenue Code and deductible in the computation of Wisconsin adjusted gross income.

SECTION 56. 71.01 (9ad) of the statutes is created to read:

71.01 (9ad) "Qualified real estate investment trust" has the meaning given in s. 71.22 (9ad).

SECTION 57. 71.01 (9am) of the statutes is created to read:

71.01 (9am) "Related entity" means any person related to a taxpayer as provided under section 267 or 1563 of the Internal Revenue Code during all or a portion of the taxpayer's taxable year and any real estate investment trust under section 856 of the Internal Revenue Code, except a qualified real estate investment trust, if more than 50 percent of any class of the beneficial interests or shares of the real estate investment trust are owned directly, indirectly, or constructively by the taxpayer, or any person related to the taxpayer, during all or a portion of the taxpayer's taxable year. For purposes of this subsection, the constructive ownership rules of section 318 (a) of the Internal Revenue Code, as modified by section 856 (d) (5) of the Internal Revenue Code, shall apply in determining the ownership of stock, assets, or net profits of any person.

SECTION 58. 71.01 (9an) of the statutes is created to read:

71.01 (9an) For purposes of s. 71.05 (6) (a) 24. and (b) 46., "rental expenses" means the gross amounts that would otherwise be deductible in the computation of Wisconsin adjusted gross income for the use of, or the right to use, real property and tangible personal property in connection with real property, including services furnished or rendered in connection with such property, regardless of how reported for financial accounting purposes and regardless of how computed.

SECTION 59. 71.05 (6) (a) 15. of the statutes, as affected by 2007 Wisconsin Acts 20 and 96, is amended to read:

71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3h), (3n), (3p), (3s), (3t), (3w), (5e), (5f), (5h), (5i), (5j), and (5k) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (4) (1k) (g).

SECTION 60. 71.05 (6) (a) 24. of the statutes is created to read:

71.05 (6) (a) 24. The amount deducted or excluded under the Internal Revenue Code for interest expenses and rental expenses that are directly or indirectly paid, accrued, or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with, one or more related entities.

SECTION 61. 71.05 (6) (b) 45. of the statutes is created to read:

71.05 (6) (b) 45. An amount added to federal adjusted gross income under par. (a) 24., to the extent that the conditions under s. 71.80 (23) are satisfied.

SECTION 62. 71.05 (6) (b) 46. of the statutes is created to read:

71.05 (6) (b) 46. An amount added, pursuant to par. (a) 24. or s. 71.26 (2) (a) 7., 71.34 (1k) (j), or 71.45 (2) (a) 16., to the federal income of a related entity that paid interest expenses or rental expenses to the individual or fiduciary, to the extent that the related entity could not offset such amount with the deduction allowable under subd. 45. or s. 71.26 (2) (a) 8., 71.34 (1k) (k), or 71.45 (2) (a) 17.

SECTION 63. 71.22 (1b) of the statutes is created to read:

71.22 (1b) "Aggregate effective tax rate" means the sum of the effective tax rates imposed by a state, U.S. possession, foreign country, or any combination thereof, on the person or entity.

SECTION 64. 71.22 (1tm) of the statutes is created to read:

71.22 (1tm) "Effective tax rate" means the maximum tax rate imposed by the state, U.S. possession, or foreign country, multiplied by the apportionment percentage, if any, applicable to the person or entity under the laws of that state, U.S. possession, or foreign country.

SECTION 65. 71.22 (3m) of the statutes is created to read:

71.22 (3m) For purposes of s. 71.26 (2) (a) 7. and 9., "interest expenses" means interest that would otherwise be deductible under section 163 of the Internal Revenue Code, as modified under s. 71.26 (3).

SECTION 66. 71.22 (9ad) of the statutes is created to read:

71.22 (9ad) (a) "Qualified real estate investment trust" means a real estate investment trust, except a real estate investment trust the shares or beneficial interests of which are not regularly traded on an established securities market and more than 50 percent of the voting power or value of any class of the beneficial interests or shares of which are owned or controlled, directly, indirectly or constructively, by a single entity that is treated as an association taxable as a corporation under the Internal Revenue Code.

(b) For purposes of this subsection, the following entities are not considered an association taxable as a corporation:

1. An entity that is exempt from taxation under s. 71.26 (1) and exempt from federal income tax pursuant to the provisions of section 501 (a) of the Internal Revenue Code.

2. A real estate investment trust that is a qualified real estate investment trust.

2007 Wisconsin Act

3. A qualified real estate investment trust subsidiary under section 856 (i) of the Internal Revenue Code that is a subsidiary of a qualified real estate investment trust.

4. An Australian unit trust under the Australian Corporations Act in which the principal class of units is listed on a recognized stock exchange in Australia and is regularly traded on an established securities market, or an entity organized as a trust, if an Australian unit trust described in this subdivision owns or controls, directly or indirectly, 75 percent or more of the voting power or value of the beneficial interests or shares of such trust.

5. A corporation, trust, association, or partnership organized outside the laws of the United States that satisfies all of the following:

a. At least 75 percent of the entity's total asset value at the close of its taxable year consists of real estate assets, as defined in section 856 (c) (5) (B) of the Internal Revenue Code, cash and cash equivalents, and U.S. government securities.

b. The entity is not subject to tax on amounts distributed to its beneficial owners or is exempt from entity-level taxation.

c. The entity distributes at least 85 percent of its taxable income, as computed in the jurisdiction in which it is organized, to the holders of its shares or certificates of beneficial interest on an annual basis.

d. Either no more than 10 percent of the voting power or value in the entity is held directly, indirectly, or constructively by a single entity or individual or the shares or beneficial interests of the entity are regularly traded on an established securities market.

e. The entity is organized in a country that has a tax treaty with the United States.

