AN ACT to create 71.26 (2) (a) 13. and 71.34 (1k) (p) of the statutes; relating to:

creating an income and franchise tax deduction for interest on a loan secured by agricultural real estate.

Analysis by the Legislative Reference Bureau

This bill creates an income and franchise tax deduction for the interest received by a federally insured depository institution on a loan secured by agricultural real estate or by a leasehold mortgage, with the status as a lien, on agricultural real estate. The bill defines “agricultural real estate” to mean any of the following:

1. Real property located in Wisconsin that is substantially used for the production of agricultural products.
2. A single family residence that is the principal residence of its occupant, is purchased or improved with the loan’s proceeds, and is located in an area in Wisconsin that is outside a federal metropolitan statistical area and has a population of no more than 2,500.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

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

SECTION 1. 71.26 (2) (a) 13. of the statutes is created to read:
71.26 (2) (a) 13. Minus the interest received by an insured depository institution, as defined in 12 USC 1813 (c) (2), on a loan secured by agricultural real estate or by a leasehold mortgage, with the status as a lien, on agricultural real estate. The determination of whether property securing a loan is agricultural real estate shall be made at the time the interest is accrued. In this subdivision, “agricultural real estate” means any of the following:

a. Real property located in this state that is substantially used for the production of one or more agricultural products, as defined in s. 421.301 (4).

b. A single family residence that is the principal residence of its occupant, is purchased or improved with the proceeds of the loan, and is located in an area in this state that is outside a federal metropolitan statistical area and has a population that does not exceed 2,500.

SECTION 2. 71.34 (1k) (p) of the statutes is created to read:

71.34 (1k) (p) A subtraction shall be made by an insured depository institution, as defined in 12 USC 1813 (c) (2), for the interest received on a loan secured by agricultural real estate or by a leasehold mortgage, with the status as a lien, on agricultural real estate. The determination of whether property securing a loan is agricultural real estate shall be made at the time the interest is accrued. In this paragraph, “agricultural real estate” means any of the following:

1. Real property located in this state that is substantially used for the production of one or more agricultural products, as defined in s. 421.301 (4).

2. A single family residence that is the principal residence of its occupant, is purchased or improved with the proceeds of the loan, and is located in an area in this state that is outside a federal metropolitan statistical area and has a population that does not exceed 2,500.
SECTION 3. Initial applicability.

(1) This act first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31, this act first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.