



## Legislative Fiscal Bureau

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TO: Members  
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: State Tax and Fee Modifications Included in 2015 Act 55

The attached table provides a brief description of each state tax and fee modification in 2015 Act 55 (the 2015-17 biennial budget act). The table consists of three parts: (1) tax increases and decreases; (2) fee increases and decreases; and (3) enhanced collection measures. Each entry in the table includes the agency name, a summary of the proposed modification, and an estimate of the revenue change due to the tax or fee modification.

In the table, GPR represents general fund revenue. Revenue to a program revenue account is signified by PR and SEG signifies revenue to a segregated fund. "Unknown" means that no estimate of the revenue impact is available at this time.

In summary, the changes included in Act 55 would increase net taxes by \$19,205,000 (\$30,145,000 in 2015-16 and -\$10,940,000 in 2016-17) and would increase net fees by \$10,046,600 (\$4,057,500 in 2015-16 and \$5,989,100 in 2016-17). In addition, it is estimated that measures included in AB 21 to enhance the collection of current taxes would generate an additional \$124,710,000 (\$35,270,000 in 2015-16 and \$89,440,000 in 2016-17).

The sum of these revenue changes for the 2015-17 biennium follows:

### Net Tax and Fee Changes

	<u>2015-16</u>	<u>2016-17</u>	<u>Total</u>
GPR	\$30,145,000	-\$10,940,000	\$19,205,000
PR	-258,600	297,900	39,000
SEG	<u>4,316,100</u>	<u>5,691,200</u>	<u>10,007,300</u>
TOTAL	\$34,202,500	-\$4,950,900	\$29,251,600

### Enhanced Collection Measures

	<u>2015-16</u>	<u>2016-17</u>	<u>Total</u>
GPR	\$35,270,000	\$89,440,000	\$124,710,000

	2015-16	2016-17	Fund Source
<b>TAX INCREASES</b>			
<b>GENERAL FUND TAXES</b>			
<b>Decrease Manufacturing and Agriculture (MAC) Credit Rate.</b> Decrease the MAC rate from 5.526% to 5.025% for tax year 2015.	\$16,800,000	\$0	GPR
<b>Repeal Exclusion for Job Creation.</b> Repeal the current law exclusion for businesses that increase employment in Wisconsin, effective in tax year 2015.	\$2,700,000	\$2,700,000	GPR
<b>Business Development Credit.</b> Sunset the refundable jobs tax credit and the nonrefundable economic development credit, and instead, create a refundable business development credit for tax years beginning after December 31, 2015. These changes would result in reduced credit payments estimated at \$2.25 million in 2015-16, \$5.75 million in 2016-17.	\$2,250,000	\$5,750,000	GPR
<b>Delay 2013 Act 229.</b> Move the effective date of 2013 Act 229 from July 1, 2015, to July 1, 2017. The act would permit certain lenders to receive sales tax refunds related to bad debt under specified circumstances.	\$10,700,000	\$11,100,000	GPR
<b>Angel and Early Stage Seed Credits.</b> Set the annual limit on the combined amount of angel and early stage seed credits that may be claimed at \$30 million. Under current law, up to \$20.25 million in angel credits and \$20.75 million in early stage seed credits may be claimed. Specify that WEDC cannot carryforward unused credits from prior years.	Minimal	Minimal	GPR
<b>Eliminate Exclusion for ATV Corridors.</b> Eliminate the individual income tax exclusion for payments received by landowners for permitting all-terrain vehicles (ATVs) on their property, effective in tax year 2015. Eliminate the corporate exclusion in tax year 2016.	Minimal	Minimal	GPR
<b>SUBTOTAL -- TAXES -- INCREASES</b>	\$32,450,000	\$19,550,000	GPR
<b>TAX DECREASES</b>			
<b>GENERAL FUND TAXES</b>			
<b>Increase Standard Deduction for Married Filers.</b> Increase the sliding scale standard deduction amounts and income phase-out ranges for married-joint and married-separate filers, effective in tax year 2016.	\$0	-\$20,900,000	GPR
<b>Federalize Minimum Tax Exemption Amounts.</b> Effective in tax year 2017, federalize the exemption amounts and exemption phase-out provisions for the alternative minimum tax. When fully implemented in the 2017-19 biennium, these provisions would reduce income tax collections by an estimated \$25.4 million in 2017-18 and \$29.9 million in 2018-19.	\$0	-\$6,000,000	GPR
<b>Deduction for Teachers' Purchases of School Supplies.</b> Adopt the federal deduction of up to \$250 for amounts spent by teachers to purchase school supplies for use in the classroom, effective in tax year 2015.	-\$1,100,000	-\$1,100,000	GPR

