



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

April 10, 2009

MEMORANDUM

To: Representative Roth

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

Subject: Technical Memorandum to **2009 AB 184** (LRB-0405/1) by **DOR**

We received the attached technical memorandum relating to your bill. This copy is for your information and your file.

If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

April 7, 2009

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on AB 184 (LRB 09-0405/1) – Increasing the Section 179 Deduction

Federal and state law provide for a phase-out for Section 179 expensing. The Section 179 expense amount is reduced by the amount by which the cost of Section 179 property placed in service during the taxable year exceeds a certain amount. Under current Wisconsin law, the phase-out for assets not used in farming starts at \$200,000. For assets used in farming, the phase-out begins at \$500,000. The bill does not contain any language regarding a phase-out. The author may wish to include such language.

The bill as written is confusing when it refers to Section 179 as the authority for expensing property but does not limit the application of the \$50,000 threshold to "Section 179 property." To avoid unnecessary confusion, the second sentence in sections 71.07(7r)(d), 71.22(5m)(c), and 71.34(1m)(c) could be amended to read, "This paragraph applies to section 179 property that is acquired and placed in service in taxable years beginning on or after"

The bill provides that the increased expense amount applies to property that is acquired and placed in service in taxable years beginning on or after January 1, 2008. The majority of tax year 2008 tax returns will be filed by the time this bill is enacted. This will result in a large number of businesses having to file amended 2008 returns in order to take advantage of the increased expensing. It would be preferable if this provision would first apply to taxable years beginning on or after January 1, 2009.

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

cc: Rep. Roth