(c) For purposes of this subsection, the constructive ownership rules of section 318 (a) of the Internal Revenue Code, as modified by section 856 (d) (5) of the Internal Revenue Code, shall apply in determining the ownership of stock, assets, or net profits of any person.

SECTION 67. 71.22 (9am) of the statutes is created to read:

71.22 (9am) "Related entity" means any person related to a taxpayer as provided under section 267 or 1563 of the Internal Revenue Code during all or a portion of the taxpayer's taxable year and any real estate investment trust under section 856 of the Internal Revenue Code, except a qualified real estate investment trust, if more than 50 percent of any class of the beneficial interests or shares of the real estate investment trust are owned directly, indirectly, or constructively by the taxpayer, or any person related to the taxpayer, during all or a portion of the taxpayer's taxable year. For purposes of this subsection, the constructive ownership rules of section 318 (a) of the Internal Revenue Code, as modified by section 856 (d) (5) of the Internal Revenue Code, shall apply in determining the ownership of stock, assets, or net profits of any person.

SECTION 68. 71.22 (9an) of the statutes is created to read:

71.22 (9an) For purposes of s. 71.26 (2) (a) 7. and 9., "rental expenses" means the gross amounts that would otherwise be deductible under the Internal Revenue Code, as modified under s. 71.26 (3), for the use of, or the right to use, real property and tangible personal property in connection with real property, including services furnished or rendered in connection with such property, regardless of how reported for financial accounting purposes and regardless of how computed.

SECTION 69. 71.26 (2) (a) of the statutes, as affected by 2007 Wisconsin Acts 20 and 96, is renumbered 71.26 (2) (a) (intro.) and amended to read:

71.26 (2) (a) *Corporations in general.* (intro.) The "net income" of a corporation means the gross income as computed under the Internal Revenue Code as modified under sub. (3) ~~minus and modified as follows:~~

1. ~~Minus~~ the amount of recapture under s. 71.28 (1di) ~~plus.~~

2. ~~Plus~~ the amount of credit computed under s. 71.28 (1), (3), (4), and (5) ~~minus.~~

3. ~~Minus~~, as provided under s. 71.28 (3) (c) 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income under this paragraph at the time that the taxpayer first claimed the credit ~~plus.~~

4. ~~Plus~~ the amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3g), (3h), (3n), (3p), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, limited liability company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 ~~(4) (1k)~~ (g) ~~plus.~~

5. ~~Plus~~ the amount of losses from the sale or other disposition of assets the gain from which would be wholly exempt income, as defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and minus deductions, as computed under the Internal Revenue Code as modified under sub. (3), ~~plus.~~

6. ~~Plus~~ or minus, as appropriate, an amount equal to the difference between the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned, or otherwise disposed of in a taxable transaction during the taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

SECTION 70. 71.26 (2) (a) 7. of the statutes is created to read:

71.26 (2) (a) 7. Plus the amount deducted or excluded under the Internal Revenue Code for interest expenses and rental expenses that are directly or indirectly paid, accrued, or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with, one or more related entities.

SECTION 71. 71.26 (2) (a) 8. of the statutes is created to read:

71.26 (2) (a) 8. Minus the amount added to gross income under subd. 7., to the extent that the conditions under s. 71.80 (23) are satisfied.

SECTION 72. 71.26 (2) (a) 9. of the statutes is created to read:

71.26 (2) (a) 9. Minus the amount added, pursuant to subd. 7. or s. 71.05 (6) (a) 24., 71.34 (1k) (j), or 71.45 (2) (a) 16., to the federal income of a related entity that paid interest expenses or rental expenses to the corporation, to the extent that the related entity could not offset such amount with the deduction allowable under subd. 8. or s. 71.05 (6) (b) 45., 71.34 (1k) (k), or 71.45 (2) (a) 17.

SECTION 73. 71.30 (2) of the statutes is amended to read:

71.30 (2) ALLOCATION OF GROSS INCOME, DEDUCTIONS, CREDITS BETWEEN 2 OR MORE BUSINESSES. In any case of 2 or more organizations, trades or businesses (whether or not incorporated, whether or not organized in the United States and whether or not affiliated) owned or controlled directly or indirectly by the same interests, the secretary or his or her delegate may distribute, apportion or allocate gross income, deductions, credits or allowances between or among such organizations, trades or businesses, if he or she determines that such distribution, apportionment or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of any of such organizations, trades or businesses. The authority granted under this subsection is in addition to, and not a limitation of or dependent on, the provisions of ss. 71.05 (6) (a) 24. and (b) 45., 71.26 (2) (a) 7. and 8., 71.34 (1k) (j) and (k), 71.45 (2) (a) 16. and 17., and 71.80 (23).

SECTION 74. 71.34 (1) of the statutes is renumbered 71.34 (1k).

SECTION 75. 71.34 (1am) of the statutes is created to read:

71.34 (1am) “Aggregate effective tax rate” means the sum of the effective tax rates imposed by a state, U.S. possession, foreign country, or any combination thereof, on the person or entity.

SECTION 76. 71.34 (1b) of the statutes is created to read:

71.34 (1b) “Effective tax rate” means the maximum tax rate imposed by the state, U.S. possession, or foreign country, multiplied by the apportionment percentage, if any, applicable to the person or entity under the laws of that state, U.S. possession, or foreign country.

SECTION 77. 71.34 (1e) of the statutes is created to read:

71.34 (1e) For purposes of sub. (1k) (j) and (L), “interest expenses” means interest that would otherwise be deductible under section 163 of the Internal Revenue Code and deductible in the computation of Wisconsin adjusted gross income.

SECTION 78. 71.34 (1k) (j) of the statutes is created to read:

71.34 (1k) (j) An addition shall be made for any amount deducted or excluded under the Internal Revenue Code for interest expenses and rental expenses that are directly or indirectly paid, accrued, or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with, one or more related entities.