	2015-16	2016-17	Fund Source
<b>Historic Rehabilitation Tax Credit Certification Requirement.</b> Require the Wisconsin Economic Development Corporation (WEDC) to certify a person as eligible to claim a state historic rehabilitation tax credit for continuation of a multi-phase project located in the City of Green Bay.	-\$500,000	-\$500,000	GPR
<b>Qualified ABLE Accounts.</b> Adopt federal provisions allowing taxpayers to establish tax-preferred Achieving a Better Life (ABLE) accounts on behalf of disabled beneficiaries. Allow a state income tax deduction for amounts deposited into the accounts.	-\$310,000	-\$700,000	GPR
<b>College Savings Plan Modifications.</b> Increase and index the allowable account balance amount for tax-preferred college savings plans and modify state income tax exclusions and deductions for amounts contributed to the accounts and earnings on account balances.	-\$200,000	-\$900,000	GPR
<b>Internal Revenue Code (IRC) Update.</b> Update references to the IRC to generally refer to the code in effect on December 31, 2013.	Minimal	Minimal	GPR
<b>Qualified New Business Ventures.</b> Expand the types of businesses that could be certified as qualified new business ventures for purposes of the angel and early stage seed investment credits.	Minimal	Minimal	GPR
<b>Enterprise Zones.</b> Increase the number of enterprise zones that WEDC may designate from 20 to 30. Businesses that are certified by WEDC and operate in the zones may claim certain tax benefits. No fiscal effect is estimated for this provision in the 2015-17 biennium. However, the administration estimates that credit claims would increase by a total of \$193 million in fiscal years 2017-18 through 2026-27.	\$0	\$0	GPR
<b>Sales Tax Exemption for Deer Sold to Game Farms or Hunting Preserves.</b> Effective January 1, 2016, create a sales tax exemption for deer sold to game farms or hunting preserves.	-\$70,000	-\$140,000	GPR
<b>Sales at Distribution Facilities.</b> Clarify that operators of distribution facilities that sell taxable items on behalf of a third-party seller are not considered retailers for purposes of the sales tax. The third-party seller is responsible for collecting and remitting sales tax on such transactions.	Minimal	Minimal	GPR
<b>Manufacturing and Agriculture Credit Changes.</b> Allow manufacturers to claim the MAC if they have been approved to be classified as a manufacturer by the Department of Revenue (DOR) but will not be listed on the Department's manufacturing roll until January 1 of the following year. Clarify the IRC section that is used to identify allowable expenses when calculating qualified production activities income for purposes of the credit.	Minimal	Minimal	GPR
<b>Modify Definition of "Bona Fide Angel Investment."</b> Modify the definition of "bona fide angel investment" for purposes of the angel investment tax credit to include the purchase of a note or bond that is convertible to an equity interest.	Minimal	Minimal	GPR
<b>Impose Hard Cider Tax on Pear Cider.</b> Effective January 1, 2016, impose the hard cider tax (1.71 cents per liter) instead of the wine tax (6.605 cents per liter) on hard cider produced from pear juice.	-\$125,000	-\$250,000	GPR
<b>SUBTOTAL -- TAXES -- DECREASES</b>	-\$2,305,000	-\$30,490,000	GPR

