



MARK BORN

STATE REPRESENTATIVE • 39TH ASSEMBLY DISTRICT

Testimony on Assembly Bill 703

Assembly Committee on State Affairs

January 22, 2020

Chairman Swearingen and members of the Assembly Committee on State Affairs,

Thank you for allowing me to speak in favor of Assembly Bill 703, a clarification of existing state statutes regarding tax exemptions for building materials purchased by a contractor.

The current tax exemption allows local units of government, school districts, MATC, UW System, other non-profit hospitals, and charitable organizations to have construction companies purchase building materials on their behalf without paying Wisconsin sales or use tax. This exemption reduces paperwork for organizations, and removes the need for time consuming “work arounds” with the organization purchasing the materials instead of their contractor.

Assembly Bill 503 simply adds University of Wisconsin Hospitals and Clinics Authority to the list of eligible entities for this tax exemption. This is similar to a provision in the 2017-2019 state budget that allowed the same benefit to be given to the University of Wisconsin System. This simple change puts UW Hospital on a level playing field with other Wisconsin-based not-for-profit hospitals and health systems who are already eligible under the charitable organizations section.

For some background, the existing process for eligible organizations allows them to provide their Certificate of Exempt Status number to their contractor just one time. Because UW Hospital is currently not included, they have developed a complicated process of multiple purchase orders for payments, financial record-keeping for labor, and materials.

The Department of Revenue stated in their fiscal estimate that AB 503 has no fiscal effect to the state of Wisconsin. This legislation simply streamlines the process for UW Health, reducing staff time and adding further clarity for them and their contractors.

Thank you for your consideration. I will now take any questions.



Luther S. Olsen
State Senator
14th District

TO: Assembly Committee on State Affairs
FROM: Senator Luther Olsen
DATE: January 22, 2020
SUBJECT: Testimony in favor of Assembly Bill 703

Thank you Chairman Swearingen and the Assembly Committee on State Affairs for holding a hearing and allowing me to testify in favor of Assembly Bill 703.

Currently, state law allows local units of government, school districts, MATC, UW System, other non-profit hospitals and charitable organizations to have construction companies purchase construction materials on their behalf without paying Wisconsin sales or use tax. This benefit reduces paperwork for tax-exempt organizations and removes the need for an organization to purchase the materials instead of their contractor.

The University of Wisconsin Hospitals and Clinics Authority (UWHCA) is not currently allowed the same benefit. Since UWCHA is omitted, they have had to develop a complicated process of multiple purchase orders for payments, financial record-keeping for labor and materials.

This legislation adds UWHCA to the list of eligible entities for this tax exemption. This will align UWHCA with other Wisconsin-based not-for-profit hospitals and health systems who are eligible under the charitable organizations section. This is similar to 2017 Act 59 that allowed the same benefit to be given to University of Wisconsin

Thank you, members. I ask for your support and would be more than happy to answer any questions.



Assembly Committee on State Affairs
Testimony provided by Jerry McGuire
RE: Support for Assembly Bill 703
January 22, 2020

Dear Chairman Swearingen and members of the committee:

Thank you very much for this opportunity to provide testimony in support of Assembly Bill 703. I am Jerry McGuire and I am joined by my colleague from UW Health, Clark Brenner, along with Kurt Theune of M.A. Mortenson Company, and Michael Griffin of J.P. Cullen and Sons, Inc. We provide oversight for the various construction projects underway at our many existing facilities, and future builds such as the large, new specialty clinic we will break ground on later this year on the east side of Madison. We believe the legislation before you that creates a streamlined process for accessing the sales and use tax exemption for building materials used in our facilities would be tremendously helpful and would save precious resources that could be reinvested in patient care.

Under current law, University of Wisconsin Hospitals and Clinics Authority (d/b/a UW Health) is required to purchase building materials directly in order to avoid sales and use taxes; however, we have worked with our contractors to develop an alternative purchasing process that allows us to avoid paying taxes unnecessarily. However this process creates a significant administrative burden that adds about 1/2 percent in construction costs and limits the number of contractors we can hire because of the challenges of maintaining the dual tax accounting process.

We have provided a visual explanation of this process in the two flow charts on the reverse side of our written testimony. You will see the flow chart on the left is complicated and labor intensive. In contrast, the flow chart on the right illustrates under AB703, we would simply provide our tax ID information to our contractor who would be able to purchase building materials on behalf of UW Health directly and tax free. This would remove the administrative burden placed on our contractor and our staff and reduce costs passed along to our health system. It would also allow UW Health to consider additional contractors who might not be equipped to establish and maintain the necessary administrative "work around" so we aren't paying sales and use taxes unnecessarily.

We would like to extend a special note of gratitude to Rep. Born, Rep. Kulp, Sen. Olsen, Sen. Marklein and the co-sponsors of AB703, including Rep. Sheila Stubbs and Rep. John Jagler, who are leading this effort to extend the benefits of similar bipartisan legislation passed in 2015 and 2017 to UW Health. Assembly Bill 703 treats UW Health the same as other not-for-profit entities in Wisconsin. We would also like to thank the staff at the Department of Revenue who recognize this legislation will have no fiscal impact on Wisconsin.

Thank you very much for your consideration and we'd be happy to take questions at this time.

Existing Process

Proposed Certificate of Exempt Status Process

Department of Revenue – Income

Net Zero

Net Zero

UWHC Procurement – costs

0.25% Administrative

Zero

Contractor/Material Supplier – costs

0.5% Administrative

Zero