SECTION 79. 71.34 (1k) (k) of the statutes is created to read:

71.34 (1k) (k) A deduction shall be allowed for the amount added to gross income under par. (j), to the extent that the conditions under s. 71.80 (23) are satisfied.

SECTION 80. 71.34 (1k) (L) of the statutes is created to read:

71.34 (1k) (L) A deduction shall be allowed for the amount added, pursuant to par. (j) or s. 71.05 (6) (a) 24., 71.26 (2) (a) 7., or 71.45 (2) (a) 16., to the federal income of a related entity that paid interest expenses or rental expenses to the corporation, to the extent that the related entity could not offset such amount with the deduction allowable under par. (k) or s. 71.05 (6) (b) 45., 71.26 (2) (a) 8., or 71.45 (2) (a) 17.

SECTION 81. 71.34 (1L) of the statutes is created to read:

71.34 (1L) “Qualified real estate investment trust” has the meaning given in s. 71.22 (9ad).

SECTION 82. 71.34 (1p) of the statutes is created to read:

71.34 (1p) “Related entity” means any person related to a taxpayer as provided under section 267 or 1563 of the Internal Revenue Code during all or a portion of the taxpayer’s taxable year and any real estate investment trust under section 856 of the Internal Revenue Code, except a qualified real estate investment trust, if more than 50 percent of any class of the beneficial interests or shares of the real estate investment trust are owned directly, indirectly, or constructively by the taxpayer, or any person related to the taxpayer, during all or a portion of the taxpayer’s taxable year. For purposes of this subsection, the constructive ownership rules of section 318 (a) of the Internal Revenue Code, as modified by section 856 (d) (5) of the Internal Revenue Code, shall apply in determining the ownership of stock, assets, or net profits of any person.

SECTION 83. 71.34 (1r) of the statutes is created to read:

71.34 (1r) For purposes of sub. (1k) (j) and (L), “rental expenses” means the gross amounts that would otherwise be deductible in the computation of Wisconsin adjusted gross income for the use of, or the right to use, real property and tangible personal property in connection with real property, including services furnished or rendered in connection with such property, regardless of how reported for financial accounting purposes and regardless of how computed.

2007 Wisconsin Act

SECTION 84. 71.42 (1) of the statutes is renumbered 71.42 (1g).

SECTION 85. 71.42 (1b) of the statutes is created to read:

71.42 (1b) “Aggregate effective tax rate” means the sum of the effective tax rates imposed by a state, U.S. possession, foreign country, or any combination thereof, on the person or entity.

SECTION 86. 71.42 (1s) of the statutes is created to read:

71.42 (1s) “Effective tax rate” means the maximum tax rate imposed by the state, U.S. possession, or foreign country, multiplied by the apportionment percentage, if any, applicable to the person or entity under the laws of that state, U.S. possession, or foreign country.

SECTION 87. 71.42 (1t) of the statutes is created to read:

71.42 (1t) For purposes of s. 71.45 (2) (a) 16. and 18., “interest expenses” means interest that would otherwise be deductible under section 163 of the Internal Revenue Code, as adjusted under s. 71.45 (2).

SECTION 88. 71.42 (4d) of the statutes is created to read:

71.42 (4d) “Qualified real estate investment trust” has the meaning given in s. 71.22 (9ad).

SECTION 89. 71.42 (4m) of the statutes is created to read:

71.42 (4m) “Related entity” means any person related to a taxpayer as provided under section 267 or 1563 of the Internal Revenue Code during all or a portion of the taxpayer’s taxable year and any real estate investment trust under section 856 of the Internal Revenue Code, except a qualified real estate investment trust, if more than 50 percent of any class of the beneficial interests or shares of the real estate investment trust are owned directly, indirectly, or constructively by the taxpayer, or any person related to the taxpayer, during all or a portion of the taxpayer’s taxable year. For purposes of this subsection, the constructive ownership rules of section 318 (a) of the Internal Revenue Code, as modified by section 856 (d) (5) of the Internal Revenue Code, shall apply in determining the ownership of stock, assets, or net profits of any person.

SECTION 90. 71.42 (4n) of the statutes is created to read:

71.42 (4n) For purposes of s. 71.45 (2) (a) 16. and 18., “rental expenses” means the gross amounts that would otherwise be deductible under the Internal Revenue Code, as adjusted under s. 71.45 (2), for the use of, or the right to use, real property and tangible personal property in connection with real property, including services furnished or rendered in connection with such property, regardless of how reported for financial accounting purposes and regardless of how computed.

SECTION 91. 71.45 (2) (a) 10. of the statutes, as affected by 2007 Wisconsin Acts 20 and 96, is amended to read:

71.45 (2) (a) 10. By adding to federal taxable income the amount of credit computed under s. 71.47 (1dd) to (1dx), (3h), (3n), (3p), (3w), (5e), (5f), (5g), (5h), (5i), (5j), and (5k) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership’s, limited liability company’s, or tax-option corporation’s income under s. 71.21 (4) or 71.34 ~~(4)~~ (1k) (g) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4), and (5).

SECTION 92. 71.45 (2) (a) 16. of the statutes is created to read:

71.45 (2) (a) 16. By adding to federal taxable income any amount deducted or excluded under the Internal Revenue Code for interest expenses and rental expenses that are directly or indirectly paid, accrued, or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with, one or more related entities.

SECTION 93. 71.45 (2) (a) 17. of the statutes is created to read:

71.45 (2) (a) 17. By subtracting from federal taxable income the amount added to federal taxable income under subd. 16., to the extent that the conditions under s. 71.80 (23) are satisfied.

