

BOB KULP

STATE REPRESENTATIVE • 69TH ASSEMBLY DISTRICT

April 25, 2017

To: Members, Senate Committee on Revenue
From: Rep. Bob Kulp
Re: Support for SB 120

Mr. Chairman, members of the committee, thank you for hearing this bill today and for allowing me to testify on its behalf.

As you know, last session, the Legislature unanimously passed Act 126, which smoothed the road for local government building projects in the same way that this bill does for the UW and technical college districts.

The issue is this: under current law, materials purchased for construction by UW and the tech colleges are exempt from sales tax if purchased directly by the university or college. The sales tax exemption does not apply if materials are purchased by a contractor – which is how construction projects usually work – even if those materials are part of a UW or technical college project.

Because of this, the UW and technical college districts either have to designate someone to make the purchases for the contractor – every brick, board, nail and gallon of paint – or have the contractor make the purchases, and live with the higher cost. Living with higher costs is not the option this Legislature would want them to take, and yet requiring a state employee to purchase the materials is an unnecessary bit of extra bureaucratic nonsense that we would be better off without.

This bill simplifies the process for the UW and technical college districts in the same way Act 126 did for local governments and K-12 schools: extending the sales tax exemption to materials purchased by a contractor for a UW or technical college building project. This will eliminate some small amount of bureaucracy, and in the grand scheme of things costs nothing. It's a simple bill, and a fix that we honestly should have done already. I urge your support.

REPRESENTING WISCONSIN'S 69TH ASSEMBLY DISTRICT

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HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

April 25, 2017

**Senate Committee on Revenue, Financial Institutions & Rural Issues
Testimony on Senate Bill (SB) 120**

Good afternoon!

Thank you committee members for the opportunity to testify in favor of Senate Bill 120 (SB 120), which extends a sales tax exemption in current law to buildings constructed for a technical college district or a University of Wisconsin System institution.

Last session, the Legislature unanimously passed 2015 Act 126, which made it easier for local governments and non-profits to make use of an existing sales tax exemption on building materials. SB 120 extends that same process to the University of Wisconsin and Technical College System building projects.

Under current law, materials purchased for construction by UW and the tech colleges are exempt from sales tax if purchased directly by the university or college. However, the sales tax does apply if materials are purchased directly by a contractor – which is how a majority of projects are currently undertaken. This creates extra work, bureaucracy, and an unnecessary extra cost to the bottom line of every university and tech college building project.

In effect, with the current policy, we are charging ourselves sales tax and artificially driving up the cost of building projects at colleges and universities. The fiscal effect of this bill will have an offset to the UW and Tech Colleges by reducing their cost of construction and bonding. This bill simplifies the process the UW and technical colleges use to procure materials for building projects and stops the practice of the state skimming sales tax from those projects.

Thank you again for allowing me the opportunity to testify in support of this bill, and I would welcome any questions.



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**Senate Committee on Revenue, Financial Institutions, and Rural Issues
Testimony from the University of Wisconsin System
In Support of SB 120**

Thank you Chairman Marklein, committee members, for giving us this opportunity to testify in support of SB 120. I am happy to be here testifying on behalf of UW System President Ray Cross and the Board of Regents, who have formally endorsed this proposal.

Let me begin by thanking Senator Marklein and Representative Bob Kulp for their work on this legislation. We also appreciate the fact that they worked with us throughout the process, and allowing us to review language and offer input along the way.

Maintaining and enhancing our infrastructure is a critical, and costly, activity. UW System, along with each of our institutions, works hard to minimize costs and maximize the impact of the investment made by taxpayers, students, and donors in support of our facilities.

Each project goes through an extensive vetting process, by System Administration staff and by the Board of Regents. Efforts are made throughout to ensure costs are controlled and savings are achieved wherever possible.

This legislation will help in those efforts by making materials purchased by our contractors for UW System projects exempt from the sales tax. According to the fiscal estimate provided by the Department of Revenue, costs for contractors would be decreased, on average, by over \$2 million annually. We would hope those savings would result in lower bids and in lower final project costs.

Savings would be realized in the long term as well. Currently the State borrows money for most major projects. The costs for these projects include sales tax, so the state is borrowing money to pay itself sales tax and then paying interest on that loan for 20 years. It would be far more efficient to simply make these materials tax exempt.

Thank you again allowing us to be here today. We are happy to answer any questions you may have.