



State of Wisconsin  
2017 - 2018 LEGISLATURE

LRB-1928/1  
ALL:all

## 2017 ASSEMBLY BILL 64

February 8, 2017 - Introduced by JOINT COMMITTEE ON FINANCE, by request of Governor Scott Walker. Referred to Joint Committee on Finance. Referred to Joint Survey Committee on Tax Exemptions.

1     **AN ACT relating to:** state finances and appropriations, constituting the  
2     executive budget act of the 2017 legislature.

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*Analysis by the Legislative Reference Bureau*

**INTRODUCTION**

This bill is the “executive budget bill” under section 16.47 (1) of the statutes. It contains the governor’s recommendations for appropriations for the 2017-2019 fiscal biennium.

The bill repeals and recreates the appropriation schedule in chapter 20 of the statutes, thereby setting the appropriation levels for the 2017-2019 fiscal biennium. The descriptions that follow relate to the most significant changes in the law that are proposed in the bill. In most cases, changes in the amounts of existing spending authority and changes in the amounts of bonding authority under existing bonding programs are not discussed.

For additional information concerning this bill, see the Department of Administration’s publication *Budget in Brief* and the executive budget books, the Legislative Fiscal Bureau’s summary document, and the Legislative Reference Bureau’s drafting files, which contain separate drafts on each policy item.

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**GUIDE TO THE BILL**

As is the case for all other bills, the sections of the budget bill that affect statutes are organized in ascending numerical order of the statutes affected.

Treatments of prior session laws (styled “laws of [year], chapter ....” from 1848 to 1981, and “[year] Wisconsin Act ....” beginning with 1983) are displayed next by year of original enactment and by act number.



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employer to file those information returns. Under current law, DOR may grant a 60-day extension.

Current law allows an individual to claim an income tax deduction for the capital gain realized from an investment in a qualified Wisconsin business. A business may register with DOR as a qualified Wisconsin business if it has at least two full-time employees in this state and its payroll compensation to employees in this state is equal to at least 50 percent of its total payroll compensation.

This bill provides that, for purposes of registering with DOR, an employee of a professional employer organization or a professional employer group who is performing services for a client is considered an employee solely of the client. Under current law, a professional employer organization is any person contracting with a client to provide the client with an ongoing employee workforce. A professional employer group is two or more professional employer organizations controlled by the same person.

Currently, a corporation engaged in a unitary business with one or more corporations must report to DOR its share of income from the unitary business in the amount determined by the combined report filed by the agent of all such corporations. This requirement, however, does not apply to a corporation if all its income is exempt from state taxation. Under this bill, the reporting requirement applies to a captive insurance company even if its income is exempt from taxation. A "captive insurance company" is defined in the bill as a corporation that insures the risks primarily of itself or persons to which it is related.

This bill allows DOR to recover all or part of any tax credit allocated by WEDC for which WEDC has revoked its allocation. The bill also prohibits DOR and DOA from paying interest on refunds issued for the jobs tax credit, enterprise zone jobs credit, and business development credit. In addition, the bill prohibits DOR from issuing an income tax refund to an employed individual before March 1 unless both the individual and the individual's employer have filed all required returns and forms with DOR.

This bill modifies current law so that the income and franchise tax is imposed on the gross receipts from services relating to tangible personal property delivered to customers in this state and purchased by individuals who are physically present in this state at the time the services are received.

This bill prohibits a taxpayer from claiming both the manufacturing and agriculture credit and the other state credit on the same income.

**PROPERTY TAXATION**

This bill eliminates the forestation state property tax. Proceeds from the tax are paid into the conservation fund and used to acquire, preserve, and develop the forests of the state. The tax rate is 0.1697 mills for each dollar of the assessed value of the property of the state as determined by DOR. The bill provides that in each fiscal year an amount equal to 0.1697 mills for each dollar of the assessed value of the property of the state is transferred from the general fund to the conservation fund to be used for the same purpose as the tax.