	2015-16	2016-17	Fund Source
<b>FEE INCREASES</b>			
<b>CORRECTIONS</b>			
<b>Community Corrections Supervision Fees.</b> Delete statutory language authorizing Corrections to set community supervision fees with varying rates and exemptions, and instead authorize Corrections to charge a reasonable fee.	Unknown	Unknown	PR
<b>Interstate Compact Fee.</b> Authorize Corrections to charge an application fee for offender interstate compact transfer applications.	\$375,900	\$375,900	PR
<b>ENVIRONMENTAL IMPROVEMENT FUND</b>			
<b>Safe Drinking Water Loan Program Service Fee.</b> Authorize DNR and DOA to establish by rule, and jointly charge and collect service fees for safe drinking water loan program applications, which cover the estimated costs of reviewing and acting upon the application and servicing the financial assistance agreement. The safe drinking water loan program provides financial assistance to municipalities for the planning, design, construction, or modification of public water systems. No estimate of revenues is included in the bill.	Unknown	Unknown	SEG
<b>JUSTICE</b>			
<b>24/7 Sobriety Program Fees.</b> Authorize counties with a 24/7 sobriety program to assess a fee to program participants that the county determines would be sufficient to defray the operating costs of the program. The level of fee that will be established by each county with a 24/7 sobriety program is currently unknown. However, DOJ has authority to promulgate rules that would establish a fee setting standard for counties with a 24/7 sobriety program. Generally, revenue generated from 24/7 sobriety program fees would remain with the counties. However, the fee setting standard established by DOJ may include a component that would allow DOJ to recoup its costs of analyzing county data and preparing reports for the Legislature on 24/7 sobriety programs. The amount of fee revenue that DOJ will receive to recoup its costs is currently unknown. Any fee revenue that DOJ does receive from the counties with a 24/7 sobriety program would be deposited into an annual program revenue appropriation account. Act 55 appropriated \$0 annually to DOJ's 24/7 sobriety program PR appropriation.	Unknown	Unknown	PR
<b>NATURAL RESOURCES</b>			
<b>Parks and Forest Admission and Trail Fees.</b> Increase annual state park and forest vehicle admission fees by \$3, and resident and non-resident daily and bus admissions by \$1, effective January 1, 2016. Specify that the Department issue a state trail pass for a fee of \$5 for a daily (\$1 increase) and \$25 for an annual state trail pass (\$20 currently). The admission and trail fee increases would be expected to generate revenues of \$770,800 SEG in 2015-16 (\$628,300 parks account and \$142,500 forestry account) and \$1,410,500 in 2016-17 (\$1,090,500 parks account and \$320,000 forestry account).	\$770,800	\$1,410,500	SEG

	2015-16	2016-17	Fund Source
<p><b>Camping Fees.</b> Eliminate the references to Type A, B, and C campsites and specify that base fees for a campsite in Wisconsin be not less than \$15 but not more than \$20 per night for residents and not less than \$19 but not more than \$25 per night for nonresidents as determined by the Secretary of DNR. In addition, specify that the DNR Secretary may raise or lower the nightly camping rates by \$5 above or below these ranges. Further, specify that the additional nightly camping fee for electricity be \$10 (\$5 currently). The camping fee increases would be expected to generate revenues of \$2,665,000 SEG in 2015-16 (\$1,890,000 parks account and \$775,000 forestry account) and \$2,840,000 in 2016-17 (\$2,015,000 parks account and \$825,000 forestry account).</p>	\$2,665,000	\$2,840,000	SEG
<p><b>Delete Class B Bear License.</b> Delete the Class B bear license, increase the Class A bear application fee from \$3 to \$4.50, and clarify that the 25¢ issuing fee applies to the Class A bear license. In addition, specify that no license is required to conduct the activities that a Class B license would have previously been required to conduct. The deletion of the Class B bear license is expected to result in an estimated loss in revenue of approximately \$115,000 SEG annually to the fish and wildlife account of the conservation fund, and the increased application fee is expected to generate increased revenue to the fish and wildlife account of approximately \$150,000 SEG annually.</p>	\$35,000	\$35,000	SEG
<p><b>Antique Snowmobile Registration.</b> Specify that antique snowmobile registrations be valid for three years (rather than two) beginning with registrations issued on the effective date of the bill. In addition, specify that there is no fee for a trail use sticker issued for a snowmobile that has a model year that is at least 35 years (rather than 30) earlier than the year in which the trail use sticker is issued. (The bill would make the provisions consistent with other changes made in the 2013 legislative session.) Estimate annual increased trail pass revenues of \$158,000 and decreased registration revenues of \$38,000.</p>	\$120,000	\$120,000	SEG
<p><b>Ballast Water Discharge Fees.</b> Repeal the December 31, 2015, sunset on ballast water discharge permit fees, making the fees permanent. The fees are deposited in a program revenue appropriation for administration of the ballast water discharge program. DNR issued a general permit for large ships that travel between Great Lakes ports, that regulates the discharge of ballast water into the Great Lakes. A person must pay a \$1,200 application fee for a vessel to be covered by the general permit, and an annual fee of \$345 to be paid upon initial coverage under the permit, and annually thereafter.</p>	\$86,500	\$173,000	PR
<p><b>PUBLIC INSTRUCTION</b></p>			
<p><b>BadgerLink Funding.</b> Provide funding above the base level of \$2,596,500 for the service that provides online access to full text newspapers, magazines, reference books, literature, and other print publications for state residents. Provide that funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.</p>	\$245,300	\$305,700	SEG

