



## Legislative Fiscal Bureau

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TO: Members  
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: State Tax and Fee Modifications Included in the 2007-09 Wisconsin Act 20

The attached table provides a brief description of each state tax and fee modification contained in 2007 Wisconsin Act 20. The table consists of three parts: (1) tax increases and decreases; (2) fee increases and decreases; and (3) measures which would enhance the collection of current taxes or fees.

In the table, GPR represents general fund revenue. Revenue to a program revenue account is signified by PR and SEG signifies revenue to a segregated fund. "Unknown" means that no estimate of the revenue impact is available at this time.

In summary, the changes included in 2007 Act 20 would increase net taxes by \$376,805,700 (\$151,527,000 in 2007-08 and \$225,278,700 in 2008-09) and would increase net fees by \$386,466,300 (\$116,848,600 in 2007-08 and \$269,617,700 in 2008-09). In addition, measures included in the bill to enhance the collection of current taxes/fees would generate an additional \$20,800,000 (\$13,900,000 in 2007-08 and \$6,900,000 in 2008-09).

The sum of these revenue changes for the 2007-09 biennium is shown below.

### Net Tax and Fee Changes

	<u>2007-08</u>	<u>2008-09</u>	<u>Total</u>
GPR	\$149,596,300	\$222,900,000	\$372,496,300
PR	28,953,300	44,404,400	73,357,700
SEG	<u>89,826,000</u>	<u>227,592,000</u>	<u>317,418,000</u>
TOTAL	\$268,375,600	\$494,896,400	\$763,272,000

### Enhanced Collection Measures

	<u>2007-08</u>	<u>2008-09</u>	<u>Total</u>
GPR	\$13,900,000	\$6,900,000	\$20,800,000

	2007-08	2008-09	Fund Source
<b>TAX INCREASES</b>			
<b>GENERAL FUND TAXES</b>			
<p><b>Income of Nonresidents and Part-Year Residents.</b> Specify that, for purposes of the individual income tax, amounts received by a nonresident under a covenant not to compete are taxable to the extent that the covenant was based on a Wisconsin-based activity. Such income is currently taxable for state residents. This provision would first apply to taxable years beginning on or after January 1, 2007.</p> <p>In addition, require nonresidents and part-year residents to add back to federal adjusted gross income (AGI), for purposes of calculating Wisconsin AGI, certain items that are deductible under federal law and related to income that is not taxable by the state. This provision is intended to prevent nonresidents and part-year residents from receiving unintended state tax deductions relating to domestic production activities and certain attorney fees and court costs. These provisions would first apply to taxable years beginning on January 1 of the year in which the budget bill takes effect, except that if the bill's effective date is after July 31, the provisions would first apply to taxable years beginning on January 1 of the following year.</p>	Minimal	Minimal	GPR
<p><b>Modify Film Production Investment Credit.</b> Modify the film production company investment credit under the individual income and corporate income and franchise taxes as described below.</p> <p>Under current law, beginning in tax year 2008, the film production company investment credit can be claimed for 15% of the following that the claimant paid in the taxable year to establish a film production company in this state: (a) the purchase price of depreciable, tangible personal property; or (b) the amount expended to acquire, construct, rehabilitate, remodel, or repair real property. A claimant may claim the credit for an amount expended to acquire real property, if the property is not previously owned property and if the claimant acquires the property after December 31, 2007, or if the completed project is placed in service after December 31, 2007.</p> <p>"Previously owned property" means real property that the claimant or a related person owned during the two years prior to doing business in this state as a film production company and for which the claimant may not deduct a loss from the sale of the property to, or an exchange of the property with, the related person as defined under the Internal Revenue Code (IRC). The relevant section of the IRC requires at least 50% ownership for a person to be a related party.</p> <p>The budget bill would specify that a related party under this provision would be based on any level of ownership of part of the property, rather than 50% or more. The bill would also specify that in order to qualify for the credit the physical work or acquisition of the property would have to begin after December 31, 2007, and (rather than or) the completed project is placed in service after that date. The second change would clarify that the credit could not be claimed for expenditures made before the effective date of the credit.</p>	Minimal	Minimal	GPR
<p><b>Cigarette Tax.</b> Increase the state excise tax on cigarettes from \$0.77 per pack to \$1.77 per pack, and reduce the manufacturers' and distributors' discount on cigarette tax stamp purchases from 1.6% to 0.7%, effective on the first day of the third month beginning after publication of the budget bill.</p>	\$152,500,000	\$226,000,000	GPR
<p><b>Tobacco Products Tax.</b> Increase the state excise tax on tobacco products, other than cigarettes and moist snuff, from 25% to 50% of the manufacturer's list price, effective on the first day of the third month beginning after publication of the budget bill. In addition, change the excise tax on moist snuff to a weight-based tax at the rate of \$1.31 per ounce and specify that the tax on cigars may not exceed \$0.50 per cigar.</p>	\$10,500,000	\$21,900,000	GPR