This bill increases from \$853,000,000 to \$940,000,000 the amount appropriated for the school levy property tax credit, beginning with payments made in 2018. The

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bill also allows a municipality to pass an ordinance to have DOA distribute the amounts of the school levy, lottery and gaming, and first dollar property tax credits directly to the municipality rather than to the county, if the total amount of the credits in any year is at least \$3,000,000. DOA would continue to distribute the amounts in this manner until the municipality repeals the ordinance or until the total amount of the credits in any year is less than \$3,000,000. Under current law, the municipality must approve the distribution in each year in which the total amount of the credits is at least \$3,000,000.

**OTHER TAXATION**

Under this bill, with regard to any income tax or franchise tax credit, deduction, or exemption that takes effect after December 31, 2016, no new claims for such a credit, deduction, or exemption may be filed more than seven years after the provision's initial applicability. In addition, the bill prohibits a person from claiming any sales and use tax, excise tax, or occupational tax exemption or credit more than seven years after the provision's effective date, unless the exemption is necessary to comply with the multistate sales and use tax agreement.

This bill provides that, with regard to a single-owner entity that is disregarded as a separate entity for federal tax purposes, any notice that DOR sends to the owner or to the entity is considered a notice sent to both and both are liable for any amounts due as specified in the notice. The bill applies to all laws administered by DOR.

Under this bill, for the two-day period beginning on the first Saturday in August and ending on the following Sunday, the sales of the following items are exempt from the sales tax and the use tax:

1. An item of clothing, not including clothing accessories, if the sales price of any single item is no more than \$75.
2. A computer purchased by the consumer for the consumer's personal use, if the sales price of the computer is no more than \$750.
3. School computer supplies, if the sales price of any single item is no more than \$250.
4. School supplies, if the sales price of any single item is no more than \$75.

The bill provides, however, that the exemption does not apply after 2018.

Under current law, there is a sales and use tax exemption for occasional sales of property, items, goods, and services. "Occasional sales" is defined to include isolated and sporadic sales of property, items, goods, and services where the infrequency supports the inference that the seller is not pursuing a full-time or part-time vocation, occupation, or business. This bill modifies the definition of occasional sales to provide a presumption that a seller who sells less than \$2,000 of property, items, goods, and services during a calendar year is not pursuing a full-time or part-time vocation, occupation, or business.

This bill creates an exemption from the state sales and use tax for certain frozen foods manufactured by a retailer at the retailer's off-site manufacturing facility. Under current law, the sale of food and food ingredients is generally exempt from the sales and use tax, but most prepared foods are excluded from that exemption. Under current law, "prepared food" includes, among other things, two or more food ingredients mixed or combined by a retailer for sale as a single item. The bill creates

**ASSEMBLY BILL 64****SECTION 183**

STATUTE, AGENCY AND PURPOSE	SOURCE	TYPE	2017-2018	2018-2019
SERVICE			(-0-)	(-0-)
LOCAL			(-0-)	(-0-)
TOTAL-ALL SOURCES			76,460,900	76,520,300

**General Appropriations****20.835 Shared Revenue and Tax Relief**

## (1) SHARED REVENUE PAYMENTS

(c) Expenditure restraint program account	GPR	S	58,145,700	58,145,700
(db) County and municipal aid account	GPR	S	692,175,800	690,225,800
(dm) Public utility distribution account	GPR	S	73,912,900	74,692,000
(e) State aid; tax exempt property	GPR	S	91,012,200	92,334,400
(r) County and municipal aid account; police and fire protection fund	SEG	C	51,900,000	51,900,000

## (1) PROGRAM TOTALS

GENERAL PURPOSE REVENUE	915,246,600	915,397,900
SEGREGATED REVENUE	51,900,000	51,900,000
OTHER	(51,900,000)	(51,900,000)
TOTAL-ALL SOURCES	967,146,600	967,297,900