SECTION 94. 71.45 (2) (a) 18. of the statutes is created to read:

71.45 (2) (a) 18. A deduction shall be allowed for the amount added, pursuant to subd. 16. or s. 71.05 (6) (a) 24., 71.26 (2) (a) 7., or 71.34 (1k) (j), to the federal income of a related entity that paid interest expenses or rental expenses to the insurer, to the extent that the related entity could not offset such amount with the deduction allowable under subd. 17. or s. 71.05 (6) (b) 45., 71.26 (2) (a) 8., or 71.34 (1k) (k).

SECTION 95. 71.80 (1) (b) of the statutes is amended to read:

71.80 (1) (b) In any case of 2 or more organizations, trades or businesses (whether or not incorporated, whether or not organized in the United States and whether or not affiliated) owned or controlled directly or indirectly by the same interests, the secretary or the secretary’s delegate may distribute, apportion or allocate gross income, deductions, credits or allowances between or among such organizations, trades or businesses, if the secretary determines that such distribution, apportionment or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of any of such organizations, trades or businesses. The authority granted under this subsection is in addition to, and not a limitation of or dependent on, the provisions of sub. (23)

and ss. 71.05 (6) (a) 24. and (b) 45., 71.26 (2) (a) 7. and 8., 71.34 (1k) (j) and (k), and 71.45 (2) (a) 16. and 17.

SECTION 96. 71.80 (23) of the statutes is created to read:

71.80 (23) RELATED ENTITY ADDBACKS. (a) The deductions provided under ss. 71.05 (6) (b) 45., 71.26 (2) (a) 8., 71.34 (1k) (k), and 71.45 (2) (a) 17. shall be allowed for any interest expenses or rental expenses described in ss. 71.05 (6) (a) 24., 71.26 (2) (a) 7., 71.34 (1k) (j), or 71.45 (2) (a) 16. if any of the following applies to the interest expenses or rental expenses:

1. The related entity to which the taxpayer paid, accrued, or incurred the interest expenses or rental expenses during the taxable year directly or indirectly paid, accrued, or incurred such amounts in the same taxable year to a person who is not a related entity or the related entity to which the taxpayer paid, accrued, or incurred such expenses is a holding company or a direct or indirect subsidiary of a holding company, as defined in 12 USC 1841 (a) or (l) or 12 USC 1467a (a) (1) (D), not including any entity that is organized under the laws of another jurisdiction and that primarily holds and manages investments of a bank, subsidiary, or affiliate. For purposes of this subdivision, "interest" does not include interest that is paid in connection with any debt that is incurred to acquire the taxpayer's assets or stock under section 368 of the Internal Revenue Code. If a portion of such an interest expense or rental expense is paid, accrued, or incurred in the same taxable year to a person who is not a related entity, that portion shall be allowed as a deduction to the taxpayer.

2. The related entity was subject to tax on, or measured by, its net income or receipts in this state or any state, U.S. possession, or foreign country; the related entity's tax base in such state, U.S. possession, or foreign country included the income received from the taxpayer for the interest expenses or rental expenses; the related entity's aggregate effective tax rate applied to such income or receipts was at least 80 percent of the taxpayer's aggregate effective tax rate; and the related entity is not a real estate investment trust under section 856 of the Internal Revenue Code, other than a qualified real estate investment trust. For purposes of this subdivision, "any state, U.S. possession, or foreign country" does not include any state, U.S. possession, or foreign country under the laws of which the taxpayer files with the related entity, or the related entity files with another entity, a combined income tax report or return, a consolidated income tax report or return, or any other report or return that is due because of the imposition of a tax that is measured on or by income or receipts, if the report or return results in eliminating the tax effects of transactions, directly or indirectly, between either the taxpayer and the related entity or between the related entity and another entity.

3. The taxpayer establishes that the transaction satisfies any other conditions that the department considers relevant, based on the facts and circumstances, to determine that the primary motivation for the transaction was one or more business purposes other than the avoidance or reduction of state income or franchise taxes; that the transaction changed the economic position of the taxpayer in a meaningful way apart from tax effects; and that the interest expenses or rental expenses were paid, accrued, or incurred using terms that reflect an arm's-length relationship.

(b) Notwithstanding par. (a), the deductions provided under ss. 71.05 (6) (b) 45., 71.26 (2) (a) 8., 71.34 (1k) (k), and 71.45 (2) (a) 17. shall not be allowed for any interest expenses or rental expenses that are directly or indirectly paid, accrued, or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with, one or more related entities, if the aggregate amount paid, accrued, or incurred for those related entity transactions is not disclosed on a separate form prescribed by the department in the manner prescribed by the department.

SECTION 97. 79.04 (4m) of the statutes, as created by 2007 Wisconsin Act 20, is renumbered 79.04 (4m) (a) and amended to read:

79.04 (4m) (a) Beginning Except as provided in par. (b), beginning with distributions in 2009, for production plants described under subs. (1) and (2), if in any year the payments to the municipality and county in which the production plant is located would be greater under subs. (6) and (7) (c) 1. based on the production plant's nameplate capacity than under sub. (1) or (2) based on the depreciated net book value of the production plant, the municipality and county shall receive payments under subs. (6) and (7) (c) 1., rather than under sub. (1) or (2), beginning in that year and in each year thereafter.

SECTION 98. 79.04 (4m) (b) of the statutes is created to read:

79.04 (4m) (b) For municipalities where production plants are located, if the combination of amounts determined for production plants under sub. (1) or under subs. (6) and (7) (c) 1. and the amounts determined for substations and general structures under sub. (1) are less for a municipality than the amount determined under sub. (1) based on the value of the property used to calculate the municipality's payment in 1990, reduced to reflect the value of property that is no longer in use, the municipality's payment shall be calculated under sub. (1) using the value of the property used to calculate the municipality's payment in 1990, reduced to reflect the value of property no longer in use.