	2007-08	2008-09	Fund Source
<p><b>Sales Tax on Certain Intercompany Transfers of Assets.</b> In response to a March, 2007, decision of the Wisconsin Supreme Court in <i>Wisconsin Department of Revenue v. River City Refuse Removal, Inc.</i> that concluded that certain intercompany transfers of assets between subsidiaries of the same parent company in which no money exchanged hands did not qualify as retail sales (and were, therefore, not subject to Wisconsin use tax), modify the sales and use tax statutes to specifically provide that the tax would apply in the case of such transfers.</p> <p>Provide that these provisions would take effect retroactively to January 1, 2006. The effective date would be consistent with provisions under 2005 Act 25 that specified that a "retailer" includes every seller who makes any sale, regardless of whether the sale is mercantile in nature.</p> <p>2005 Act 25 provided an exemption for sales of taxable services and tangible personal property physically transferred to a purchaser as a necessary part of certain taxable services if the seller and the purchaser are members of the same affiliated group and are eligible to file a single consolidated return for federal tax purposes. Prior to the Supreme Court decision, DOR had considered other transfers of assets between two companies owned by the same parent to be taxable sales. However, based on the River City decision, businesses may be able to make certain purchases through out-of-state subsidiaries and avoid paying sales and use taxes. DOR has cited as examples software, computer equipment, and central office equipment, on which businesses currently pay an estimated \$66.0 million in state sales and use tax. DOR has estimated that businesses paid \$1.4 to \$1.7 billion in sales and use tax revenues on their purchases in 2005-06.</p> <p>Based on information provided by the Department of Revenue, it is expected that the provisions would avert the loss of \$68.9 million in 2007-08 and \$71.6 million in 2008-09. In addition, by providing an effective date of January 1, 2006, the Department estimates that an additional potential loss of \$1.0 to \$3.0 million would be averted.</p>	See Text	See Text	GPR
<p><b>HEALTH AND FAMILY SERVICES</b></p> <p><b>ICF-MR Bed Assessment.</b> Increase the assessment on beds in intermediate care facilities for the mentally retarded (ICFs-MR) from \$445 per month to an amount set by DHFS, subject to a statutorily specified formula. Direct DHFS to establish the monthly rate for each year by multiplying the projected annual gross revenues of all ICFs-MR in the state by 0.055, dividing the product by the number of licensed beds in the facilities, and dividing the quotient by 12. Permit DHFS to reduce the amount of the assessment during a state fiscal year to avoid collecting an amount that exceeds 5.5% of the aggregate gross revenues for ICFs-MR for the fiscal year. DHFS is not required to calculate the amount of the bed assessment for state fiscal year 2007-08 until October 1, 2007, or until the first day of the third month beginning after the effective date of the act, whichever is later. The additional revenue will be deposited to the segregated medical assistance (MA) trust fund.</p>	\$1,952,000	\$2,378,700	SEG
<b>SUBTOTAL -- TAXES -- INCREASES</b>	\$163,000,000 \$1,952,000	\$247,900,000 \$2,378,700	GPR SEG
<b>TAX DECREASES</b>			
<p><b>GENERAL FUND TAXES</b></p> <p><b>Health Insurance Deduction.</b> Phase in a full individual income tax deduction for health insurance premiums paid by employed individuals whose employers pay for a portion of their insurance. The deduction would be 10% of the amount paid by the employee in tax year 2008, 25% in 2009, 45% in 2010, and 100% in 2011 and thereafter. The estimated fiscal effect would increase to \$31.9 million in 2009-10, \$62.0 million in 2010-11, and \$149.0 million in 2111-12 and thereafter.</p>	\$0	-\$11,800,000	GPR

