 **07hr_ab0732_AC-Ag_pt01**



Details:

(FORM UPDATED: 07/12/2010)

**WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS**

2007-08

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on ... Agriculture (AC-Ag)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**
- Record of Comm. Proceedings ... **RCP**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt**
- Clearinghouse Rules ... **CRule**
- Hearing Records ... bills and resolutions
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Vote Record Committee on Agriculture

Date: 2/12/08

Moved by: Vruwink

Seconded by: Garthwaite

AB 1732 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt LBO 1193

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Murtha	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Mursau	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gary Tauchen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Phil Garthwaite	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Andy Jorgensen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 10 0 1 _____

Motion Carried

Motion Failed

Vote Record Committee on Agriculture

Date: 2/12/08

Moved by: Williams

Seconded by: Murtha

AB 732

SB _____

Clearinghouse Rule _____

AJR _____

SJR _____

Appointment _____

AR _____

SR _____

Other _____

A/S Amdt LRBA 1193

A/S Amdt _____ to A/S Amdt _____

A/S Sub Amdt _____

A/S Amdt _____ to A/S Sub Amdt _____

A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Murtha	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Mursau	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gary Tauchen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Phil Garthwaite	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Andy Jorgensen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 10 0 1 _____

Motion Carried

Motion Failed

Vote Record Committee on Agriculture

Date: 2/12/08

Moved by: M. Williams Seconded by: Vruwink

AB 732 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
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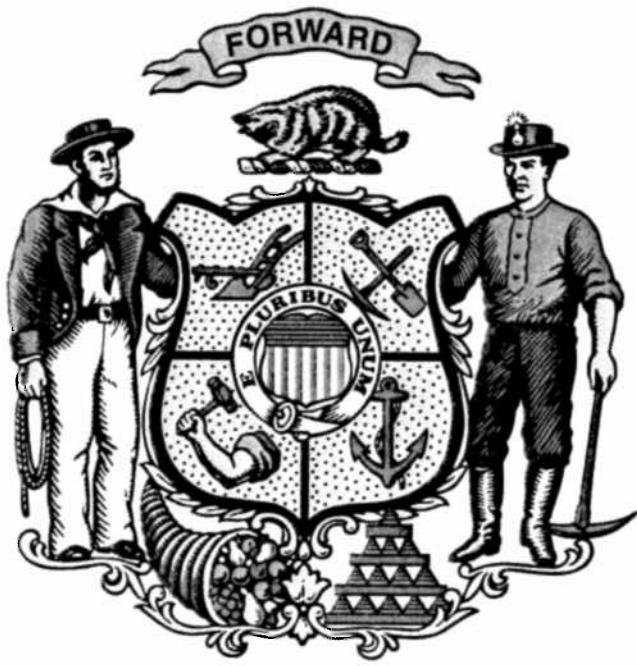
Be recommended for:

- Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrence

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Alvin Ott, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Lee Nerison	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative John Murtha	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Mursau	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Mary Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Gary Tauchen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Barbara Gronemus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Amy Sue Vruwink	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Louis Molepske	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Phil Garthwaite	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Andy Jorgensen	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>10</u>	<u>0</u>	<u>1</u>	<u> </u>

Motion Carried

Motion Failed





State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK RD. • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933
PHONE (608) 266-6466 • FAX (608) 266-5718 • <http://www.revenue.wi.gov>

Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Assembly Agriculture Committee Hearing, February 7, 2008

AB 732 - Meat Processing Facility Investment Credit (Rep. A. Ott)

Description of Current Law and Proposed Change

This bill allows a refundable credit equal to 10% of the amount paid in the taxable year for meat processing modernization or expansion related to the claimant's meat processing operation. "Meat processing modernization or expansion" means constructing, improving, or acquiring buildings or facilities, or acquiring equipment for meat processing if acquired and placed in service in Wisconsin during taxable years that begin after December 31, 2008, and before January 1, 2017. The aggregate credit that a taxpayer may claim for all taxable years is \$200,000. The Department of Commerce must certify the taxpayers as eligible for the credit and determine the amount of credits to allocate to each. The maximum amount of credit that Commerce may allocate to all claimants is \$300,000 in FY 2010 and \$700,000 in all subsequent fiscal years.

Fairness/Tax Equity

- Only businesses engaged in processing meat products are eligible for the credit. The credit is not available to businesses in other industries.

Impact on Economic Development

- The credit provides an incentive for expansion and modernization in the meat processing industry, which could result in the creation of jobs and could enhance the competitiveness of the industry.