## (2) TAX RELIEF

(b) Claim of right credit	GPR	S	191,000	191,000
(bb) Jobs tax credit	GPR	S	15,300,000	7,650,000
(bc) Woody biomass harvesting and processing credit	GPR	S	-0-	-0-
(bd) Meat processing facility investment credit	GPR	S	-0-	-0-
(be) Food processing plant and food warehouse investment credit	GPR	S	-0-	-0-

**ASSEMBLY BILL 64****SECTION 183**

STATUTE, AGENCY AND PURPOSE	SOURCE	TYPE	2017-2018	2018-2019
(bg) Business development credit	GPR	S	24,250,000	22,000,000
(bL) Film production company investment credit	GPR	S	-0-	-0-
(bm) Film production services credit	GPR	S	-0-	-0-
(bn) Dairy manufacturing facility investment credit	GPR	S	-0-	-0-
(bp) Dairy manufacturing facility investment credit; dairy cooperatives	GPR	S	-0-	-0-
(br) Interest payments on overassessments of manufacturing property	GPR	S	10,000	10,000
(c) Homestead tax credit	GPR	S	95,530,000	84,830,000
(cb) Young adult employment assistance credit	GPR	S	-0-	724,400
(co) Enterprise zone jobs credit	GPR	S	37,600,000	36,900,000
(dm) Farmland preservation credit	GPR	S	840,000	760,000
(dn) Farmland tax relief credit	GPR	S	-0-	-0-
(do) Farmland preservation credit, 2010 and beyond	GPR	S	17,900,000	18,000,000
(em) Veterans and surviving spouses property tax credit	GPR	S	29,830,000	30,430,000
(en) Beginning farmer and farm asset owner tax credit	GPR	S	-0-	-0-
(ep) Cigarette and tobacco product tax refunds	GPR	S	34,888,300	33,996,000
(f) Earned income tax credit	GPR	S	31,380,000	43,260,000
(ka) Farmland tax relief credit; Indian gaming receipts	PR-S	C	-0-	-0-

**ASSEMBLY BILL 64****SECTION 183**

STATUTE, AGENCY AND PURPOSE	SOURCE	TYPE	2017-2018	2018-2019
(kf) Earned income tax credit; temporary assistance for needy families	PR-S	A	69,700,000	82,700,000
(q) Farmland tax relief credit	SEG	S	-0-	-0-
(2) PROGRAM TOTALS				
GENERAL PURPOSE REVENUE			287,719,300	278,751,400
PROGRAM REVENUE			69,700,000	82,700,000
SERVICE			(69,700,000)	(82,700,000)
SEGREGATED REVENUE			-0-	-0-
OTHER			(-0-)	(-0-)
TOTAL-ALL SOURCES			357,419,300	361,451,400
(3) STATE PROPERTY TAX RELIEF				
(b) School levy tax credit and first dollar credit	GPR	S	1,003,000,000	1,090,000,000
(ef) Transfer to conservation fund; forestry	GPR	S	88,759,300	91,695,600
(q) Lottery and gaming credit	SEG	S	167,432,900	169,089,700
(s) Lottery and gaming credit; late applications	SEG	S	257,600	257,600
(3) PROGRAM TOTALS				
GENERAL PURPOSE REVENUE			1,091,759,300	1,181,695,600
SEGREGATED REVENUE			167,690,500	169,347,300
OTHER			(167,690,500)	(169,347,300)
TOTAL-ALL SOURCES			1,259,449,800	1,351,042,900
(4) COUNTY AND LOCAL TAXES				
(g) County taxes	PR	C	-0-	-0-
(gb) Special district taxes	PR	C	-0-	-0-
(gd) Premier resort area tax	PR	C	-0-	-0-
(ge) Local professional football stadium district taxes	PR	C	-0-	-0-
(gg) Local taxes	PR	C	-0-	-0-





**ASSEMBLY BILL 64****SECTION 477**

1 uniform forms, special reports, photocopies, and pamphlets that are related to the  
2 consolidated court automation program.