	2007-08	2008-09	Fund Source
<p><b>Tuition Deduction.</b> Provide an increase in the maximum college tuition deduction under the individual income tax, effective for tax years beginning after December 31, 2008. Specify that the deduction would apply to the cost of mandatory student fees as well as tuition. Provide that the maximum deduction per eligible student per year would be the greater of \$6,000 and the maximum that would be determined under current law. Currently, the tuition deduction is for tuition expenses paid on behalf of a taxpayer or the taxpayer's dependent, up to a maximum amount equal to twice the average amount charged by the Board of Regents of the University of Wisconsin System at four-year institutions for resident undergraduate academic fees for the most recent fall semester. The maximum tuition deduction for 2007 is \$4,844.</p> <p>The estimated fiscal effect would be a reduction in state tax revenues of approximately \$1.0 million in 2009-10. The fiscal effect would be expected to be minimal in subsequent years, based on the expectation that the maximum deduction determined as under current law would exceed \$6,000 per year.</p>	\$0	\$0	GPR
<p><b>Child and Dependent Care Deduction.</b> Provide an individual income tax deduction for employment-related child or dependent care expenses that are allowable under the federal credit for child and dependent care expenses. Limit the maximum amount that could be deducted in tax year 2009 to \$750 if the taxpayer has one qualifying individual and \$1,500 if the taxpayer has two or more qualifying individuals. Increase the maximum deduction amounts to \$1,500/\$3,000 in 2010, \$2,250/\$4,500 in 2011, and \$3,000/\$6,000 in 2012 and thereafter. "Qualifying individual" would be defined as under federal law to mean a dependent of the taxpayer under age 13 or a dependent or spouse of the taxpayer who is physically or mentally unable to care for himself or herself and who lives with the taxpayer for more than half of the tax year. The estimated fiscal effect would be \$5.6 million in 2009-10 and increase to \$10.1 million in 2010-11, \$13.5 million in 2011-12, and \$15.9 million in 2012-13 and thereafter.</p>	\$0	\$0	GPR
<p><b>Income Tax Exclusion for Retirement Income.</b> Provide an individual income tax exclusion for retirement income of persons aged 65 or older, effective with tax year 2009. Limit the exclusion to \$5,000 per person and to taxpayers with adjusted gross income of \$15,000 or less (\$30,000 or less for married-joint filers). Specify that the exclusion would apply with respect to distributions from qualified retirement plans under the federal Internal Revenue Code, including distributions from all qualified pension, profit-sharing, and stock bonus plans under the IRC, and from deferred compensation plans offered by state and local governments and tax-exempt organizations under the IRC. Provide that the exclusion would also apply to otherwise taxable distributions from individual retirement accounts (IRAs), self-employed plans, tax-sheltered annuities, and other qualified retirement plans. The fiscal effect would increase to \$5.6 million annually in 2009-10 and thereafter.</p>	\$0	-\$2,500,000	GPR
<p><b>Investment Tax Credits.</b> Increase the aggregate amount that may be claimed in all tax years under the angel investment tax credit from \$30.0 million to \$47.5 million and increase the aggregate amount that may be claimed under the early stage seed investment credit from \$35.0 million to \$52.5 million. Beginning in tax year 2008, increase the aggregate amount that may be claimed in an individual tax year under the angel investment credit from \$3.0 million to \$5.0 million and increase the amount that may be claimed each year under the early stage seed credit from \$3.5 million to \$6.0 million. Also, increase the amount of an individual's investment that may be used as a basis for the angel investment credit from \$500,000 to \$2.0 million. Finally, allow the angel investment credit for qualified investments in businesses engaged in the construction of power plants that derive energy from renewable resources.</p>	-\$2,800,000	-\$5,000,000	GPR
<p><b>Internal Revenue Code Update.</b> With certain exceptions, update state tax references to the federal Internal Revenue Code to refer to the code in effect on December 31, 2006, rather than December 31, 2004. This modification would adopt most federal tax law changes enacted in 2005 and through November, 2006, for state tax purposes.</p>	-\$9,800,000	-\$3,800,000	GPR

