



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

1 EAST MAIN, SUITE 200
P. O. BOX 2037
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
REFERENCE SECTION: (608) 266-0341
FAX: (608) 264-6948

STEPHEN R. MILLER
CHIEF

February 18, 2011

MEMORANDUM

To: Representative Seidel

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

Subject: Technical Memorandum to **2011 AB 15** (LRB-1004/1) 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

February 10, 2011

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on AB 15 [LRB 11-1004/1] – An Income and Franchise Tax Credit for Businesses that Purchase Goods and Services from Wisconsin Vendors

The Department has the following technical concerns with the above-referenced bill:

- The Legislative Reference Bureau analysis states that the credit is available to a business located in this state. There is nothing in sec. 71.07(6g) that limits the credit to a business. It appears that all individuals could claim a credit on their purchases whether for business or personal purposes. Is this the intent?
- The bill states that the credit is equal to “1 percent of the amount that the claimant paid in the taxable year to purchase tangible personal property, items, property, or goods under s. 77.51 (1), (b), (c), or (d), or services from Wisconsin vendors, . . . “ This could be interpreted to mean only tangible personal property, items, property, or goods under s. 77.51(1), (b), (c), or (d). Paragraphs (b), (c), and (d) refer only to coins and stamps that are sold, traded, etc. above face value, leasing of property that is affixed to real property, and digital goods. Is the credit to apply to (1) only items under par. (b), (c), or (d) plus all services from Wisconsin vendors, (2) all tangible personal property and services but only if the property or services is subject to sales or use tax, or (3) any property or services including those under par. (b), (c), or (d), regardless of whether subject to Wisconsin sales or use tax? Is the credit meant to apply to inventory items purchased by a retailer for resale? The author may wish to clarify this.
- The bill provides a credit for services purchased from a Wisconsin vendor. However, the definition of “Wisconsin vendor” provided in the bill does not include a seller of services, but only includes a business that sells “purchase tangible personal property, items, property, or goods under s. 77.51 (1), (b), (c), or (d).” Is it the authors intent that purchases from vendors in this state that sell services are to be eligible for the credit?
- Paragraph (d) provides that section 71.28(4), (e), (g), and (h) . . . applies to this credit. Because this is a refundable credit, the reference to par. (e) is not needed as that paragraph refers to the carry-over of unused credits in the case of a change of business or ownership.
- It is unclear if “the amount paid” include sales tax, shipping charges, etc. or just cost of the qualifying property or service? Also does “paid” mean a claimant can only claim the credit for amounts actually paid during the year or does a purchase on credit still qualify? And if

credit purchases would qualify, but the goods are never paid for, should there be a requirement to pay back the credit? The author may wish to clarify this.

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. Seidel