



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

RICHARD CHAMPAGNE
CHIEF

July 23, 2015

MEMORANDUM

To: Senator Hansen

From: Joseph T. Kreye, Legal Section Administrator, (608) 266-2263

Subject: Technical Memorandum to **2015 SB 211** (LRB-2313/1) **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

July 22 2015

TO: Joseph Kreye
Legislative Reference Bureau

FROM: Michael Wagner
Michael Oakleaf
Department of Revenue

SUBJECT: Technical Memorandum on SB 211 (LRB 2313/1) - Making Companies that Outsource Jobs Ineligible for State Tax Benefits, Grants, and Loans

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

- Under proposed sec. 103.355(1)(b), "business" means an organization or enterprise operated for profit. A nonprofit can also receive loans and claim tax credits, and may also outsource work to another state or country. The author may wish to expand the definition to include not-for-profit entities.
- The bill would deny "any credit, deduction, exclusion, or exemption under ch. 71 for 5 years after the commission determines that the person has outsourced work to another state or country." This draft is unclear as to the intended effect if a sole proprietor outsources work and whether that would result in the denial of personal tax items such as the married couple credit or deductions for health expenses. Similarly, if the entity that outsources jobs is a partnership, tax-option corporation, or a limited liability company, the bill is unclear as to whether denials pertain only to the entity itself or if they are extended to the personal returns of the owners.
- Property tax exemptions under Chapter 70 are currently based on use and/or ownership. Outsourcing determination is not a criterion for exemption. The proposed denial of property tax exemptions based on outsourcing activities likely violates the uniformity clause of the Wisconsin Constitution.
- The bill does not contain any statutory mechanism to communicate outsourcing determinations of WJDRC to local assessors or DOR assessors. The bill also does not contain a timeline within which outsourcing determinations of WJDRC should be made to local assessors or DOR assessors so exemptions could be denied (prohibited). Without timely notification, local assessors and DOR would not be able to administer the property tax provisions of this bill.

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: Sen. Hansen