Administrative Impact/Fiscal Effect

The fiscal effect of the bill is estimated to be \$300,000 in FY 2010 and \$700,000 in fiscal years 2011 through 2017, the maximum annual allocation amounts in the bill.

The Department has the following technical concerns with the above referenced bill:

- Generally, a taxpayer who claims a credit must add the credit amount to income for tax purposes so the taxpayer does not receive a double benefit for the same activity. This bill does not contain a provision to add the credit amount to the claimant's income. The dairy manufacturing facility investment credit, which is similar to this one, has such a provision. If the author's intent is to administer this credit in the same manner as the dairy manufacturing facility investment credit, the bill should be amended to require that the credit be added back to income.

- As with other credits administered by the Department of Commerce, the bill could require the taxpayer to attach a copy of the certification and credit allocation from Commerce to the tax return for the year on which the credit is claimed. Alternatively, this requirement could be included in the administrative rules promulgated by the Department of Commerce.

DOR Position

- Support

Contact: Sherrie Gates-Hendrix, (608) 267-1262

MO:kg

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TP Meat Processor Investment Tax Credit and Dairy Plant Cooperative Tax Credit
Secretary Rod Nilsestuen
Remarks to legislature
Feb. 7, 2008

AB 732?

Thank you for inviting me here today to discuss the bold steps we are taking to strengthen and grow our economy. I want to thank you for your work over the last five years to support and modernize Wisconsin agriculture. More than ever we need your effort to help grow Wisconsin while preserving who we are in this state.

Agriculture defines our heritage, but it must shape our future as well.

We have much to celebrate today. Wisconsin agriculture is the bright spot on the 2008 economic outlook.

That is good news for the state because agriculture generates \$51 billion in economic activity and provides jobs for close to half a million people.

- **Milk production at a 17-year high** - increased by nearly 2 billion pounds or nearly 9 percent between 2004 and 2007.
- **Record cheese production.** Wisconsin cheese production set a new record in 2006, producing nearly 2.5 billion pounds of cheese, accounting for 26 percent of the national cheese market. *(Note: 2007 numbers coming out end of April...second highest in history...1 percent lower 2006.)*
- **Record high-end specialty cheese production.** Today more than 80 of the state's 115 cheese plants make at least one type of specialty cheese, accounting for almost half of the U.S. specialty cheese market in the U.S. – an all time high.
- **Record dairy exports.** Cashing in on world demand for whey, the dollar value of Wisconsin dairy exports increased more than 100 percent in the first nine months of 2007 compared to the same period the year before. *(Note: 2007 ag export numbers mid February.)*
- **Record investments by Wisconsin dairy farms.** Wisconsin's 14,000 family dairy farms have invested about \$1 billion to modernize in the past 5 years and report plans to invest more than \$1 billion in the coming 5 years.
- **Record investments by Wisconsin dairy plants.** Since 2004, Wisconsin's dairy processors have invested an estimated \$500 million to modernize; opened 23 new dairy plants and expanded 45 more. At least six additional specialty dairy plants are poised to open in 2008.
- **Record number of organic farms.** Organic farming in Wisconsin has risen by more than 90 percent in the last five years, according the U.S. Department of Agriculture. Wisconsin's entire organic industry - from processors to businesses to farms - has grown by 17 percent in the last year alone. Wisconsin leads the nation in organic dairy and livestock.

- **Fewer dairy farms leaving the business.** The rate of dairy farm loss has been reduced by two-thirds in the last 5 years. One month, the total number of dairy farms was down by only one.
- **Wisconsin's 1200 licensed cheese makers.** They craft more than 600 varieties of cheese, more than any other state or nation, and win more championship cheese awards than any other state. In 2007 Wisconsin brought home 60 percent of the best of class awards in the United States Cheese Championship.

These significant benchmarks did not occur in a vacuum. They are the fruits of a focused, strategic, bi-partisan, effort to re-invigorate dairy led by Governor Jim Doyle. The value-added dairy initiative's Grow Wisconsin Dairy Team and Dairy Business Innovation Center; the dairy investment tax credit; expansion of the use-value tax; and the livestock siting law all helped create the momentum we are feeling today.

We must continue the momentum.

Governor Doyle has announced new steps in our Next Generation of Agriculture plan to keep dairy farms in business and give farmers more tools to keep Wisconsin the best place to farm.

I am here today to urge support for two specific bills:

The meat modernization investment tax credit bill and the dairy plant cooperative tax credit bill.

Meat plant modernization tax credit

Wisconsin's livestock and meat sector generates \$12.3 billion for the state's economy annually, employs 19,400 people directly and 88,000 people indirectly.