	2007-08	2008-09	Fund Source
<b>Community Rehabilitation Tax Credit.</b> Create a credit, under the individual income and corporate income and franchise taxes, equal to 5% of the amount that the claimant pays in a tax year to a community rehabilitation program to perform work for the claimant's business, pursuant to a contract. Provide that the maximum credit would be \$25,000 for each contract that a claimant enters into with a community rehabilitation program. Permit unused credits to be carried forward for 15 years to offset future tax liabilities. Specify that the credit would first apply to tax years beginning on or after July 1, 2009. The estimated cost of the credit would be \$3.3 million per year beginning in 2009-10.	\$0	\$0	GPR
<b>Credit for Information Technology (IT) Purchases by Health Care Providers.</b> Provide a credit under the individual income and corporate income and franchise taxes for 50% of the amount expended in a year by a health care provider for IT hardware or software that is used to maintain medical records in electronic form. Limit the total amount of credits that could be claimed in a taxable year to \$10 million. Require the Department of Commerce to certify health care providers as eligible for the credit. These provisions would first apply to tax years beginning after December 31, 2009. The estimated fiscal effect would be \$4.5 million in 2009-10 and increase to \$10.0 million annually in 2010-11 and thereafter.	\$0	\$0	GPR
<b>Bioindustry Credit.</b> Create a credit under the individual income and corporate income and franchise taxes equal to 25% of the amount that the claimant paid in the taxable year to install or retrofit pumps located in this state that dispense motor vehicle fuel consisting of at least 85% ethanol or at least 20% biodiesel fuel, but not more than \$5,000 per retail service station that claims a credit. The credit would first apply to taxable years beginning after December 31, 2007.	-\$225,000	-\$500,000	GPR
<b>Dairy Plant Credit.</b> Create a refundable credit under the individual income and corporate income and franchise taxes equal to 10% of the amount spent by the claimant during the taxable year for modernization or expansion of the claimant's dairy manufacturing operation. "Dairy manufacturing" would mean processing milk into dairy products or processing dairy products for sale commercially. The credit would be limited to \$200,000 per claimant and would be available for tax years beginning after December 31, 2006, and before January 1, 2015. The maximum amount of credits that could be claimed would be limited to \$600,000 in 2007-08 and \$700,000 in 2008-09 through 2013-14. The Department of Commerce would allocate credits. Current law provides similar tax credits for expansion and modernization of dairy farms and livestock farms.	-\$600,000	-\$700,000	GPR
<b>Exclusion for WHEFA Bond Interest.</b> Provide an exclusion from the individual and corporate income taxes for interest paid on certain bonds issued by the Wisconsin Health and Educational Facilities Authority (WHEFA), effective with tax year 2009. This exclusion would apply if the proceeds of the bonds or notes would be used by a health facility to fund the acquisition of information technology hardware or software. The estimated fiscal effect is a revenue loss of \$100,000 in 2009-10. The fiscal effect could increase in future years as additional tax-free bonds are issued.	\$0	\$0	GPR
<b>Biodiesel Fuel Production Tax Credit.</b> Create a tax credit, for tax years beginning after December 31, 2009, and before January 1, 2013, under the state individual income and corporate income and franchise taxes, equal to 10 cents per gallon for biodiesel fuel produced, up to a maximum of 10 million gallons per year (maximum credit of \$1,000,000) for biodiesel fuel producers located in Wisconsin that produce at least 2.5 million gallons of biodiesel fuel per year. The estimated fiscal effect is a revenue loss of \$1.8 million annually beginning in the 2009-11 biennium.	\$0	\$0	GPR

	2007-08	2008-09	Fund Source
<p><b>Beloit Development Opportunity Zone.</b> Extend the Beloit development opportunity zone for an additional two years and increase the total amount of tax credits that could be claimed by businesses in the zone by \$2 million, from \$4.7 million to \$6.7 million. Under the bill, the Beloit zone would expire on September 1, 2010, instead of September 1, 2008.</p>	\$0	-\$100,000	GPR
<p><b>Exclusion for Veterans Service Organizations.</b> Create an exclusion from the corporate income and franchise tax for income of a federally-chartered veterans service organization. This provision would first apply to tax year 2007, unless the budget bill takes effect after July 1, 2007. In that case, the new provisions would first apply to tax year 2008.</p>	Minimal	Minimal	GPR
<p><b>Sales Tax Exemption for Catalogs.</b> Create a sales and use tax exemption for catalogs, and the envelopes in which the catalogs are mailed, that are designed to advertise and promote the sale of merchandise or to advertise the services of individual business firms.</p> <p>Under current law, there are two provisions related to the sales tax as it applies to catalog sales. Under the first, the statutes specifically impose the tax the on gross receipts from the service of producing, fabricating, processing, printing, or imprinting of tangible personal property for consumers who furnish the materials. However, an exception is provided if the tangible personal property will subsequently to transported and used solely outside this state by the consumer for advertising purposes. Under the second, a sales tax exemption is provided for the gross receipts from the storage of printed material designed to advertise and promote the sale of merchandise or to advertise the services of individual business firms, if such printed material is purchased and stored for the purpose of subsequently transporting the material outside the state by the purchaser for use solely outside the state.</p> <p>Under the bill, all purchases of catalogs, and printing services that create catalogs, would be exempt from the sales tax. Envelopes in which catalogs are mailed would also be exempt. These provisions would take effect on April 1, 2009. the estimated revenue loss is \$600,000 in 2008-09 and \$2.4 million annually in 2009-10 and thereafter.</p>	\$0	-\$600,000	GPR
<p><b>Sales Tax Exemption for Alternative Sources of Energy.</b> Create a sales and use tax exemption for a product, other than an uninterruptible power source for computers, whose power source is wind energy, direct radiant energy received from the sun, or gas generated from anaerobic digestion of animal manure and other agricultural waste, if the product produces at least 200 watts of alternating current or 600 British thermal units per day. In addition, create a sales and use tax exemption from the sale of, and the use or other consumption of, electricity or energy that is produced from such a product. Provide that the exemptions would take effect July 1, 2009. The fiscal effect is an estimated revenue loss of \$1.3 million annually beginning in 2009-10.</p>	\$0	\$0	GPR
<p><b>Sales Tax Exemption for Biomass.</b> Provide a sales and use tax exemption for biomass used for fuel and sold for residential use. Define "biomass" to mean a resource that derives energy from wood or plant material or residue, biological waste, crops grown for use as a resource, or landfill gases. Specify that "biomass" would not include garbage or nonvegetation-based industrial, commercial, or household waste, except that "biomass" would include refuse-derived fuel used for a renewable facility that was in service before January 1, 1998. Provide that the exemption would take effect on the first day of the second month after publication of the budget bill.</p>	Minimal	Minimal	GPR
<p><b>Sales Tax Exemption for Nonprofit Cemeteries.</b> Create a sales and use tax exemption for otherwise taxable tangible personal property or taxable services used exclusively by a cemetery company or corporation (as described under federal provisions for organizations that are exempt from federal tax) for the purposes of the company or corporation. Provide that the exemption would take effect on July 1, 2009. The estimated revenue loss is \$150,000 per year beginning in 2009-10.</p>	\$0	\$0	GPR