SECTION 99. 86.30 (2) (e) of the statutes is amended to read:

86.30 (2) (e) *Aid payments.* General transportation aids under this section shall be calculated and distributed on the basis of a calendar year. General transportation

2007 Wisconsin Act

aids to municipalities shall be paid in 4 equal installments on the first Monday in January, April, July and October. General transportation aids to counties shall be paid in 3 installments consisting of 25 percent of the amount under sub. (9) (b) on the first Monday in January, 50 percent of the amount under sub. (9) (b) on the first Monday in July, and 25 percent of the amount under sub. (9) (b) on the first Monday in October. If adjustments are necessary, the department may adjust any of the scheduled aid payments in a calendar year. The payments shall be made from the appropriation under s. 20.395 (1) (as) or (at) for the fiscal year in which the payments are made.

SECTION 100. 100.52 (1) (bm) of the statutes is created to read:

100.52 (1) (bm) "Commercial mobile service" has the meaning given in s. 196.01 (2i).

SECTION 101. 100.52 (1) (f) of the statutes is amended to read:

100.52 (1) (f) "Residential customer" means an individual who is furnished with basic local exchange service or commercial mobile service by a telecommunications utility, but does not include an individual who operates a business at his or her residence.

SECTION 102. 118.14 (title) of the statutes is amended to read:

118.14 (title) Age of pupils; phase in of 4-year-old kindergarten.

SECTION 103. 118.14 (3) of the statutes is created to read:

118.14 (3) (a) Except as provided in par. (b), if a school board establishes a 4-year-old kindergarten program, the program shall be available to all pupils eligible for the program under sub. (1) (a) or s. 120.12 (25).

(b) A school board that was operating a 4-year-old kindergarten program in the 2007-08 school year that did not comply with par. (a) shall make a 4-year-old kindergarten program available to all pupils eligible for the program under sub. (1) (a) or s. 120.12 (25) by the beginning of the 2013-14 school year.

SECTION 104. 118.153 (4) (b) of the statutes is amended to read:

118.153 (4) (b) Upon receipt of a school board's annual report under par. (a) the state superintendent shall pay to the school district from the appropriation under s. 20.255 (2) (bc), for each pupil enrolled in a program for children at risk who achieved at least 3 of the objectives under par. (c) in the previous school year, additional state aid in an amount equal to 10% of the school district's average per pupil aids provided under s. 20.835 (7) (a), 1991 stats., and s. 20.255 (2) (ac) and (at) in the previous school year.

SECTION 105. 121.004 (7) (c) 1. (intro.) of the statutes is amended to read:

121.004 (7) (c) 1. (intro.) A pupil enrolled in kindergarten may be counted only if the pupil attains the age permitted under s. 120.12 (25) or required under s. 118.14

for kindergarten admission. A kindergarten pupil, including a pupil enrolled in a 4-year-old kindergarten program being phased in under s. 118.14 (3) (b), shall be counted as one-half pupil except that:

SECTION 106. 121.004 (7) (cm) of the statutes is amended to read:

121.004 (7) (cm) A pupil enrolled in a 4-year-old kindergarten program, including a 4-year-old kindergarten program being phased in under s. 118.14 (3) (b), that provides the required number of hours of direct pupil instruction under s. 121.02 (1) (f) 2. shall be counted as 0.6 pupil if the program annually provides at least 87.5 additional hours of outreach activities.

SECTION 107. 121.007 of the statutes is amended to read:

121.007 Use of state aid; exemption from execution. All moneys paid to a school district under s. 20.255 (2) (ac), (at), (bc), (cg), and (cr), shall be used by the school district solely for the purposes for which paid. Such moneys are exempt from execution, attachment, garnishment, or other process in favor of creditors, except as to claims for salaries or wages of teachers and other school employees and as to claims for school materials, supplies, fuel, and current repairs.

SECTION 108. 121.15 (1m) (a) 3. of the statutes is amended to read:

121.15 (1m) (a) 3. Beginning in the ~~1999-2000~~ 2007-2008 school year, annually the state shall pay to school districts, from the appropriation under s. 20.255 (2) (ac), an amount equal to \$75,000,000, less the sum of the reductions made to the amount in the previous and current fiscal years under s. 16.518 (2m) (b), on the 4th first Monday in July of the following school year.

SECTION 109. 121.15 (1m) (a) 4. of the statutes is created to read:

121.15 (1m) (a) 4. Beginning in the 2007-08 school year, in addition to the payment delay under subd. 3., annually the state shall pay to school districts, from the appropriation under s. 20.255 (2) (ac), an amount equal to \$125,000,000, less the sum of the reductions made to the amount in the previous and current fiscal years under s. 16.518 (2m) (a), on the first Monday in July of the following school year.

SECTION 110. 121.15 (1m) (b) of the statutes is amended to read:

121.15 (1m) (b) The percentages under subs. (1) (a) and (1g) (a) shall be reduced proportionally to reflect the payments made under par. (a). 3. The percentage paid in June under subs. (1) (a) and (1g) (a) shall be reduced to reflect the payment made under par. (a) 4. School districts shall treat the payments made in July under par. (a) as if they had been received in the previous school year.

SECTION 111. 350.12 (3j) (b) of the statutes is amended to read:

350.12 (3j) (b) The fee for a trail use sticker issued for a snowmobile that is exempt from registration under

sub. (2) (b) or (bn) is ~~\$17.25~~ \$34.25. A trail use sticker issued for such a snowmobile may be issued only by the department and persons appointed by the department and expires on June 30 of each year.