3 **SECTION 478.** 20.680 (2) (kf) of the statutes is created to read:

4 20.680 (2) (kf) *Interagency and intra-agency assistance.* All moneys received  
5 from a court or transferred from any state agency for services provided to the court  
6 or state agency.

7 **SECTION 479.** 20.680 (2) (kw) of the statutes is created to read:

8 20.680 (2) (kw) *Judicial wage adjustments.* All moneys received from the  
9 supreme court or from the director of state courts by the director of state courts for  
10 wage adjustments to the salaries of circuit and appeals court judges and of justices  
11 of the supreme court, as provided under s. 758.19 (8), to be used for that purpose.  
12 No moneys may be transferred to this appropriation account from the appropriation  
13 accounts under sub. (1) (a) or s. 20.625 (1) (a) or 20.660 (1) (a).

14 **SECTION 480.** 20.765 (1) (kt) of the statutes is created to read:

15 20.765 (1) (kt) *Independent economic analyses for administrative rules.* All  
16 moneys received from agencies under s. 227.137 (4m) (b) 3. a. to reimburse vendors  
17 for conducting independent economic impact analyses under ss. 227.137 (4m) and  
18 227.19 (5) (b) 3.

19 **SECTION 481.** 20.835 (2) (cb) of the statutes is created to read:

20 20.835 (2) (cb) *Young adult employment assistance credit.* A sum sufficient to  
21 pay the claims approved under s. 71.07 (8m).

22 **SECTION 482.** 20.835 (3) (title) of the statutes is amended to read:

23 20.835 (3) (title) STATE PROPERTY TAX CREDITS RELIEF.

24 **SECTION 483.** 20.835 (3) (ef) of the statutes is created to read:

**ASSEMBLY BILL 64****SECTION 483**

1           20.835 (3) (ef) *Transfer to conservation fund; forestry.* A sum sufficient in an  
2 amount equal to the amount to be paid into the conservation fund as determined  
3 under s. 70.58 (3) for the forestry purposes described under s. 70.58 (1). The amounts  
4 may be paid at such intervals during each fiscal year as the secretary of  
5 administration considers appropriate or necessary.

6           **SECTION 484.** 20.855 (4) (h) of the statutes is created to read:

7           20.855 (4) (h) *Volkswagen settlement funds.* All moneys received from the  
8 trustee of the settlement funds, as defined in s. 16.047 (1) (a), for the replacement of  
9 vehicles in the state fleet under s. 16.047 (2) and for the distribution under s. 16.047  
10 (4). No more than \$21,000,000 may be expended from this appropriation in fiscal  
11 year 2017-18. No moneys may be expended from this appropriation after June 30,  
12 2027.

13           **SECTION 485.** 20.866 (1) (u) of the statutes is amended to read:

14           20.866 (1) (u) *Principal repayment and interest.* A sum sufficient from moneys  
15 appropriated under sub. (2) (zp) and ss. 20.115 (2) (d) and (7) (b) and (s), 20.190 (1)  
16 (c), (d), (i), and (j), 20.225 (1) (c) and (i), 20.245 (1) (e) and (j), 20.250 (1) (c) and (e),  
17 20.255 (1) (d), 20.285 (1) (d), (je), and (gj), 20.320 (1) (c) and (t) and (2) (c), 20.370 (7)  
18 (aa), ~~(ae)~~, (ad), (ag), (aq), (ar), (at), (au), (bq), (br), (cb), (cc), (cd), (cg), (cq), (cr), (cs),  
19 (ct), (ea), (eq), and (er), 20.395 (6) (af), (aq), (ar), and (au), 20.410 (1) (e), (ec), and (ko)  
20 and (3) (e), 20.435 (2) (ee), 20.465 (1) (d), 20.485 (1) (f) and (go), (3) (t) and (4) (qm),  
21 20.505 (4) (es), (et), (ha), and (hb) and (5) (c), (g), and (kc), 20.855 (8) (a), and 20.867  
22 (1) (a) and (b) and (3) (a), (b), (bb), (bc), (bd), (be), (bf), (bg), (bh), (bj), (bL), (bm), (bn),  
23 (bq), (br), (bt), (bu), (bv), (bw), (bx), (cb), (cd), (cf), (ch), (cj), (g), (h), (i), (kd), and (q)  
24 for the payment of principal, interest, premium due, if any, and payment due, if any,

