



State of Wisconsin
2005 - 2006 LEGISLATURE

LRBs0523/1
JK:kjf:rs

**SENATE SUBSTITUTE AMENDMENT 1,
TO 2005 SENATE BILL 435**

February 8, 2006 - Offered by Senator KANAVAS.

1 **AN ACT to renumber** 77.51 (1); and **to create** 77.51 (1d), 77.51 (1e) and 77.54 (48)
2 of the statutes; **relating to:** creating sales tax and use tax exemptions for
3 tangible personal property that is sold to a biotechnology business, an
4 institution of higher education, or a governmental unit and used in research or
5 manufacturing.

Analysis by the Legislative Reference Bureau

This substitute amendment creates sales and use tax exemptions for machines, equipment, animals, and certain other tangible personal property that are sold to a biotechnology business for use exclusively in research. Under the substitute amendment, a biotechnology business is a business that is primarily engaged in the application of biotechnologies that use a living organism or parts of an organism to produce or modify products to improve plants or animals, develop microorganisms for specific uses, identify targets for small molecule pharmaceutical development, or transform biological systems into useful processes and products.

This substitute amendment also creates sales and use tax exemptions for machines, equipment, and certain other tangible personal property that are used exclusively in raising animals that are sold primarily to a biotechnology business, a

public or private institution of higher education, or a governmental unit for use by any such entity in research or manufacturing.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 77.51 (1) of the statutes is renumbered 77.51 (1h).

2 **SECTION 2.** 77.51 (1d) of the statutes is created to read:

3 **77.51 (1d)** “Biotechnologies” include recombinant deoxyribonucleic acid
4 techniques, biochemistry, molecular and cellular biology, genetics, genetic
5 engineering, biological cell fusion, and other bioprocesses.

6 **SECTION 3.** 77.51 (1e) of the statutes is created to read:

7 **77.51 (1e)** “Biotechnology business” means a business, as certified by the
8 department in the manner prescribed by the department, that is primarily engaged
9 in the application of biotechnologies that use a living organism or parts of an
10 organism to produce or modify products to improve plants or animals, develop
11 microorganisms for specific uses, identify targets for small molecule pharmaceutical
12 development, or transform biological systems into useful processes and products.

13 **SECTION 4.** 77.54 (48) of the statutes is created to read:

14 **77.54 (48)** (a) In this subsection:

15 1. “Animals” include bacteria, viruses, and other microorganisms.

16 2. “Manufacturing” has the meaning given in sub. (6m).

17 3. “Qualified research” means qualified research as defined under section 41
18 (d) (1) of the Internal Revenue Code, except that research conducted by a public or
19 private institution of higher education or by a governmental unit is “qualified
20 research” if applying the research is intended to be useful in developing a new or

1 improved product or service and the research satisfies section 41 (d) (1) (B) (i) and
2 (C) of the Internal Revenue Code.

3 (b) The gross receipts from the sale of and the storage, use, or other
4 consumption of:

5 1. Machines and specific processing equipment, including accessories,
6 attachments, and parts for the machines or equipment, that are used exclusively and
7 directly in raising animals that are sold primarily to a biotechnology business, a
8 public or private institution of higher education, or a governmental unit for exclusive
9 and direct use by any such entity in qualified research or manufacturing.

10 2. The items listed in sub. (3m) (a) to (m), medicines, semen for artificial
11 insemination, fuel, and electricity that are used exclusively and directly in raising
12 animals that are sold primarily to a biotechnology business, a public or private
13 institution of higher education, or a governmental unit for exclusive and direct use
14 by any such entity in qualified research or manufacturing.

15 3. Machines and specific processing equipment, including accessories,
16 attachments, and parts for the machines or equipment, that are sold to a
17 biotechnology business and used exclusively and directly in qualified research in
18 biotechnology.

19 4. Tangible personal property that is sold to a biotechnology business, if the
20 property is consumed or destroyed or loses its identity while being used exclusively
21 and directly in qualified research in biotechnology.

22 5. Animals that are sold to a biotechnology business and used exclusively and
23 directly in qualified research in biotechnology.

24 (c) A person who claims an exemption under par. (b) 1. and 2. shall obtain
25 written documentation from the person's customers related to each customer's use

1 of animals, including the percentage of animals sold to the customer that are used
2 exclusively and directly in qualified research.

3 (d) The department shall publish on the department's Internet site a list of all
4 biotechnology businesses certified by the department.

5 **SECTION 5. Effective date.**

6 (1) This act takes effect on the first day of the 2nd month beginning after
7 publication.

8 (END)