	2015-16	2016-17	Fund Source
<b>TRANSPORTATION</b>			
<b>Safe-Ride Program Surcharge.</b> Require that when a court imposes a fine or a forfeiture for a violation of operating while intoxicated laws that currently require a \$435 driver improvement surcharge that it shall also impose a separate \$50 surcharge, called the "safe-ride program surcharge," first applying to offenses committed on the effective date of the bill. The revenue from this surcharge will be used to support the safe-ride grant program, which awards grants to local governments and non-profit organizations for the purpose of covering the costs of transporting persons suspected of having a prohibited blood alcohol concentration.	\$470,000	\$940,000	PR
<b>WISCONSIN ECONOMIC DEVELOPMENT CORPORATION</b>			
<b>Angel and Early Stage Seed Credits.</b> Increase the fee charged by WEDC when an early stage seed credit (or an angel credit under another provision of the bill) is transferred to another person from 1% of the transferred credit amount to not more than 5%.	Minimal	Minimal	WEDC
<b>WORKFORCE DEVELOPMENT</b>			
<b>Unemployment Insurance Fraud Surcharge.</b> Increase from 15% to 40%, the surcharge on the benefit payments erroneously paid to unemployment insurance claimants relating to fraudulent information provided or withheld (concealment) beginning on the day after publication of the budget act. Surcharge revenues are credited to the segregated unemployment program fund.	\$470,000	\$980,000	SEG
<b>SUBTOTAL -- FEES -- INCREASES</b>	\$5,248,500 (\$932,400) (\$4,316,100)	\$7,180,100 (\$1,488,900) (\$5,691,200)	Total PR SEG
<b>FEE DECREASES</b>			
<b>AGRICULTURE, TRADE AND CONSUMER PROTECTION</b>			
<b>Bulk Milk Tanker Licenses.</b> Repeal requirements that trucks engaged in hauling of bulk milk, known as bulk milk tankers, obtain an annual license from DATCP. Under current law, bulk milk tanker license fees are set at \$45 annually by administrative rule. The bill would maintain requirements for bulk milk tankers to hold a permit for hauling Grade A milk; DATCP is generally not authorized to charge haulers fees for Grade A permits.	-\$150,000	-\$150,000	PR
<b>CHILDREN AND FAMILIES</b>			
<b>Filing Fee for Voluntary Acknowledgments of Paternity.</b> Eliminate the filing fee to commence certain actions affecting the family for a child for whom paternity has been established by way of a voluntary acknowledgment of paternity. The Department of Children and Families (DCF) indicates the fee is not currently being collected.	Minimal	Minimal	GPR/PR