	2007-08	2008-09	Fund Source
<p><b>Sales Tax Exemption for Clay Pigeons.</b> Modify the sales and use tax exemption for clay pigeons sold to certain shooting facilities, effective July 1, 2007.</p> <p>Under current law, clay pigeons that are sold to a shooting facility are exempt from the sales and use tax if either of the following apply: (a) the shooting facility is required to pay the tax imposed on its gross receipts from charges for shooting at the facility; or (b) the shooting facility is a nonprofit organization that charges for shooting at the facility but is not required to pay the tax on such charges as they are exempt as occasional sales.</p> <p>Current law also provides, effective July 1, 2007, a sales and use tax exemption for the sale of admissions by a gun club that is a nonprofit gun organization and that provides safety classes to at least 25 individuals in the calendar year.</p> <p>As a result of the sales and use tax exemption for gun clubs, effective July 1, 2007, clay pigeons sold to a shooting facility that are currently exempt under "a", above, would become taxable to such a shooting facility if the facility claims the sales tax exemption for gun club membership. The proposal would modify the exemption for clay pigeons to specify that an additional condition under which sales of clay pigeons to a shooting facility would qualify for the exemption would be that the shooting facility is a nonprofit organization that charges for shooting at the facility but is not required to pay the tax on admissions because they qualify for the exemption for nonprofit gun clubs.</p>	Minimal	Minimal	GPR
<b>SUBTOTAL -- TAXES -- DECREASES</b>	-\$13,425,000	-\$25,000,000	GPR
<b>FEE INCREASES</b>			
<b>CORRECTIONS</b>			
<p><b>Sex Offender Registry Fee.</b> Authorize the Department to require a person, who must register as a sex offender, whether or not they are under Corrections' custody, to pay an annual fee of up to \$100 offset costs of enhanced sex offender management with polygraph testing and community treatment.</p>	\$911,500	\$907,500	PR
<b>HEALTH AND FAMILY SERVICES</b>			
<p><b>Domestic Abuse Surcharge.</b> Increase the domestic abuse surcharge from \$75 to \$100, effective for convictions that occur on or after January 1, 2008.</p>	\$43,400	\$182,900	PR
<p><b>Vital Records.</b> Increase vital records fees as follows: (a) increase the fee for one certified copy or one uncertified copy of a birth certificate from \$12 to \$20; (b) increase the fee for one certified copy or one uncertified copy of a death, marriage, or divorce record from \$7 to \$20; and (c) increase the fee for expedited services from \$10 to \$20. Require the state registrar and any local registrar to forward to the DOA Secretary the full amount of the increase in these fees for deposit in the DHFS vital records program revenue appropriation. Specify that these fee increases would sunset on July 1, 2010. This item does not increase DHFS' PR appropriation to expend additional revenue from the proposed fee increases. However, DHFS could seek authority under s. 16.515 of the statutes to expend these revenues for the vital records automation project.</p>	\$2,958,500	\$3,969,300	PR

