
Wisconsin Legislative Council

AMENDMENT MEMO



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2021 Senate Bill 2

**Senate
Amendments 3 and 4**

2021 SENATE BILL 2

2021 Senate Bill 2 makes a number of changes to tax administration laws at the request of the Department of Revenue (DOR). In summary, the bill:

- Modifies certain shared revenue payments and Consumer Price Index (CPI) calculation dates.
- Reduces the reporting threshold for taxes on property omitted from assessment from \$5,000 to \$250.
- Increases the fee for filing a manufacturing property objection to assessment from \$45 to \$200.
- Alters the filing and determination dates for railroad companies to match that of other utilities.
- Decreases the interest paid on license fees paid by utilities from nine percent to three percent.
- Modifies annual training requirements for members of local boards of review.
- Permits DOR to determine fees for assessor certification based on actual cost, not to exceed \$75.
- Clarifies that the leasing of all or part of any property owned by a tax-exempt church or religious association or institution to an educational association or institution that is similarly tax exempt under Wisconsin law does not render the property taxable, regardless of how the lessor uses the leasehold income.
- Replaces certain obsolete references to the Internal Revenue Code (IRC) related to the disability income subtraction.
- Defines “earned income” and clarifies “primary income from farming” for the purposes of the homestead credit.
- Increases the time for providing corrections to DOR in relation to DOR final audit determinations from 90 days to 180 days.
- Modifies the historic rehabilitation tax credit transfer procedure to permit a person to file a claim in more than one year.
- Adopts various provisions of the IRC for the purposes of state income and franchise taxes.
- Modifies existing provisions and eliminates obsolete provisions related to the medical care insurance subtraction for self-employed individuals.
- Permits an individual to elect not to claim the qualified retirement plan exemption if it would result in the taxpayer receiving a larger homestead credit.

- Creates a sales and use tax exemption for certain property sold to and stored, used, or otherwise consumed by a construction contractor that, in fulfillment of a construction activity, becomes a component of a facility located in Wisconsin that is owned by the University of Wisconsin Hospital and Clinics Authority.
- Clarifies that the sales tax transfer exemption applies without regard to whether a service is taxable.
- Modifies the sales and use tax exemption for churches, religious organizations, and certain specific nonprofit organizations to conform to DOR's current administrative practices.
- Alters the sales tax collection standard for out-of-state retailers from \$100,000 in sales or more than 200 sales transactions to \$100,000 in sales.
- Allows the Legislative Audit Bureau to examine DOR sales and use tax returns for the purposes of carrying out its duties.
- Eliminates the restriction under current law that prohibits a county treasurer from paying town funds to the town treasurer at certain times of the year.

SENATE AMENDMENT 3

Generally, Senate Amendment 3 adopts certain provisions relating to the IRC from the Consolidated Appropriations Act of 2020. In summary, the provisions determined to have a fiscal impact, by DOR, are as follows:

- Changes various Flexible Spending Account (FSA) provisions including a change that treats FSAs and Dependent Care Flexible Spending Accounts as cafeteria plans.
- Allows members of qualified volunteer emergency response organizations to exclude qualified payments from income.
- Exempts interest cost related to the capitalization of beer, wine, and distilled spirits.
- Extends the exclusion for certain employer payments of student loans until December 31, 2025.
- Modifies the minimum rate of interest in relation to the cash value accumulation test.
- Modifies tax treatment of certain early withdrawals from retirement plans and extends the due date on certain loans from qualified retirement plans.
- Modifies certain provisions related to qualified charitable contributions made by corporations including certain changes related to qualified disaster relief contributions.
- Increases the amount of personal casualty loss allowed due to a qualified disaster.
- Excludes emergency financial aid grants issued to students from the recipient's gross income, except those portions of the grants which represent payments for teaching, research, or other services.
- Allows employers to terminate the transfer period related to a qualified future transfer from a pension plan to a health benefit or life insurance account if the termination occurs no later than December 31, 2021.
- Modifies the Alternative Depreciation System for certain residential rental properties.
- Makes the medical expense deduction floor for itemized deduction 7.5 percent of adjusted gross income.

- Extends changes to the limitation on charitable contribution deductions for individuals who itemize and for corporations through 2021.

Senate Amendment 3 does not include provisions from the Consolidated Appropriations Act of 2020 that relate to the federal tax treatment of Paycheck Protection Program (PPP) loans, Economic Injury Disaster Loans, Shuttered Venue Operators Grants, or Payment Assistance Loans.

SENATE AMENDMENT 4

Senate Amendment 4 aligns the state tax treatment of PPP loans with the federal tax treatment of PPP loans as described in the Consolidated Appropriations Act of 2020. Specifically, this amendment allows loan recipients to:

- Exclude forgiven PPP loans from their taxable state income.
- Deduct qualified expenses paid for using PPP loans from their state taxable income.

BILL HISTORY

Senator Marklein offered Senate Amendment 3 on February 3, 2021. Senators Stafsholt, Roth, Bradley, Darling, Jacque, Wanggaard, and Testin offered Senate Amendment 4 on February 3, 2021.

On February 4, 2021, the Senate Committee on Financial Institutions and Revenue voted to recommend adoption of Senate Amendment 3 on a vote of Ayes, 5; Noes, 0, and adoption of Senate Amendment 4 on a vote of Ayes 3; Noes, 2. The committee then voted to recommend passage of Senate Bill 2, as amended, on a vote of Ayes, 3; Noes, 2.

PC:jal