



MARK BORN

STATE REPRESENTATIVE • 39TH ASSEMBLY DISTRICT

Testimony on Senate Bill 645

Senate Committee on Agriculture, Revenue and Financial Institutions

January 29, 2020

Chairman Marklein and members of the Senate Committee on Agriculture, Revenue and Financial Institutions,

Thank you for allowing me to speak in favor of Senate Bill 645, 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.

Senate Bill 645 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 SB 645 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: Senate Committee on Agriculture, Revenue & Financial Institutions
FROM: Senator Luther Olsen
DATE: January 29, 2020
SUBJECT: Testimony in favor of Senate Bill 645

Thank you Chairman Marklein and the Senate Committee on Agriculture, Revenue and Financial Institutions for holding a hearing and allowing me to testify in favor of Senate Bill 645.

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.

UWHealth



School of Medicine
and Public Health
UNIVERSITY OF WISCONSIN-MADISON

Contact: Connie Schulze
Director, Government
Affairs
749 University Row, Suite
240
Madison, WI 53705
608/422-8063 office
608/422-2552 cell

Senate Committee on Agriculture, Revenue and Financial Institutions
Testimony provided by Jerry McGuire
RE: Support for Senate Bill 645
January 29, 2020

Dear Chairman Marklein and members of the committee:

Thank you very much for this opportunity to provide testimony in support of Senate Bill 645. I am Jerry McGuire and I am joined by my colleague from UW Health, Clark Brenner. 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. This process creates a significant administrative burden that adds about ½ 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 SB645, 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 Sen. Olsen, Sen. Marklein, Rep. Born, Rep. Kulp and the co-sponsors of SB645 who are leading this effort to extend the benefits of similar bipartisan legislation passed in 2015 and 2017 to UW Health. Senate Bill 645 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