**ASSEMBLY BILL 64****SECTION 995**

1           **SECTION 995.** 66.0903 (1) (g) of the statutes is amended to read:

2           66.0903 (1) (g) "Prevailing wage rate" includes the meanings given under s.

3           66.0903 (1) (g), 2013 stats., and s. 16.856 (1) (f), 2015 stats.

4           **SECTION 996.** 66.0903 (1) (j) of the statutes is amended to read:

5           66.0903 (1) (j) "Truck driver" ~~has the meaning given in s. 16.856 (1) (j)~~ includes

6           an owner-operator of a truck.

7           **SECTION 997.** 69.68 of the statutes is amended to read:

8           **69.68 Statement of indebtedness to secretary of state.** Each county, city,  
9           village, town, and technical college district ~~and school district clerk~~ shall, whenever  
10           required by the secretary of state, furnish a full and complete statement showing the  
11           bonded and all other indebtedness of the respective county, city, village, town, or  
12           technical college district ~~or school district~~, the purposes for which the same was  
13           incurred and all accrued interest, if any, remaining unpaid.

14           **SECTION 998.** 70.57 (4) (b) 1. of the statutes is amended to read:

15           70.57 (4) (b) 1. For the year in which the error occurred, apportion county,  
16           school district, technical college district, and metropolitan sewerage district  
17           property taxes, ~~and state forestation taxes under s. 70.58~~, to the taxation district  
18           using the taxation district's erroneous valuation.

19           **SECTION 999.** 70.57 (4) (b) 2. of the statutes is amended to read:

20           70.57 (4) (b) 2. For the year in which the error occurred, apportion county,  
21           school district, technical college district, and metropolitan sewerage district  
22           property taxes, ~~and state forestation taxes under s. 70.58~~, to the taxation district  
23           using the taxation district's correct valuation.

24           **SECTION 1000.** 70.58 (1) of the statutes is amended to read:

**ASSEMBLY BILL 64****SECTION 1000**

1           70.58 (1) Except as provided in ~~sub.~~ subs. (2) and (3), there is levied an annual  
2 tax of two-tenths of one mill for each dollar of the assessed valuation of the property  
3 of the state as determined by the department of revenue under s. 70.57, for the  
4 purpose of acquiring, preserving and developing the forests of the state and for the  
5 purpose of forest crop law and county forest law administration and aid payments,  
6 for grants to forestry cooperatives under s. 36.56, and for the acquisition, purchase  
7 and development of forests described under s. 25.29 (7) (a) and (b), the proceeds of  
8 the tax to be paid into the conservation fund. The tax shall not be levied in any year  
9 in which general funds are appropriated for the purposes specified in this section,  
10 equal to or in excess of the amount which the tax would produce.

11           **SECTION 1001.** 70.58 (2) of the statutes is amended to read:

12           70.58 (2) In each of 3 years beginning with the property tax assessments as of  
13 January 1, 2005, the department of revenue shall adjust the rate of the tax imposed  
14 under this section so that the percentage increase from the previous year in the total  
15 amount levied under this section does not exceed 2.6 percent. The rate determined  
16 by the department of revenue for the property tax assessment as of January 1, 2007,  
17 shall be the rate of the tax imposed under this section for all subsequent years,  
18 ending with the property tax assessments as of January 1, 2017.