SECTION 112. 628.348 (1) of the statutes, as created by 2007 Wisconsin Act 20, is amended to read:

628.348 (1) TRAINING REQUIREMENT. ~~No~~ On and after January 1, 2009, no person may solicit, negotiate, or sell long-term care insurance unless the person is a licensed intermediary and he or she ~~completes~~ has completed the initial training portion of the training program under s. 49.45 (31) (c) ~~by January 1, 2009,~~ and completes the ongoing training under s. 49.45 (31) (c) every 24 months after completing the initial training.

SECTION 113. 946.42 (1) (a) of the statutes is renumbered 946.42 (1) (a) 1. (intro.) and amended to read:

946.42 (1) (a) 1. (intro.) “Custody” includes without limitation ~~actual~~ all of the following:

a. Actual custody of an institution, including a juvenile correctional facility, as defined in s. 938.02 (10p), a secured residential care center for children and youth, as defined in s. 938.02 (15g), a juvenile detention facility, as defined in s. 938.02 (10r), a Type 2 residential care center for children and youth, as defined in s. 938.02 (19r), a facility used for the detention of persons detained under s. 980.04 (1), a facility specified in s. 980.065, or a juvenile portion of a county jail, ~~or actual,~~

b. Actual custody of a peace officer or institution guard. “Custody” ~~also includes the constructive~~

e. Constructive custody of persons placed on supervised release under ch. 980 ~~and constructive,~~

f. Constructive custody of prisoners and juveniles subject to an order under s. 48.366, 938.183, 938.34 (4d), (4h), or (4m), or 938.357 (4) or (5) (e) temporarily outside the institution whether for the purpose of work, school, medical care, a leave granted under s. 303.068, a temporary leave or furlough granted to a juvenile, or otherwise. ~~Under s. 303.08 (6) it means, without limitation, that~~

g. Custody of the sheriff of the county to which the prisoner was transferred after conviction. It

2. “Custody” does not include the constructive custody of a probationer, parolee, or person on extended supervision by the department of corrections or a probation, extended supervision, or parole ~~officer agent~~ or the constructive custody of a person who has been released to aftercare supervision under ch. 938 ~~unless the person is in actual custody or is subject to a confinement order under s. 973.09 (4).~~

SECTION 114. 946.42 (1) (a) 1. bm. of the statutes is created to read:

946.42 (1) (a) 1. bm. Actual custody or authorized physical control of a correctional officer.

SECTION 115. 946.42 (1) (a) 1. c. and h. of the statutes are created to read:

946.42 (1) (a) 1. c. Actual custody or authorized physical control of a probationer, parolee, or person on extended supervision by the department of corrections.

h. Custody of a person subject to a confinement order under s. 973.09 (4).

SECTION 116. 946.42 (2m) of the statutes is created to read:

946.42 (2m) A person who is in the custody of a probation, parole, or extended supervision agent, or a correctional officer, based on an allegation or a finding that the person violated the rules or conditions of probation, parole, or extended supervision and who intentionally escapes from custody is guilty of a Class H felony.

SECTION 117. 946.42 (4) of the statutes is created to read:

946.42 (4) If a person is convicted of an escape under this section, the maximum term of imprisonment for the escape may be increased by not more than 5 years if an individual who had custody of the person who escaped is injured during the course of the escape.

SECTION 118. 973.01 (2) (c) 2. a. of the statutes is amended to read:

973.01 (2) (c) 2. a. Sections 939.621, 939.632, 939.645, 946.42 (4), 961.46, and 961.49.

SECTION 119. 2007 Wisconsin Act 20, section 9201 (1c) (a) is amended to read:

[2007 Wisconsin Act 20] Section 9201 (1c) (a) Notwithstanding sections 20.001 (3) (a) to (c) and 25.40 (3) of the statutes, but subject to paragraph (d), the secretary of administration shall lapse to the general fund or transfer to the general fund from the unencumbered balances of appropriations to executive branch state agencies, other than sum sufficient appropriations and appropriations of federal revenues, an amount equal to \$200,000,000 during the 2007–09 fiscal biennium and \$200,000,000 during the 2009–11 fiscal biennium. This paragraph shall not apply to appropriations to the Board of Regents of the University of Wisconsin System ~~and, to the technical college system board, and to the department of transportation except with respect to the appropriation account under section 20.395 (3) (cq) of the statutes. The amount in the current biennium from section 20.395 (3) (cq) of the statutes is limited to \$50 million.~~

SECTION 9114. Nonstatutory provisions; Employee Trust Funds.

(1w) ANNUITY DEDUCTIONS. The authorized FTE positions for the department of employee trust funds are increased by 2.1 SEG project positions to be funded from the appropriation under section 20.515 (1) (w) of the statutes for the implementation of program changes under sections 40.05 (4r) and 40.80 (2t) of the statutes, as created by this act, and by 1.1 SEG positions to be funded from the appropriation under section 20.515 (1) (w) of the statutes for the administration of the program changes

2007 Wisconsin Act

under sections 40.05 (4r) and 40.80 (2t) of the statutes, as created by this act.

SECTION 9137. Nonstatutory provisions; Public Instruction.

(1) EQUALIZATION AID SHIFT. For the following purposes, the department of public instruction shall consider the amount appropriated under section 20.255 (2) (ac) of the statutes as if the decrease in that amount under SECTION 9237 (1) of this act had not occurred:

(a) For the purpose of calculating the payment under section 119.23 (4) (b) 2. of the statutes in the 2007–08 and 2008–09 fiscal years.

(b) For the purpose of calculating the secondary guaranteed valuation per member under section 121.07 (7) (b) of the statutes and the school aid reduction under section 121.08 (4) of the statutes in the 2007–08 fiscal year.

SECTION 9141. Nonstatutory provisions; Revenue.

(1) RELATED ENTITY ADDBACK. The department of revenue has entered into a substantial number of settlement agreements with banks and other financial institutions regarding their investment subsidiaries. The intent of the legislature in enacting this act is to have no effect on those settlement agreements.