	2007-08	2008-09	Fund Source
<p><b>JUSTICE</b></p> <p><b>Crime Victim and Witness Assistance Surcharge.</b> Specify that the crime victim and witness assistance surcharge be imposed if: (a) a person is charged with one or more crimes in a complaint; (b) as a result of the complaint being amended, the person is charged with a civil offense in lieu of one of those crimes; and (c) the court finds that the person committed the civil offense on or after the effective date of this change to the surcharge. The amount of the surcharge would be based on whether the original underlying charge was a felony charge (in which case an \$85 surcharge would be assessed), or a misdemeanor charge (in which case a \$60 surcharge would be assessed). Direct that all revenue generated under these new provisions be allocated for victim and witness assistance programs and for crime victim compensation awards ("Part A" of the surcharge). Estimate revenue from this surcharge change at \$0 annually until revenue growth from the surcharge change can be more definitively determined.</p> <p>Under current law, when a court imposes a sentence or places a person on probation, the court also imposes the crime victim and witness assistance surcharge (\$60 for each misdemeanor offense and \$85 for each felony offense). The initial \$40 of the surcharge for a misdemeanor offense and \$65 for a felony is termed the "Part A" portion of the surcharge and is allocated for victim and witness assistance programs and for crime victim compensation awards.</p>	\$0	\$0	PR
<p><b>NATURAL RESOURCES</b></p> <p><b>Shovelnose Sturgeon Permit Fee.</b> Create a \$50.75 annual fee for shovelnose sturgeon harvest, with the revenues deposited to the fish and wildlife account of the conservation fund.</p>	\$100	\$200	SEG
<p><b>ATV Trail Pass.</b> Increase the annual nonresident all-terrain vehicle trail pass from \$18 to \$35 effective July 1, 2008.</p>	\$0	\$190,000	SEG
<p><b>Boat Registration Fee.</b> Increase the fees paid for a three-year boat registration as shown in the Attachment. The fee is deposited in the boat registration account of the conservation fund.</p>	\$330,000	\$870,000	SEG
<p><b>Duplicate Recreational Safety Certificate.</b> Authorize a \$2.75 fee for the issuance of duplicate certificates showing completion of the boating, all-terrain vehicle, and snowmobile safety programs. No estimate of revenue is made.</p>	Unknown	Unknown	SEG
<p><b>Recycling Tipping Fee.</b> Increase the recycling tipping fee by \$1 from \$3 to \$4 per ton for waste, other than high-volume industrial waste, disposed of in Wisconsin landfills on or after the first day of the first month after the effective date of the bill. The fees are deposited in the segregated recycling fund.</p>	\$1,620,000	\$7,390,000	SEG
<p><b>Vehicle Environmental Impact Fee.</b> Continue the \$9 per title vehicle environmental impact fee (assessed on the titling of new or used vehicles), for two years, until December 31, 2009. The fees are deposited in the environmental management account of the environmental fund.</p>	\$6,210,000	\$12,870,000	SEG
<p><b>Environmental Repair Tipping Fee.</b> Increase the environmental repair tipping fee imposed on non high-volume industrial waste by \$1.10 per ton, the first day of the first month after the effective date of the bill. 75¢ would be deposited in the nonpoint account and 35¢ would be deposited in the environmental management account of the environmental fund.</p>	\$0	\$8,360,000	SEG

	2007-08	2008-09	Fund Source
<b>Dry Cleaning Fee.</b> Increase the dry cleaning fee imposed on dry cleaning facilities from 1.8% to 2.8% of the gross receipts from the dry cleaning of apparel and household fabrics. The increase would first apply to the second quarterly payment due after the effective date of the biennial budget act. The fees are deposited in the segregated dry cleaner environmental response fund.	\$125,000	\$500,000	SEG
<b>PUBLIC INSTRUCTION</b>			
<b>Public Library System Aid.</b> Provide funding above the base level of \$4,223,800 for aids to public library systems. Provide that funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$616,800	\$1,262,300	SEG
<b>BadgerLink Funding.</b> Provide funding above the base level of \$2,030,500 for statewide Internet access to periodical and reference information databases, which are part of the BadgerLink project. Provide that funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$31,200	\$80,500	SEG
<b>Newsline for the Blind.</b> Provide funding above the base level of \$67,500 for services provided by the Regional Library for the Blind and Physically Handicapped, which provides access to national and local periodicals for blind individuals. Provide that funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$38,500	\$40,500	SEG
<b>La Causa Charter School.</b> Provide funding for a grant to La Causa Charter School in Milwaukee. Provide that this funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$250,000	\$0	SEG
<b>REGULATION AND LICENSING</b>			
<b>Regulation of Nurse-Midwives.</b> Specify that eligible nurse-midwives would also be granted a renewal for their registered nurse licenses without an additional fee. Under current law, a nurse-midwife (\$70 renewal fee) must be licensed as a registered nurse (\$66 renewal fee) in order to obtain a nurse-midwife license. This provision would require only the nurse-midwife licensing fee to be paid.	-\$1,000 -\$8,700	\$0 \$0	GPR PR
<b>Regulation of Wholesale Drug Distributors.</b> Modify the regulation of drug distributors and specify an initial and renewal fee of \$350 for the newly designated "wholesale drug distributors" for the period of June 1, 2008 through May 31, 2010. As of June 1, 2010, the initial fee would decrease to \$53 and the renewal fee would decrease to \$300. The current initial fee is \$53 and the renewal fee is \$70 for drug distributors.	\$22,300 \$200,600	\$0 \$0	GPR PR
<b>REVENUE</b>			
<b>Three-Tier Liquor Distribution System.</b> Create a new direct wine shipper's permit, to be issued by the Department of Revenue, and specify an annual fee of: (a) \$10 for shippers that ship less than 27 liters of wine to individuals in this state annually; (b) \$50 for shippers that ship between 27 and 90 liters annually; and (c) \$100 for shippers that ship more than 90 liters per year.	Unknown	Unknown	PR