Two factors are inhibiting growth in this important segment of the economy:

One is the outdated federal interstate meat shipment law.

The second is the capacity of our meat plants.

We are about to change the first at the federal level with a provision in the farm bill.

You have within your power to change the second by voting for the meat modernization tax credit.

The timing of these two changes creates a business climate that will allow the state's world-renowned meat industry to grow.

Two thirds of Wisconsin's 300 state-inspected meat processors surveyed said they want to expand if the ban on interstate meat shipment is lifted.

The meat modernization tax credit positions them to do so.

The meat modernization tax credit will generate revenue for the state by:

- Expanding markets for local farmers who provide almost all of the meat processed in local plants.
- Adding value to local livestock here at home instead of shipping them across state borders for processing. *Wisconsin has no large pork processors, for example, although we produce some of the world's best pork.*
- Keeping business on Main Street strong. The goal of the local food movement is to capture 10 percent of the Wisconsin food budget – creating tremendous synergy with those who raise and process Wisconsin's award-winning meats.

We need you to support this focused, targeted investment tax credit to help the state's 300 meat processors modernize and expand.

You will recall that in the first year of the dairy investment tax credit 40 percent of our farmers participated. Within two years the \$50,000 tax credit directly resulted in \$500 million private re-investment.

These investments positioned our dairy farmers to take advantage of record high milk prices. Today our dairy farmers are expanding, paying off loans and planning for the future.

The meat modernization tax credit echoes this successful strategy – By investing \$1 million as tax credits, we can leverage \$10 million in private investment - expand markets, increase processing capacity, and add value to Wisconsin livestock.

Dairy plant cooperative tax credit

Dairy is the state's signature industry and generates more than \$20 billion a year for the state's economy. Each dairy cow creates \$17,000 a year for the local economy.

Modernizing and expanding the state's dairy plants is the next and logical step in re-invigorating the state's dairy industry.

The state budget recognizes this important fact and creates a dairy plant investment tax credit program.

Now we must amend the dairy plant investment tax credit program created in the state budget to include dairy plant cooperatives.

We estimate between 60 - 65 cooperative owned processing or transfer stations can not take advantage of this credit and streamline their operations.

We must assure a simple, united program that will enable both private and cooperative cheese plants to modernize and expand. We must:

- Continue the Dairy Plant Investment tax credits
- Create new cheese cooperative tax credits

Each invests \$1.3 million to leverage \$13 million private investment

Non-coops will be able to claim up to \$600,000 in 2007 tax credits; \$700,000 in 2008-2014.

Cooperatives will be able to claim up to \$600,000 in 2009 tax credits; \$700,000 in 2010-2016.

The cooperative tax credit will filter down to member dairy producers who will be able to apply their share of the credit to their own income tax.

The cooperative tax credit will generate revenue for Wisconsin by helping cooperatives:

- re-invest in their plants
- modernize, expand and streamline
- share tax credits with member farmers
- keep jobs in Wisconsin
- Increase production

I want to recognize Representative Al Ott for his leadership on this important legislation.

Thank you.





JOHN P. STEINBRINK

STATE REPRESENTATIVE ■ SIXTY-FIFTH ASSEMBLY DISTRICT

February 7, 2008

Representative Al Ott
Chair, Assembly Agriculture Committee
323 North
State Capitol
INTER-DEPARTMENTAL

RE: Assembly Bills 732 & 763

Dear Chairman Ott:

Unfortunately, I will not be able to attend today's hearing on important legislation to provide incentives to build on our state's agriculture industry.

However, I do want to register my strong and continued support for AB 732 and 763, legislation that can build on the successful dairy facility modernization tax credit by allowing dairy cooperatives to participate and with a similar program for meat processors. With meat processors employing tens of thousands in our state and cooperatives processing the majority of our milk supply and producing half of the cheese, these are vital components of our state's economy.

These credits designed to aid modernization and investment can provide a needed shot in the arm to these important industries and employers, and I appreciate the committee's prompt consideration as we enter the closing months of our session.

I look forward to continuing to work with you, the administration and our colleagues on these important economic development initiatives and apologize for the fact that I am unlikely to be able to attend today's hearing.

Thank you for your time and consideration, and best wishes.

Sincerely,

JOHN STEINBRINK
State Representative
65th Assembly District

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8640 88TH AVENUE
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February 7, 2008

To: Members of the Assembly Agriculture Committee

From: Jeff Lyon, Director, Governmental Relations

RE: Support AB 732 – Meat Processing Facility Investment Tax Credit

The WFBF fully supports AB 732 introduced by Chairman Ott. In past legislative sessions, investment tax credits have been adopted and signed into law for dairy farms, livestock farms and dairy plants. The dairy investment tax credit has already proven to be an asset with respect dairy farmers reinvesting in their operations. It only stands to reason that the next industry that should receive this tax incentive is our meat processing industry.