(2) OMITTED PROPERTY. Notwithstanding section 70.44 (1) of the statutes, section 70.44 (1) of the statutes does not apply to property described under section 70.11 (4a) of the statutes, as created in this act, for the years before 2009 during which the property was omitted from assessment.

SECTION 9148. Nonstatutory provisions; Transportation.

(1) JOINT FINANCE COMMITTEE SUPPLEMENTAL FUNDING RELATED TO REAL ID ACT IMPLEMENTATION. Notwithstanding section 13.101 (1), (3), and (5) of the statutes, the joint committee on finance may not, for purposes relating to implementation of the federal REAL ID Act of 2005, supplement in the 2007–09 fiscal biennium, from the appropriation account under section 20.865 (4) (u) of the statutes, any appropriation of the department of transportation for expenditures of the department of transportation in the 2007–09 fiscal biennium relating to implementation of the federal REAL ID Act of 2005.

(2) ESTIMATES FOR CERTAIN DEPARTMENT OF TRANSPORTATION APPROPRIATIONS. Notwithstanding section 84.03 (2) of the statutes, the secretary of administration and department of transportation shall estimate additional revenues as specified in paragraphs (a) to (cm), which additional revenues are not reflected in the schedule under section 20.005 (3) of the statutes, as created by 2007 Wisconsin Act 20.

(a) The additional revenues in fiscal year 2007–08 for the appropriation account under section 20.395 (3) (bx) of the statutes are \$20,000,000.

(b) The additional revenues in fiscal year 2007–08 for the appropriation account under section 20.395 (3) (cx) of the statutes are \$56,967,500.

(cm) The additional revenues in fiscal year 2008–09 for the appropriation account under section 20.395 (3) (br) of the statutes are \$28 million.

(4m) DEPARTMENT OF TRANSPORTATION REQUESTS FOR 2009–11 BIENNIAL BUDGET BILL.

(a) Notwithstanding section 16.42 (1) (e) of the statutes, in submitting information under section 16.42 of the statutes for purposes of the 2009–11 biennial budget bill, the department of transportation shall submit dollar amounts reflecting the modifications as specified in subdivisions 1. to 3., before submitting any information relating to any increase or decrease in the dollar amounts for these appropriations for the 2009–11 fiscal biennium.

1. For the appropriation under section 20.395 (3) (bq) of the statutes, a dollar amount that is \$28 million more than the total amount appropriated under section 20.395 (3) (bq) of the statutes for the 2008–09 fiscal year.

2. For the appropriation under section 20.395 (3) (eq) of the statutes, a dollar amount that is \$24,846,900 less than the total amount appropriated under section 20.395 (3) (eq) of the statutes for the 2008–09 fiscal year.

3. For the appropriation under section 20.395 (1) (as) of the statutes, a dollar amount that is \$24,846,900 more than the total amount appropriated under section 20.395 (1) (as) of the statutes for the 2008–09 fiscal year.

(b) In addition to the requirement under paragraph (a), the department of transportation's submission of information under section 16.42 of the statutes for purposes of the 2009–11 biennial budget bill shall not reflect the modified estimate required under subsection (3) related to the appropriation account under section 20.395 (3) (br) of the statutes.

SECTION 9155. Nonstatutory provisions; other.

(1) BUDGET STABILIZATION FUND. Notwithstanding section 20.875 (2) (q) of the statutes, any transfer from the budget stabilization fund to the general fund during the 2007–08 fiscal year under section 20.875 (2) (q) of the statutes, as affected by this act, shall occur before July 1, 2008.

SECTION 9201. Fiscal changes; Administration.

(1) LAPSE OR TRANSFER OF ANY UNENCUMBERED MONIES IN APPROPRIATION ACCOUNTS AND FUNDS.

(a) Notwithstanding sections 20.001 (3) (a) to (c) of the statutes, but subject to paragraph (b), the secretary of administration shall lapse or transfer to the general fund from the unencumbered balances of appropriations to executive branch state agencies, other than sum sufficient appropriations and appropriations of federal revenues, an amount equal to \$69,000,000 during the 2007–09 fiscal biennium and \$69,000,000 during the 2009–11 fiscal biennium. The amounts lapsed or transferred under this paragraph shall be in addition to the amounts lapsed or transferred under 2007 Wisconsin Act

20, section 9201 (1c) (a) to (c). This paragraph shall not apply to an appropriation to the department of public instruction under section 20.255 (2) of the statutes, to appropriations to the department of health and family services under section 20.435 (4) (bv) and (5) (fm) of the statutes, to an appropriation to the department of revenue under section 20.566 of the statutes, or to an appropriation to the department of transportation under section 20.395 of the statutes.

(b) The secretary of administration may not lapse moneys under paragraph (a) if the lapse would violate a condition imposed by the federal government on the expenditure of the moneys or if the lapse would violate the federal or state constitution.

SECTION 9214. Fiscal changes; Employee Trust Funds.

(1w) ANNUITY DEDUCTIONS. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of employee trust funds under section 20.515 (1) (w) of the statutes, as affected by the acts of 2007, the dollar amount is increased by \$307,100 for fiscal year 2008–09 to fund the positions authorized under SECTION 9114 (1w) of this act.

SECTION 9221. Fiscal changes; Health and Family Services.

(1) MEDICAL ASSISTANCE DECREASE. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of health and family services under section 20.435 (4) (b) of the statutes, as affected by the acts of 2007, the dollar amount is decreased by \$209,000,000 for fiscal year 2008–09 to decrease funding for the purposes for which the appropriation is made.

(2) MEDICAL ASSISTANCE INCREASE. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of health and family services under section 20.435 (4) (w) of the statutes, as affected by the acts of 2007, the dollar amount is increased by \$209,000,000 for fiscal year 2008–09 to increase funding for the purposes for which the appropriation is made.