	2007-08	2008-09	Fund Source
<b>Brewpub Permits.</b> Create a new brewpub permit, to be issued by DOR, and require the Department to establish an annual permit fee that may not exceed the fee charged for a brewer's permit (currently there is no annual fee for a brewer's permit).	Unknown	Unknown	PR
<b>Withholding Certain Administrative Costs From Lottery Prizes.</b> Require DOR to charge the winner or assignee of a lottery prize greater than \$1,000 for the Department's administrative expenses associated with withholding and remitting debt owed to a state agency and authorize DOR to withhold the amount of the administrative expenses from the prize payment. The provision would take effect on the first day of the third month beginning after publication.  Under current law, DOR withholds money from lottery prizes of \$1,000 or more to pay certain debts owed by the prize payee, including amounts owed for delinquent state taxes, court-ordered payment of child support, and debts to state agencies. DOR charges state agencies for DOR's administrative expenses associated with withholding money from a lottery prize and paying it to the state agency. The provision would require DOR to charge the lottery prize payee rather than the state agency for DOR's administrative expenses and would authorize DOR to withhold the amount of the administrative expenses from the prize payment.	Unknown	Unknown	PR
<b>SUPREME COURT</b>			
<b>Circuit Court Automated Information Systems Fee.</b> Authorize the Director of State Courts Office to establish and charge fees for use of electronic filing of court documents under the circuit court automated information systems.	Unknown	Unknown	PR
<b>TRANSPORTATION</b>			
<b>Vehicle Registration Fee Increase for Automobiles and Light Trucks.</b> Increase the annual vehicle registration fee for passenger vehicles (automobiles, vans, and sport utility vehicles) by \$20, from \$55 currently to \$75, effective January 1, 2008. Increase the annual registration fee for light trucks, as follows: (a) an increase of \$26.50, from \$48.50 currently to \$75, for trucks that are 4,500 pounds or less; (b) an increase of \$22.50, from \$61.50 currently to \$84, for trucks that are more than 4,500 pounds but not more than 6,000 pounds; and (c) an increase of \$28.50, from \$77.50 currently to \$106, for trucks that are more than 6,000 pounds but not more than 8,000 pounds.	\$47,301,400	\$96,627,200	SEG
<b>Vehicle Registration Fee Increase for Heavy Trucks.</b> Increase the amounts in the vehicle registration fee schedule for heavy trucks (over 8,000 pounds) by 30%, rounded to the nearest dollar, effective on January 1, 2008.	\$7,674,800	\$49,184,500	SEG
<b>Driver License and Identification Card Security Verification Mandate Fee.</b> Create a \$10 federal security verification mandate fee, payable on the issuance, renewal, upgrading, or reinstatement of any license, endorsement, or instruction permit and upon the issuance, renewal, or reinstatement of any identification card. Specify that the fee would first apply to applications for licenses or cards received by the Department of Transportation on January 1, 2008.	\$6,915,900	\$13,831,900	SEG
<b>Vehicle Title Fee Increase.</b> Increase the vehicle title fee (paid upon the original issuance of a title and upon a title issued following a vehicle transfer) by \$24.50, from \$28.50 to \$53.00, effective on January 1, 2008.	\$17,525,700	\$35,051,300	SEG

	2007-08	2008-09	Fund Source
<b>UNIVERSITY OF WISCONSIN SYSTEM</b>			
<b>Application Fee Increase.</b> Increase statutorily set application fees from \$45 to \$56 for graduate, law, and professional students and from \$35 to \$44 for new freshman and out-of-system transfers. This increase would first apply to applications received on the effective date of the bill.	\$1,100,000	\$1,100,000	PR
<b>System Tuition Increases.</b> Increase tuition to reflect costs associated with the following items: (a) pay plan and fringe benefits approved in previous biennia; (b) various campus and systemwide initiatives; (c) fuel and utilities reestimate; and (d) retention of high demand faculty. These figures do not include pay plan adjustments for UW faculty and staff for the 2007-09 biennium, which will be determined by the Joint Committee on Employment Relations under the state compensation plan. However, it is estimated that for each annual 1% increase in UW compensation, tuition would increase by 0.6%, if these increases were supported with the usual GPR/PR split, while each 1% increase in compensation that is funded entirely with tuition revenues would result in a 2.1% increase in tuition.	\$20,278,100	\$32,003,200	PR
<b>WORKFORCE DEVELOPMENT</b>			
<b>Child Support Centralized Receipt and Disbursement Fee.</b> Increase the annual centralized receipt and disbursement fee imposed on child support obligors from \$35 to \$65, effective January 1, 2008. The fee is used to help fund the costs of the automated centralized receipt and disbursement system for child support.	\$2,094,900	\$3,491,500	PR
<b>New Fee on Recipients of Child Support.</b> Impose an annual fee of \$25 on each family that never received temporary assistance for needy families (TANF) benefits and for which the child support program collects at least \$500 in a year. Revenue from the fee would be used for state operations of the child support enforcement program. The new fee, which is required by the federal Deficit Reduction Act of 2005, would take effect on January 1, 2008.	\$1,375,000	\$2,750,000	PR
<b>SUBTOTAL -- FEES -- INCREASES</b>	\$21,300 \$28,953,300 \$88,639,400	\$0 \$44,404,400 \$226,258,400	GPR PR SEG
<b>FEE DECREASES</b>			
<b>AGRICULTURE, TRADE AND CONSUMER PROTECTION</b>			
<b>ACCP Surcharges.</b> Reduce certain pesticide and fertilizer surcharges by approximately 30% effective with fees paid beginning on July 1, 2007, or January 1, 2008 (depending on the collection period for each respective fee).	-\$765,400	-\$1,045,100	SEG
<b>SUBTOTAL -- FEES -- DECREASES</b>	-\$765,400	-\$1,045,100	SEG