The livestock industry is extremely important to production agriculture in Wisconsin. According to DATCP, cash receipts received by farmers for livestock in 2006 were just over \$1 billion. DATCP's Division of Ag Development reports that the meat processing industry, with 172 federally inspected and 293 state inspected meat plants, generates \$12.3 billion annually. Dr. Steve Deller at UW-Madison indicates that 19,400 jobs in the state are directly tied to the meat processing industry, with another 68,000 indirectly related to meat processing

Further, livestock agriculture is good for our rural communities because of its reliance on many types of local services needed to raise livestock. One only has to look at the challenges facing rural communities in states which predominantly produce grain to see and understand the importance of expanding our livestock industry.

Language has been included in the 2007 Farm Bill to allow the interstate selling of state inspected meat products. That bill has been passed by both the House of Representatives and the Senate and is awaiting action by the conference committee. Hopefully the language will remain in the bill and it will be passed and signed into law this spring.

Allowing the interstate selling of state inspected meat has been Farm Bureau policy for decades. Finally, it appears the timing is right to get this done. Our Congressional delegation, DATCP and other commodity groups need to be thanked for their efforts. This is no small item for Wisconsin which has by far the most state inspected meat processing facilities in the country. Our state inspected meat plants would be positively affected with the federal law change.

Passage of AB 732 would tie in perfectly for those meat processing facilities wanting to expand their businesses to capture increased marketing and sales opportunities.

Due to our ethnic traditions, Wisconsin has long, deserving, and well respected history of making high quality, valued-added meat products that are in high demand. Your support for AB 732 will demonstrate that the state is committed to livestock agriculture and its processing industry.





Al Ott

State Representative • 3rd Assembly District

AB 732

Meat Processing Facility Investment Tax Credit

Assembly Committee on Agriculture

February 7, 2008

Thank you for the opportunity to testify on Assembly Bill 732 (AB 732), which creates a refundable meat processing facility investment tax credit.

Wisconsin's meat processing industry generates approximately \$12.3 billion in annual economic activity and provides nearly 90,000 jobs in our state. According to the Department of Agriculture, Trade and Consumer Protection, there are 287 official meat establishments (product available for sale to general public) and 56 custom exempt meat establishments (meat not for sale to the general public – owner of the animal receives the meat back after processing) operating in the State of Wisconsin.

The industry is comprised of both large meat processors as well as smaller plants that serve specialty markets in the state and the surrounding region. Both sectors of the industry need to reinvest in their operations in order to stay competitive and grow their businesses.

Under a current outdated and onerous federal law, many state meat processors cannot ship meat to other states despite state inspection standards which are equal to federal inspection standards. There are efforts underway at the federal level to lift the ban on the shipment of state inspected meat. If the ban is lifted - as expected under the final version of the 2007 Farm Bill - new business and growth opportunities will be available to Wisconsin's meat processing industry.

The Meat Processing Facility Investment Tax Credit is modeled after the Dairy Manufacturing Facility Modernization Tax Credit enacted under the 2007-09 biennial budget.

AB 732 will provide meat processors a refundable tax credit of up to 10% of qualified investments in a taxable year. Credit eligibility is capped at \$200,000 per processing facility. Eligible modernization investments include: building construction, building additions, upgrades to utilities, updated livestock intake and storage facilities, processing and manufacturing equipment, packing and handling equipment, waste treatment and management equipment, and computer software.

The credit will be available for investments made starting with taxable year 2009, through taxable year 2016. The maximum amount of credits that may be claimed, statewide, in fiscal year 2009-10 is \$300,000, and the maximum amount of credits that may be claimed in each fiscal year thereafter is \$700,000. As with the Dairy Manufacturing Facility Modernization Tax

Credit, if demand for the credit exceeds the amount allocated for the credit, the distribution of the credit will be prorated among the eligible applicants.

At the recommendation of the Department of Revenue, I will be offering a technical amendment to AB 732. The amendment will clarify that a taxpayer who claims a credit must claim the credit amount as income for tax purposes in the next tax year so the taxpayer does not receive a double benefit for the same activity. This is standard for such tax credits. In addition, the amendment will specify that, as with other credits administered by the Department of Commerce, the taxpayer is to attach a copy of the certification and credit allocation from Commerce to the tax return for the year in which the credit is claimed.

Thank you for your time. I would be happy to take questions from the committee at this time.