

## PROPOSED ORDER OF THE DEPARTMENT OF REVENUE AMENDING AND CREATING RULES

The Wisconsin Department of Revenue proposes an order to: **amend** Tax 3.095 (4) (a) (title), (b) (title), 8., 11., 12., 16., 24., and 38., and (5) (b) 1., 12., 13., 15., 17., 22. and 23.; and **create** Tax 3.095 (4) (b) 18e., 18m., 18s., 21g., and 21r. and (5) (b) 17m.; **relating to** interest and dividend income received from exempt and taxable securities.

The scope statement for this rule, SS 072-17, was approved by the Governor on August 10, 2017, published in Register No. 740A2 on August 14, 2017, and approved by the Secretary of Revenue on August 31, 2017.

---

### *Analysis by the Department of Revenue*

**Statutes interpreted:** ss. 71.05 (1) (c) and 71.05 (6) (a) 1. and (b) 1., Stats.

**Statutory authority:** ss. 71.80 (1) (c) and 227.11 (2) (a), Stats.

**Explanation of agency authority:** Under s. 71.80 (1) (c), Stats., the department may make such regulations as it shall deem necessary in order to carry out chapter 71 of the Wisconsin Statutes, relating to income and franchise taxes.

Section 227.11 (2) (a), Stats., provides “[e]ach agency may promulgate rules interpreting the provisions of any statute enforced or administered by the agency, if the agency considers it necessary to effectuate the purpose of the statute...”

**Related statute or rule:** There are no other applicable statutes or rules.

**Plain language analysis:** Certain references to the Internal Revenue Code in s. Tax 3.095 are obsolete and there are additional exempt and non-exempt securities to be added. The objective of this rule order is to revise s. Tax 3.095 to update these references and add additional securities. Headings are also being revised to provide clarity.

**Summary of, and comparison with, existing or proposed federal regulation:** There is no existing or proposed federal regulation that is intended to address the activities to be regulated by the rule.

**Comparison with rules in adjacent states:** The department is not aware of a similar rule in an adjacent state.

**Summary of factual data and analytical methodologies:** Internal Revenue Code ss. 607, 1713, 1717, 1721, 1801, 2023, 2077, 2098, 3017, 1087-2, 1408a, 1701g-5a, 1715k, 1750c, 1795k, 2278b-10, 283h, 285h, and 286k-1 were used to update obsolete references to the Internal Revenue Code in s. Tax 3.095 (4) (b) and (5) (b). No other data was used in the preparation of this proposed rule order or this analysis.

**Analysis and supporting documents used to determine effect on small business:** This rule order makes changes to reflect current law and current department policy. It makes no policy or other changes having an effect on small business.

**Anticipated costs incurred by private sector:** This proposed rule order does not have a fiscal effect on the private sector.

**Effect on small business:** This proposed rule order does not affect small business.

**Agency contact person:** Please contact Jen Chadwick at (608) 266-8253 or [jennifer.chadwick@wisconsin.gov](mailto:jennifer.chadwick@wisconsin.gov), if you have any questions regarding this proposed rule.

**Place where comments are to be submitted and deadline for submission:** Comments may be submitted to the contact person shown below no later than the date on which the public hearing on this proposed rule is conducted. Information as to the place, date, and time of the public hearing will be published in the Wisconsin Administrative Register.

Jen Chadwick  
Department of Revenue  
Mail Stop 6-40  
2135 Rimrock Road  
P.O. Box 8933  
Madison, WI 53708-8933  
[jennifer.chadwick@wisconsin.gov](mailto:jennifer.chadwick@wisconsin.gov)

---

**SECTION 1.** Tax 3.095 (4) (a) (title) and (b) (title), 8., 11., 12., and 16. are amended to read:

Tax 3.095 (4) (a) (title) ~~Exempt state~~State, municipal and other government securities; exempt from Wisconsin income tax.

(b) (title) ~~Exempt federal~~Federal securities exempt from Wisconsin income tax.

8. Federal Farm Credit Banks Consolidated Systemwide Securities, 12 USC ~~2055~~2023.

11. Federal Intermediate Credit Bank debentures, 12 USC ~~2079~~2023.

12. Federal Land Bank Association bonds, notes and debentures, 12 USC ~~2055~~2098.

16. Financial Assistance Corporation bonds, notes and debentures, 12 USC ~~2278b~~2278b-10 (b).

**SECTION 2.** Tax 3.095 (4) (b) 18e., 18m., 18s., 21g., and 21r. are created to read:

Tax 3.095 (4) (b) 18e. General Insurance Fund debentures issued under the National Defense Housing Insurance, 12 USC 1750c (d).

18m. General Insurance Fund debentures issued under the Neighborhood Conservation Housing Insurance, 12 USC 1715k (h) (7).

18s. General Insurance Fund debentures issued under the Rental Housing Insurance, 12 USC 1713 (i).

21g. National Credit Union Central Liquidity Facility, 12 USC 1795k (b).

21r. Northern Mariana Islands, 48 USC 1801 and s. 607 (a) of the Covenant to Establish a Commonwealth of the Northern Mariana Islands.

**SECTION 3.** Tax 3.095 (4) (b) 24. and 38. and (5) (b) 1., 12., 13., 15., and 17. are amended to read:

Tax 3.095 (4) (b) 24. Production Credit Association ~~debentures obligations~~, 12 USC ~~2098~~2077.

38. Student Loan Marketing Association obligations, 20 USC ~~4087-21~~1087-2 (L).

(5) (b) 1. *Other taxable securities*. 1. Asian Development Bank bonds, 22 USC ~~290i-9~~285h.

12. Government National Mortgage Association, or Ginnie Mae, bonds, 12 USC ~~1720 and~~ 1721.

13. HUD/New Communities Program obligations, ~~42-12~~ USC ~~4514~~1701g-5a.

15. Inter-American Development Bank ~~bonds securities~~, 22 USC ~~283~~283h.

17. International Bank for Reconstruction and Development bonds, also known as World Bank bonds, 22 USC ~~286~~286k-1.

**SECTION 4.** Tax 3.095 (5) (b) 17m. is created to read:

Tax 3.095 (5) (b) 17m. National Consumer Cooperative Bank, 12 USC 3017 (c).

**SECTION 5.** Tax 3.095 (5) (b) 22. and 23. are amended to read:

Tax 3.095 (5) (b) 22. Virgin Islands Housing Authority bonds issued after January 28, 1987, 48 USC ~~1408 (a)~~1408a.

23. World Bank bonds, also known as International Bank for Reconstruction and Development bonds, 22 USC ~~286~~286k-1.

**SECTION 6.** EFFECTIVE DATE; GENERAL. This rule shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in s. 227.22 (2) (intro.), Stats.

DEPARTMENT OF REVENUE

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Peter W. Barca  
Secretary of Revenue

E:Rules/163 – Exempt and Taxable Securities/Chapter Tax3 Proposed Order