	2007-08	2008-09	Fund Source
<b>ENHANCED COLLECTION MEASURES</b>			
<b>GENERAL FUND TAXES/REVENUE</b>			
<p><b>Income Tax Pass-Through Entity Withholding.</b> Modify the pass-through entity withholding requirements enacted under 2005 Act 25 to make certain clarifications and technical corrections and to provide an additional exemption from the requirements.</p> <p>As provided under Act 25, pass-through entities (including partnerships, limited liability companies, tax-option corporations, and estates or trusts treated as pass-through entities for federal income tax purposes) are generally required to withhold income or franchise tax on behalf of their nonresident shareholders, partners, members, or beneficiaries (referred to below as "nonresidents"). However, withholding is not required for nonresidents who have no other source of Wisconsin income and whose share of income from the pass-through entity is less than \$1,000. The bill would eliminate the requirement under this exemption that the nonresident have no other source of Wisconsin income, as the pass-through entity would not necessarily know whether the nonresident had another source of Wisconsin income. The bill would also provide a new exemption for a nonresident who presents an affidavit, in the form and manner prescribed by DOR, whereby the nonresident agrees to be subject to the personal jurisdiction of the Department, the Tax Appeals Commission, and the courts of Wisconsin for the purpose of determining and collecting Wisconsin income and franchise taxes, estimated payments, and any related interest and penalties.</p> <p>The bill would also make a number of technical corrections to the pass-through withholding requirements and would clarify certain current provisions related to interest and penalties.</p>	Minimal	Minimal	GPR
<p><b>Tax Avoidance Voluntary Compliance Program.</b> Create a tax avoidance transaction voluntary compliance program to be administered by DOR. The program would include a tax amnesty component under which DOR would be required to waive penalties, including criminal prosecution, applicable to the underreporting or underpayment of income and franchise taxes if, during the five-month period beginning the first day of the third month beginning after publication of the budget bill, the taxpayer:</p> <p>a. Files an amended Wisconsin tax return for each taxable year for which the taxpayer has previously filed a Wisconsin tax return that uses a tax avoidance transaction to underreport the taxpayer's Wisconsin income or franchise tax liability and the amended return reports the total Wisconsin net income and tax for the taxable year, computed without regard to any tax avoidance transaction and without regard to any other adjustment that is unrelated to any tax avoidance transaction; and.</p> <p>b. Pays, in full, for each taxable year for which an amended return is filed, the entire amount of Wisconsin income or franchise tax and interest due that is attributable to using a tax avoidance transaction.</p> <p>The bill would also impose additional reporting requirements and penalties related to the use, sale, and promotion of tax shelters.</p>	\$9,400,000	\$800,000	GPR
<p><b>Delinquent Tax Collection Pilot.</b> Create 7.0 revenue agent positions and create a delinquent tax collection pilot project under which responsibility for collection actions against certain targeted delinquent tax accounts would be transferred from private collection agencies to DOR.</p>	\$4,500,000	\$6,100,000	GPR
<b>SUBTOTAL -- ENHANCED COLLECTION MEASURES</b>	\$13,900,000	\$6,900,000	GPR

## ATTACHMENT

### Boat Registration Fees (Valid for Three Years)

	<u>Current Fee</u>	<u>Governor</u>	<u>Conference Committee</u>	<u>Increase to Current Fee</u>	<u>Percent Increase</u>
Non-Motorized					
Volunteer	\$9.75	\$13.00	\$11.00	\$1.25	13%
Sailboat	15.00	20.00	17.00	2.00	13
Motorized					
Under 16'	16.50	22.00	19.00	2.50	15
16' to 26'	24.00	31.00	28.00	4.00	17
26' to 40'	45.00	59.00	52.00	7.00	16
Over 40'	75.00	98.00	86.00	11.00	15