

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

**Committee on
Agriculture and
Insurance
(SC-AI)**

File Naming Example:

Record of Comm. Proceedings ... RCP

- 05hr_AC-Ed_RCP_pt01a
- 05hr_AC-Ed_RCP_pt01b
- 05hr_AC-Ed_RCP_pt02

Published Documents

➤ Committee Hearings ... CH (Public Hearing Announcements)

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Record of Comm. Proceedings ... RCP

➤ **

*Information Collected By
Committee Clerk For Or Against
Proposal*

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

**

➤ Hearing Records ... HR (bills and resolutions)

➤ **05hr_ab0646_SC-AI_pt01**

➤ Miscellaneous ... Misc

➤ **

Vote Record Committee on Agriculture and Insurance

Date: 11-28-05

Moved by: Brown

Seconded by: Kedzie

AB 640 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

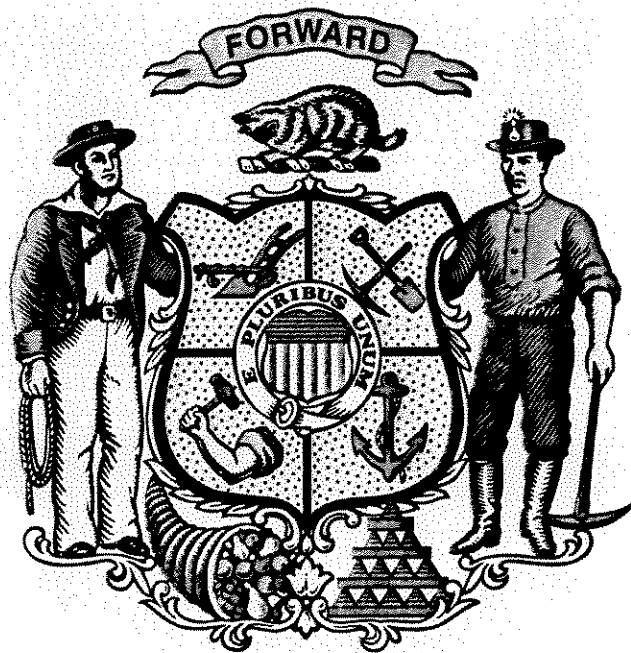
A/S Amdt _____
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 A/S Sub Amdt _____
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- Be recommended for:
- Passage Adoption Confirmation Concurrence Indefinite Postponement
 - Introduction Rejection Tabling Nonconcurrence

| Committee Member | Aye | No | Absent | Not Voting |
|----------------------------|-------------------------------------|-------------------------------------|--------------------------|--------------------------|
| Senator Dan Kapanke, Chair | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Senator Neal Kedzie | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Senator Ronald Brown | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Senator Luther Olsen | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Senator Jon Erpenbach | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Senator David Hansen | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Senator Mark Miller | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Totals: _____ _____ _____ _____

Motion Carried Motion Failed





State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

Senate Committee on Agriculture and Insurance Hearing, October 26, 2005

ASA1, as amended, to AB 646 – Exempting from Sales and Use Tax Purchases of Tangible Personal Property Used in Farming and Forestry (Committee on Agriculture)

Description of Current Law and Proposed Change

Under current law, most inputs used exclusively and directly in the business of farming are exempt from sales and use tax. The law identifies these exempt inputs specifically; they include tractors and machinery, accessories and parts for such equipment; auxiliary power generators, bale loaders, barn cleaners and other devices; seeds, plants, feed, fertilizer and other inputs; semen for artificial insemination of livestock; and fuel and electricity.

In addition, current law exempts from sales tax specific types of off-highway, heavy logging equipment such as feller bunchers, slashers, delimiters, chippers, hydraulic loaders, loaders, skidder-forwarders, skidders, timber wagons and tractors used exclusively and directly in the harvesting or processing of raw timber products in the field by a person in the logging business. Hand tools such as axes, chains, chain saws and wedges are not exempt under current law.

This bill exempts from sales and use tax purchases of lubricants, nonpowered equipment, and other tangible personal property that is used exclusively and directly, or is consumed or loses its identity in the business of farming or forestry (silviculture).