(3f) MEDICAL ASSISTANCE DECREASE. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of health and family services under section 20.435 (4) (b) of the statutes, as affected by the acts of 2007, the dollar amount is decreased by \$10,000,000 for fiscal year 2008–09 to decrease funding for the purposes for which the appropriation is made.

(3t) TOBACCO USE CONTROL GRANTS INCREASE. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of health and family services under section 20.435 (5) (fm) of the statutes, as affected by the acts of 2007, the dollar amount is increased by \$250,000 for fiscal year 2008–09 to increase funding for the purpose for which the appropriation is made.

SECTION 9237. Fiscal changes; Public Instruction.

(1) EQUALIZATION AID SHIFT. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of public instruction under section 20.255 (2) (ac) of the statutes, as affected by the acts of 2007, the dollar amount is decreased by \$125,000,000 for fiscal year 2007–08.

SECTION 9248. Fiscal changes; Transportation.

(1) TRANSFER TO GENERAL FUND. Notwithstanding section 25.40 (3) (a) of the statutes, the secretary of administration shall transfer \$22 million from the transportation fund to the general fund in the current biennium.

(2f) HIGHWAY MAINTENANCE. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of transportation under section 20.395 (3) (eq) of the statutes, as affected by the acts of 2007, the dollar amount is increased by \$24,846,900 for fiscal year 2008–09 to increase funding for the purposes for which the appropriation is made.

(2g) TRANSPORTATION AIDS. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of transportation under section 20.395 (1) (as) of the statutes, as affected by the acts of 2007, the dollar amount is decreased by \$24,846,900 for fiscal year 2008–09 to decrease funding for the purposes for which the appropriation is made.

(2h) APPROPRIATION CHANGE FOR MAJOR HIGHWAY PROJECTS. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of transportation under section 20.395 (3) (bq) of the statutes, as affected by the acts of 2007, the dollar amount is decreased by \$28 million for fiscal year 2008–09 to decrease funding for major development of state trunk and connecting highways.

SECTION 9254. Fiscal changes; Workforce Development.

(1) CHILD CARE FUNDS. In the schedule under section 20.005 (3) of the statutes for the appropriation to the department of workforce development under section 20.445 (3) (cm) of the statutes, as affected by the acts of 2007, the dollar amount is increased by \$18,600,000 for fiscal year 2007–08 to increase funding for the purpose for which the appropriation is made.

SECTION 9255. Fiscal changes; other.

(1) BUDGET STABILIZATION FUND. In the schedule under section 20.005 (3) of the statutes for the appropriation under section 20.875 (2) (q) of the statutes, as affected by the acts of 2007, the dollar amount is increased by \$57,000,000 for fiscal year 2007–08 for the purpose for which the appropriation is made.

(2) TRANSFER OF MONEYS FROM THE PERMANENT ENDOWMENT FUND TO THE MEDICAL ASSISTANCE TRUST FUND. If appropriation obligations are issued under section 16.527 (3) (c) 1. of the statutes, as created by this act, before July 1, 2009, during the 2008–09 fiscal year,

2007 Wisconsin Act

\$309,000,000 is transferred from the permanent endowment fund to the Medical Assistance trust fund.

SECTION 9341. Initial applicability; Revenue.

(1) RELATED ENTITY ADDBACK. The renumbering of sections 71.34 (1) and 71.42 (1) of the statutes, the renumbering and amendment of section 71.26 (2) (a) of the statutes, the amendment of sections 71.05 (6) (a) 15., 71.30 (2), 71.45 (2) (a) 10., and 71.80 (1) (b) of the statutes, and the creation of sections 71.01 (1am), (1t), (5s), (9ad), (9am), and (9an), 71.05 (6) (a) 24. and (b) 45. and 46., 71.22 (1b), (1tm), (3m), (9ad), (9am), and (9an), 71.26 (2) (a) 7., 8., and 9., 71.34 (1am), (1b), (1e), (1k) (j), (k), and (L), (1L), (1p), and (1r), 71.42 (1b), (1s), (1t), (4d), (4m), and (4n), 71.45 (2) (a) 16., 17., and 18., and 71.80 (23) of the statutes first apply to taxable years beginning on January 1, 2008.

(2) LOW-INCOME HOUSING. The treatment of section 70.11 (intro.), (4), (4a), and (4b) of the statutes first applies to the property tax assessments as of January 1, 2009.

SECTION 9355. Initial applicability; other.

(1) SPECIAL ASSESSMENTS ON CAMPS. The treatment of section 66.0721 (title), (1) (ae), (2), and (3) of the statutes first applies to a special assessment that is levied on

the first day of the 4th month beginning after the effective date of this subsection.

SECTION 9400. Effective dates; general. Except as otherwise provided in SECTIONS 9401 to 9455 of this act, this act takes effect on the day after publication.

SECTION 9414. Effective dates; Employee Trust Funds.

(1w) PAYMENT OF PREMIUMS FOR PUBLIC SAFETY OFFICERS. The treatment of sections 40.02 (48g), 40.05 (4r), and 40.80 (2t) of the statutes, the renumbering of section 40.08 (2) of the statutes, and the creation of section 40.08 (2) (b) of the statutes take effect on January 1, 2009.

SECTION 9435. Effective dates; Natural Resources.

(1) The treatment of section 350.12 (3j) (b) of the statutes takes effect on July 1, 2008.

SECTION 9437. Effective dates; Public Instruction.

(1) EQUALIZATION AID SHIFT. The treatment of section 13.101 (6) (a) of the statutes takes effect on July 1, 2008.

SECTION 9448. Effective dates; Transportation.

(1) GENERAL TRANSPORTATION AIDS. The treatment of section 86.30 (2) (e) of the statutes takes effect on January 1, 2009.
