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**Advocacy Digest | April 2019**

**Brad Boycks, Executive Director**

## **Bill to Streamline Building Permit Process Introduced**

Recently, [Assembly Bill 117](http://docs.legis.wisconsin.gov/2019/related/proposals/ab117.pdf) (AB 117) was formally introduced by lead authors Representatives John Jagler (R-Watertown) and Amanda Stuck (D-Appleton).  AB 117 has 22 total coauthors: 15 republicans and seven democrats.

You may remember that one of the most direct asks that WBA members made while attending Advocacy Day 2019 was for members of the state’s assembly and senate to sign on as a coauthor to this legislation.  The bipartisan list of 22 coauthors is an impressive number and we are very thankful to those that made the ask to cosponsor this bill during your legislative meetings on Advocacy Day.

A public hearing on the assembly version of the bill will be held on Tuesday, April 23. We are waiting on the senate companion bill (Senate Bill 153) to have a public hearing before the Senate Committee on Utilities and Housing.

Finally, thank you to those that took to time to complete our recent survey. We have compiled a list of 37 municipalities who have required members to submit both paper and online forms for the same building permit, the main inefficiency this bill is trying to change.  If you have not responded to earlier inquires on this question, please feel free to [email Brad](mailto:bboycks@wisbuild.org) with the names and types of municipality (city/village/town) that have required you to submit both versions of the form for the same new building permit.

## **Supreme Court Ruling Sides with WBA in Use Value Case**

## Recently, the Wisconsin Supreme Court ruled in favor of a land use value case that WBA participated in via an amicus brief that was funded using BLAR Fund dollars.

The Builders Legal Action and Research Fund (BLAR Fund) is one of the great success stories of the WBA.

This fund, which was established by the WBA Board of Directors in 1993, is an important tool for advancing policies that benefit housing in Wisconsin.  The fund is financed every year by all WBA members. It is segregated from other association programs and is administered by the WBA Executive Committee.

The case in question presented the court with the opportunity to clarify whether a property owner must demonstrate that the agricultural use of the land generates income or has a business purpose in order to qualify for a use value property tax assessment under the use value law.

WBA joined forces with the Wisconsin Realtors Association (WRA) and NAIOP-Wisconsin on an [amicus brief](https://static1.squarespace.com/static/59e64f7aa803bb12f450bd3a/t/5c37a5cdc2241b34eb311595/1547150798647/blar_Appeal+No.+2017AP516.pdf) on the case to argue that state statutes do not require the landowner to sell or make a profit on the crops that are grown on the property.

In the decision authored by Justice Shirley Abrahamson, it stated “We agree with the court of appeals that a business purpose is not required in order for land to be classified as ‘agricultural land’ for property tax purposes”.

[Click here](https://www.wicourts.gov/sc/opinion/DisplayDocument.pdf?content=pdf&seqNo=237451) to read the entire Supreme Court decision on this case.

## **Legislative Fiscal Bureau: Taxes Increase $1 Billion in Evers’ State Budget**

After the introduction of the state budget every two years, the Legislative Fiscal Bureau does an in-depth analysis of the document and releases additional research and facts when completed.  One of the first documents released on Governor Evers’ 2019-2021 state budget is a report titled [State Tax and Fee Modifications Included in the Governor’s 2019-2021 Budget Recommendations](https://docs.legis.wisconsin.gov/misc/lfb/budget/2019_21_biennial_budget/503_state_tax_and_fee_modifications_included_in_the_governor_s_2019_21_budget_recommendations_3_27_19)

In summary, the report shows that taxes increase by $1 billion, fees increase by $86 million, and the enhanced collection of current taxes would generate an additional $137 million.

If passed by the legislature with no changes, that would result in an increase in taxes and fees of $1.223 billion.

If you would like to see a complete summary of the state budget (coming in at 495 pages), [click here](http://docs.legis.wisconsin.gov/misc/lfb/budget/2019_21_biennial_budget/502_summary_of_governor_s_budget_recommendations_march_2019_entire_document.pdf).

## **Workforce Shortage Bills**

Legislation to address the lack of skilled workers continues to be a focus point of bills introduced so far this legislative session.  This has been a topic of broad and current interest for the Wisconsin Builders Foundation and the advocacy efforts of WBA as well.

Some of the bills introduced so far this session to address this important topic include:

* [Assembly Bill 23](http://docs.legis.wisconsin.gov/2019/related/proposals/ab23.pdf), career and technical education incentive grants
* [Assembly Bill 36](https://docs.legis.wisconsin.gov/2019/related/proposals/ab36.pdf), grants to technical college students for apprenticeship expenses
* [Assembly Bill 45](https://docs.legis.wisconsin.gov/2019/related/proposals/ab36.pdf), creating an individual and corporate income and franchise tax deduction for tuition paid for apprenticeship programs
* [Assembly Bill 57](https://docs.legis.wisconsin.gov/2019/related/proposals/ab57.pdf), grants for Youth Apprenticeship program

The bills listed above are the types that are more likely to pass this legislative session because of their bipartisan support and the diverse organizations currently advocating for their passage.

## **NAHB: Opposes House and Senate Bills to Eliminate Carried Interest**

Sen. Tammy Baldwin (D-Wis.) and Rep. Bill Pascrell (D-N.J.) last week introduced the Carried Interest Fairness Act of 2019, which would impose a major tax increase on real estate by generally requiring carried interest to be classified as ordinary income rather than a capital gain.

A carried (or promoted) interest is a profits interest in a business deal that is larger as a share of the total return than the share of the initial equity investment. Under present law, if the income paid out as the carry is a capital gain, then the carry is taxed at capital gains tax rates (in general, up to 23.8%).

NAHB opposes changes to the taxation of carried interest because it would have a significant negative impact on the multifamily housing industry and on the bottom lines of companies that participate in real estate investment partnerships.

Despite the focus on the financial sector, the use of carried interest is actually quite common in real estate. A builder/developer will typically gain a carried interest in partnership with outside limited partners, who will invest a significant share of the initial equity for a project. The builder also provides some equity, but additionally acts as the entrepreneur and takes more of the economic risk. The return to the carry reflects this risk premium, and thus allows shifting the risk away from the limited partners and attracting capital to the deal.

For multifamily projects, the income due to a carry typically arises as profit from the sale of an apartment building, which is a depreciable, capital asset. As such, this profit originates as a capital gain. The proposal to tax carried interest would redefine such income as non-capital income and tax it at a higher rate.

The effect of such a change would be to place downward pressure on the prices of apartment buildings and other commercial real estate, which would reduce local property tax revenue and could result in the elimination of tens of thousands of jobs in multifamily construction and development.

This bill would require partnerships to classify all partnership income as ordinary income and specifically includes real estate held for rental or investment. Some partnerships may be excluded from this legislation if 75% or more of the capital of the partnership is attributable to qualified capital interests. Qualified capital interests generally include the fair market value of any money or other property contributed to the partnership.

[View the legislation](https://pascrell.house.gov/uploadedfiles/pascre_005_xml_carried_interest.pdf)

For more information, contact [J.P. Delmore](mailto:jpdelmore@nahb.org) at 1-800-368-5242 x8412.