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Assembly Committee on Agriculture

Testimony on Assembly Bill 873 Ag Building Tax Credit February 11, 2020

Chairman Tauchen and Committee Members:

Thank you for taking the time to hold a hearing on Assembly Bill 873 today. It is no secret that things have been tough in agriculture over past 5-7 years. Farm income is down 50% since 2013; while costs continue to go up for most farmers. The results have not been good. Our state is losing over two dairy farms per day (we lost over 800 in 2019 alone), and Wisconsin is unfortunately leading the country in farm bankruptcies.

This should be concerning to everyone in the state, whether you are directly involved in agriculture or not. Agriculture is a \$105 billion dollar industry, our state's second largest, and is responsible for the creation of nearly 430,000 jobs. It makes up about 16% our state's total economic activity.

Governor Evers, at his State of the State address, recently announced that he wanted to place a renewed focus on helping our state's agricultural industry. In our most recent budget, we created the Dairy Innovation Hub to explore and research ways to make sure the industry remains strong well into the future. However, the reality is that farmers really need help now.

This is why Senator Marklein and I have introduced a targeted Ag tax credit that would return a portion of the taxes farmers pay on their Ag buildings back to them in the form of a credit. The bill does the following:

- The credit is capped at \$7500 per claimant
- Ag buildings would only qualify if they are exclusively used for farming purposes
- To qualify a farmer would have to show gross income over \$35,000
- The credit would cost about \$27 million per year, if all eligible individuals use the credit
- Farmers could claim the credit in 2020 online through DOR
- Bill sunsets after 3 years

The state recently received new fiscal projections for the rest of the biennium, showing that Wisconsin is in good fiscal shape. We will have an estimated \$800 million surplus at the end of the budget cycle. A portion of this surplus this will go into the state's "rainy day fund."

At a time when our farmers are going out of business at a record pace and our state is flush with better than expected revenues, it makes sense to return dollars to farmers who currently need them more than the state does. I sincerely hope you will join me in supporting Assembly Bill 873.

Thank you and I would be happy to take any questions.



HOWARD MARKLEIN

STATE SENATOR • 17TH SENATE DISTRICT

February 11, 2020 Assembly Committee on Agriculture Testimony on Assembly Bill 873

Thank you Chairman Tauchen and committee members for hearing Assembly Bill (AB) 873, which creates a targeted agricultural building income tax credit for Wisconsin's hard working family farmers. AB 873 returns a portion of property taxes paid on agriculture buildings to farmers in the form of an income tax credit.

Agriculture contributes \$104.8 billion annually to Wisconsin's economy. Our 64,793 farms account for more than 150,000 of the state's jobs. Throughout this legislative session my colleagues and I have worked hard to help farmers through initiatives such as the *Dairy Innovation Hub* and Truth-in-Labeling legislation. Still, many farmers have asked me, "What are you doing for farmers to help us **right now**?"

AB 873 provides immediate relief for Wisconsin's hard working family farmers. It will put money in their pockets that can be used to pay the bills, buy feed, or upgrade equipment.

AB 873 will provide immediate tax relief to farmers in the form of a refundable income tax credit. The credit begins immediately, tax year 2020, and sunsets after tax year 2022 and will be equal to 2/3rds of the property taxes levied on buildings and other improvements, excluding residential property, that are used exclusively for farming. This includes buildings such as the barn, milk parlor, or machine shed.

The credit is capped at \$7,500 each year to make sure that Wisconsin's small and medium-sized farms see the most benefit. In addition, in order to claim the credit, the farm must generate at least \$35,000 in annual gross cash income from farming, ensuring that the credit is going to help those who are trying to make a living by farming.

For tax year 2020, since many farmers have already submitted their tax returns, the Department of Revenue (DOR) will develop an online portal that will allow farmers to apply for the credit and receive a check from DOR. This process is similar to the mechanism used for the Child Tax Credit in 2018. For 2021 and 2022, DOR will validate the credit on a claimant's income tax return.

The DOR fiscal estimate of the bill is \$27.3 million per year. This relatively small investment will help our farmers immediately with cash in their pockets and directly benefit Wisconsin's family farms.

Thank you again to the committee for hearing this proposal, and your timely action on the bill.



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1.800.261.FARM (3276)

DATE: February 11, 2020
TO: Assembly Committee on Agriculture
FROM: Wisconsin Farm Bureau Federation
by Debi Towns, Sr. Director for Government Relations
RE: Support AB 873 - An income tax credit for the property taxes paid on agriculture improvements

Thank you for this opportunity to speak in support of AB 873, a proposal for a refundable income tax credit on a portion of the taxes that have been levied on buildings and other improvements used exclusively for the business of farming.

This terminal bill, which has a sunset in three years, is especially important and impactful right now. The past four years have been really rough in production agriculture. The commodity prices have been below the cost of production – especially in milk and corn. This means that every morning a dairyman goes to the barn wondering how much money he is going to lose that day. But as many of you are aware, one cannot just quit milking the cows. Cows are a dairyman's prime asset, and they must be milked to maintain their value.

Lots of folks have hung on by their teeth because they had equity built in their business. They could use that equity to help sustain through years of loss. But of course, that also means they are going without pay themselves or eating their retirement savings. We've also heard many stories over the past couple years of producers who used up their equity and could no longer finance another year of loss. Four years is a long time to pay for the privilege of farming.

AB 873 intends to recognize the economic loss suffered in Wisconsin over the past four years. This loss has been borne by individual producers who have personally funded dairy and crop industries which contribute so heavily to our state's economy. AB 873 will not solve all the problems in agriculture today – nor can it stop the changes we are seeing as technology brings us into a new decade.

AB 873 is capped at \$7,500 per producer per year. That may not sound like a lot, but let me tell you what \$7,500 can do. It can pay a feed bill, it can pay for an equipment repair or upgrade, it can pay a milker for months. These are dollars that will recycle into Wisconsin's economy through vendors and employees. Agriculture supports more than the farmer – it is the lifeline to dozens of satellite industries.

In closing, I would again encourage you to support AB 873. This is a short term bill that is just what Wisconsin's agriculture industry needs as a jump start. Commodities prices are beginning to show promise. We need to lift up the industry and recognize the important role it plays in Wisconsin's economy.

Thank you for the opportunity to share with you today.