Fairness/Tax Equity

- The sales and use tax exemptions under the bill would narrow the tax base, thereby shifting more of the cost of public services to remaining taxpayers. Agriculture already enjoys substantial sales, income, and property tax breaks and benefits from a variety of government programs directed at the industry.
- Current law lists items that are exempt from tax. In contrast, the bill provides a broad catchall exemption for personal property used exclusively and directly, or is consumed or loses its identity in the business of farming or forestry. Vendors would have no way of knowing how an item would be used and whether it is exempt – for example, a hoe may be purchased by farmer or a backyard gardener. Issuing sales tax exemption certificates to all who might claim to be a farmer or forester may result in abuse of those certificates.
- Most states, including Wisconsin, provide sales tax exemptions for farmers and typically list the specific goods and services that are exempt. Connecticut, alternatively, provides a broad exemption but applies parameters to clarify who may claim the exemptions. In general, Connecticut exempts personal property used in agricultural production if the farmer has a gross income from agricultural production greater than \$2,500 and the farmer materially participates in the agricultural production.

Impact on Economic Development

- By reducing their costs of production, the exemption may enhance the ability of Wisconsin farmers and foresters to compete with those of other states. In addition, the exemption may motivate investment in agricultural or forestry activities.

Administrative Impact/Fiscal Effect

- Based on reported agricultural expenditures, the bill would decrease state sales taxes by an estimated \$3.7 million and county and stadium sales taxes by \$0.2 million per year.
- A technical concern with the bill is that it is unclear whether the insertion of the phrase "or are consumed or lose their identities" removes the exclusive and direct use requirement for tractors, machines or other tangible personal property (p. 2, lines 2-3). For example, a tool used to repair a tractor is not used directly in farming, and does not qualify for exemption under current law. Under the bill, it is not clear whether such a tool is "consumed" in farming and so qualifies for exemption. If the intention is to remove the direct use requirement, it would be preferable to delete "and directly" from sec. 77.54 (3) (a) rather than adding "or are consumed or lose their identities" to prevent the uncertainty described above.

DOR Position

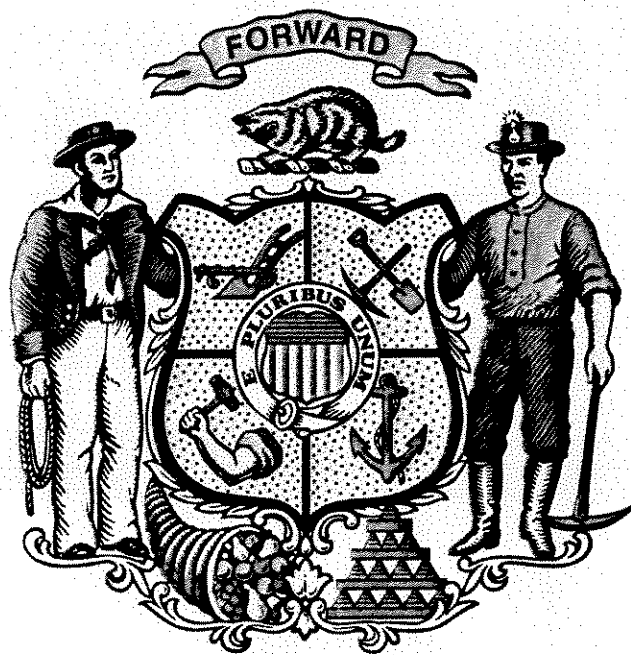
Oppose.

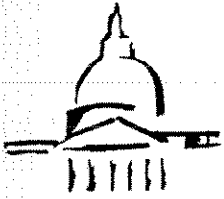
Prepared by: Blair Kruger, (608) 266-1310

October 24, 2005

BK:skr

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JOHN AINSWORTH

STATE REPRESENTATIVE • 6TH ASSEMBLY DISTRICT

CHAIRMAN:

COMMITTEE ON TRANSPORTATION

MEMORANDUM

To: Chairman Dan Kapanke
Senate Agriculture & Insurance Committee

From: John Ainsworth *JA*

Subject: Committee Scheduling Request

Date: November 10, 2005

A bill which I have authored, Assembly Bill 646 relating to the creation of a sales and use tax exemption for materials used in farming, is before the Senate Agriculture and Insurance Committee. The bill received a public hearing on October 26, 2005, but has yet to be scheduled for executive committee action.

I would like to respectfully request that Assembly Bill 646 be scheduled for a vote before the Committee at your earliest possible convenience. As indicated during the public hearing, A.B. 646 was unanimously recommended for passage by the Assembly Agriculture Committee and recommended for passage by the full Assembly on a voice vote.

Thank you, in advance, for your consideration of my request.