	2015-16	2016-17	Fund Source
<b>HEALTH SERVICES</b>			
<b>Health Care Provider Fees for Data Collection.</b> Repeal a provision that requires DHS to assess an annual fee of up to \$75 on health care providers, other than hospitals and ambulatory surgical centers, to fund data collection activities under Chapter 153.	-\$1,033,600	-\$1,033,600	PR
<b>TRANSPORTATION</b>			
<b>Initial Issuance of Nonprobationary Driver Licenses.</b> Modify the fee and valid period for the original licenses issued to persons over 21 moving to Wisconsin and those entitled to a license under a foreign reciprocity agreement from \$18 for a three-year license to \$24 for an eight-year license. Although this represents a decrease in the fee per year from \$6 to \$3, in the biennium DOT projects additional revenues of \$108,600 in 2015-16 and \$217,200 in 2016-17 due to the increase in the up-front amount.	See Text	See Text	SEG
<b>Waiver of Various Fees for Holders of Military Commercial Driver Licenses.</b> Waive the original issuance and renewal fees for a commercial driver license, the original issuance and renewal fees for any endorsement, and the additional \$10 issuance fee applied to any license, endorsement, or instruction permit issued by DOT.	-\$7,400	-\$7,400	SEG
<b>SUBTOTAL -- FEES -- DECREASES</b>	-\$1,191,000	-\$1,191,000	PR
<b>ENHANCED COLLECTION MEASURES</b>			
<b>CHILDREN AND FAMILIES</b>			
<b>Tax Intercept of Delinquent Child Support Fees.</b> Permit DCF to report delinquent payments of child support centralized receipt and disbursement (CR&D) fees to DOR for offset against tax refunds in cases in which the child support payee does not receive services from county child support agencies. Under current law, tax intercept is only used to collect delinquent CR&D fees if the support payee is receiving services from a county child support agency or if the state is a real party in interest.	Minimal	Minimal	PR
<b>REVENUE</b>			
<b>Expand Auditing Activity.</b> Provide 102.0 positions annually to increase auditing activity and tax collections. The administration estimates that the new positions would cost \$11.8 million GPR in 2015-16 and \$13.6 million GPR in 2016-17, and that the increased audit and tax collection efforts would result in additional tax revenues of \$31.5 million in the first year and \$82.0 million in the second year. Require DOR to report on enhanced collections from these additional positions over the next five state fiscal years.	\$31,500,000	\$82,000,000	GPR



	2015-16	2016-17	Fund Source
<b>Expand Statewide Debt Collection.</b> Provide 11.0 revenue agent positions in each year for the statewide debt collection program to improve the collection of debts owed to state agencies and local governments. DOR charges a fee for its collection activities, which is deposited into a program revenue appropriation account. At the end of each fiscal year, any remaining funds in the account are transferred to the general fund. DOR estimates that the new positions would generate additional fees of \$4.6 million in 2015-16 and \$8.4 million in 2016-17. After deducting the cost of the new positions (\$0.8 million in 2015-16 and \$0.9 million in 2016-17), it is estimated that the remaining fee revenue (\$3.8 million in 2015-16 and \$7.4 million in 2016-17) would transfer to the general fund.	\$3,770,000	\$7,440,000	GPR
<b>Sales Tax Nexus Provisions.</b> Add certain provisions of the administrative code regarding the definition of "retailer engaged in business in this state" to the statutes, and clarify the existing statutory definition. Retailers that are engaged in business in Wisconsin under the nexus statutes must collect and remit the sales or use tax on their taxable sales to Wisconsin residents.	Minimal	Minimal	GPR
<b>Tax Intercept Program.</b> Specify that no person has any right to, or interest in, any overpayment, refundable credit, or refund, including any interest allowed, until setoff against debts owed to states, localities, the Internal Revenue Service (IRS), and tribes have been satisfied. The administration indicates that this change is necessary to maintain the existing hierarchy of debt offsets. Without this change, certain state tax liabilities would be moved behind debts owed to the IRS in the hierarchy.	Minimal	Minimal	GPR
<b>Auctions of Delinquent Taxpayer Property.</b> Allow agents of DOR, or third-parties engaged by such agents, to sell personal property that has been seized for nonpayment of income or franchise taxes in any county. Specify that the sale need not occur between the hours of 9 a.m. to 5 p.m. and that during the sale the property does not have to be in view of those attending the sale. These changes would allow internet sales of such property. The sales would have to be made in the manner that DOR believes would bring the highest net bid or price.	Minimal	Minimal	GPR
<b>Debt Collection Agreements with Counties.</b> Provide that a county board, or a clerk of circuit court authorized by a county board, may enter into a written agreement with DOR to have the Department collect any amount owed to the county that is more than 90 days past due. Require DOR to charge each debtor, whose debt is subject to collection by the Department, a collection fee (rather than administrative expenses) to be credited to DOR's PR appropriation for debt collection fees. These changes are intended to clarify that DOR is not subject to the Wisconsin Consumer Act when collecting debts owed to the state or to local units of government.	Minimal	Minimal	GPR
<b>SUBTOTAL -- ENHANCED COLLECTION MEASURES</b>	\$35,270,000	\$89,440,000	GPR