19           **SECTION 1002.** 70.58 (3) of the statutes is created to read:

20           70.58 (3) In fiscal year 2017-18, and in each fiscal year thereafter, an amount  
21 equal to 0.1697 mills for each dollar of the assessed valuation of the property of the  
22 state as determined by the department of revenue under s. 70.57 shall be transferred  
23 from the general fund to the conservation fund for the purposes described under sub.  
24 (1).

25           **SECTION 1003.** 71.01 (6) (b) of the statutes is repealed.

**ASSEMBLY BILL 64****SECTION 9129**

1 164 and whether they provide for an appropriate level of due process for the  
2 individuals subject to revocation through the entire initial revocation process and  
3 the appeal process.

4 (c) Whether the appropriate action has been applied to the violation that is the  
5 reason for the revocation.

6 (d) Whether the period of reconfinement is appropriate to the level of violation.

7 (e) Whether a violation committed by one person under supervision is treated  
8 consistently with a similar violation committed by another person under  
9 supervision.

10 (f) Whether the revocation process within the department of corrections is  
11 consistent with the revocation process within the division of hearings and appeals.

12 **SECTION 9130. Nonstatutory provisions; Lieutenant Governor.**

13 **SECTION 9131. Nonstatutory provisions; Local Government.**

14 **SECTION 9132. Nonstatutory provisions; Military Affairs.**

15 (1) MOBILE FIELD FORCE GRANTS. Notwithstanding section 16.42 (1) (e) of the  
16 statutes, in submitting information under section 16.42 of the statutes for purposes  
17 of the 2019-21 biennial budget bill, the department of military affairs shall submit  
18 information concerning the appropriation under section 20.465 (3) (dm) of the  
19 statutes as though that appropriation had not been made.

20 **SECTION 9133. Nonstatutory provisions; Natural Resources.**

21 (1) ENVIRONMENTAL FUND. Of the moneys in the environmental fund that are  
22 received for the purpose of environmental management, \$3,152,500 shall, in each  
23 fiscal year of the 2017-19 fiscal biennium, be considered to have been received for  
24 the purposes under section 20.370 (7) (cr) and (cs) of the statutes.

25 (2) RELOCATION OF CHIEF STATE FORESTER AND DIVISION OF FORESTRY EMPLOYEES.

**ASSEMBLY BILL 64****SECTION 9133**

1           (a) The department of natural resources shall relocate the headquarters for the  
2 chief state forester to an existing department facility north of STH 29 no later than  
3 January 1, 2018.

4           (b) The department of natural resources may allow individuals who are  
5 employed by the division of forestry on the effective date of this paragraph and  
6 located in the department office at 101 South Webster Street in the city of Madison  
7 to relocate to existing state-owned or state-leased facilities north of STH 29  
8 designated by the chief state forester.

9           (c) For the 2017-18 and 2018-19 fiscal years, for each employee who relocates  
10 under paragraph (b), the department of natural resources shall authorize payment  
11 of the moving expenses described under section 20.917 (1) (a) of the statutes.

12           (d) By February 1, 2019, the department of natural resources shall submit a  
13 report to the governor and the cochairpersons of the joint committee on finance on  
14 the number of employees who have relocated under paragraph (b).

15           (3) RECREATIONAL PASSPORT. The department of natural resources and the  
16 department of transportation shall jointly develop a plan to authorize the purchase  
17 of a recreational passport when an individual initiates or renews his or her annual  
18 vehicle registration. In the plan, the departments shall provide in detail the costs  
19 of implementing the plan, a timeline for implementing the plan, and the estimated  
20 revenue to be collected when the plan is fully implemented. One option that the  
21 departments shall evaluate in the plan is the creation of the recreational passport  
22 as a special license plate registration sticker that shows both the vehicle registration  
23 expiration year and an indicator that the sticker is also a recreational passport. The  
24 departments shall complete the plan in time for the plan to be included in the  
25 department of natural resources' 2019-21 biennial budget request.