STATE OF WISCONSIN

REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS

2015 ASSEMBLY BILL 405

[Introduced by Representatives Petryk, Loudenbeck, Allen, Brandtjen, Czaja, Doyle, Edming, Genrich, Kahl, Kitchens, Kleefisch, Krug, Murphy, Mursau, Nerison, Novak, Nygren, A. Ott, Petersen, Sargent, Steffen, Stuck, Tranel, Weatherston, Zepnick and Ripp; cosponsored by Senators Marklein, Gudex, Cowles, Shilling, L. Taylor, Vinehout and Lassa;.]

General Nature of the Proposal

Assembly Bill 405 provides exemptions from certain taxes as well as certain state and local regulations relating to work performed by persons from outside the state in connection with a state of emergency declared by the Governor.

In particular, with regard to exemption from taxation, the bill exempts qualified persons from state income, franchise, and withholding taxes, as well as use tax imposed on tangible personal property and services purchased outside the state and brought to the state for disaster relief work.

The exemptions provided under the bill apply during a "disaster relief period" that begins 10 days before a declared state of emergency and ends 60 days after the state of emergency ends. A state of emergency may not last more than 60 days, unless extended by joint resolution of the Legislature.

The bill defines an out-of-state business to mean a business, whether operated for profit or not for profit, that is not organized under the laws of Wisconsin, and that, except for disaster relief work during the disaster relief period, was not doing business in Wisconsin during the three taxable years immediately preceding the disaster period or the taxable year in which the declared state of emergency occurs. Similarly, the bill defines an out-of-state employee to be an individual who does not work in this state, except for the qualified disaster relief work, and who, immediately prior to the disaster relief period, was not doing business in the state or performing services in the state that required the filing of a Wisconsin tax return.

In order to qualify for the exemptions under the bill, an out-of-state business or the employer of an out-of-state employee must provide notice and contact information to the Department of Revenue (DOR) that the business or employee is in the state solely to perform disaster relief work. DOR may examine the books and records of any business or employee that claims exemption from the state income, franchise, withholding or use tax.

Legality Involved

There are no issues of legality involved.

Fiscal Effect Upon the State and Its Subdivisions

Based on declarations of disasters in the six-year period from 2008 to 2013, DOR estimates that the bill would reduce tax collections by approximately $300,000 annually. However, the department also notes the unpredictable nature of disaster could cause the reduction in tax collections to vary dramatically from year to year. It indicates that, based on experience in the period of 2008 to 2013, the annual effect in reduction of tax collections could range from minimal to more than $1 million.

Public Policy Involved

The Joint Survey Committee on Tax Exemptions finds that the tax exemptions in 2015 Assembly Bill 405 are appropriate public policy.

10/22/15 ***JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS***