State of Wisconsin
2005 – 2006 LEGISLATURE

LRB–1297/P2
JK/MES/CTS:wlj:jf

~~PRELIMINARY DRAFT – NOT READY FOR INTRODUCTION~~

in 3-3-05
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AN ACT ***to amend*** 71.05 (6) (a) 15., 71.08 (1) (intro.), 71.10 (4) (i), 71.21 (4), 71.26 (2) (a), 71.30 (3) (f), 71.34 (1) (g), 71.45 (2) (a) 10., 71.49 (1) (f) and 77.92 (4); and ***to create*** 20.835 (2) (cm), 71.07 (3c), 71.07 (3e), 71.07 (3w), 71.10 (4) (ce), 71.10 (4) (cf), 71.28 (3w), 71.47 (3w) and 560.799 of the statutes; **relating to:** creating rural enterprise development zones and providing tax incentives to qualified businesses in the zones, creating ~~non~~refundable individual income tax credits for income and capital gains derived from the zones, making ~~an appropriation~~ appropriations, and providing a penalty.

Analysis by the Legislative Reference Bureau

This bill authorizes the Department of Commerce (department) to designate up to ten rural enterprise development zones (zones), upon applications by political subdivisions. A zone may be no larger than 5,000 acres, and may not include any part of a city of the first class or a city with a population greater than 200,000. A political subdivision may apply for designation of a zone that includes land within that political subdivision by submitting a development plan. A development plan must contain certain information, including: 1) a map of the proposed zone; 2) evidence of support in the proposed zone from local government, the public, and business groups; 3) a description of the applicant's goals and methods for increasing economic

opportunity and expansion, improving infrastructure, reducing regulatory burdens, and increasing job training opportunities; and 4) anticipated economic activity in the proposed zone.

In selecting areas for zone designation, the department must consider indicators of the areas' economic need and likelihood of success. The department must give preference to applications that propose designation of zones with the lowest population density and greatest economic need. A zone designation may remain in effect for no more than 12 years.

The department may certify a business to receive certain tax benefits if the business begins operations in a zone or relocates to a zone from outside the state. The department may also certify a business that relocates to a zone from elsewhere in the state, but only if the business will increase its full–time employees in the zone by at least 10 percent or will make a capital investment in property in the zone equal to at least 10 percent of the business's gross revenues in the preceding year.

This bill creates two nonrefundable individual income tax credits, under which the allowable credit is limited to the taxpayer's income tax liability. Under the rural enterprise development income credit, an individual who owns or operates a trade or business in a rural enterprise development zone may claim a credit equal to an amount obtained by multiplying 20 percent of the income the individual derives from the operation of his or her trade or business in the rural enterprise development zone by 6.5 percent. The credit is prorated if the claimant, or the claimant's spouse, is not a full–year resident of this state.

Under the rural enterprise development capital gains credit, an individual may claim a credit based on capital gains derived from the sale or exchange of property, both real property and property other than real property, that is used by a rural enterprise development business that is certified by the department of commerce. Under current law, there is an income tax exclusion for individuals and shareholders of tax–option corporations for 60 percent of the net long–term capital gains realized from the sale of assets held for at least one year. Under this bill, a claimant of the capital gains credit may claim an amount equal to the amount of capital gains that is not currently excluded, multiplied by 6.5 percent. The credit is prorated if the property is also held by the claimant during a period when the rural development zone was not certified by the department. The credit is also prorated if the claimant, or the claimant's spouse, is not a full–year resident of this state.

The bill also creates refundable income and franchise tax credits for businesses located in a rural enterprise development zone. A taxpayer may claim credits based on the amount that the taxpayer pays to employees in the rural enterprise development zone. In addition, the taxpayer may claim a credit equal to the amount of property taxes the taxpayer paid on his or her personal property located in a rural enterprise development zone or the amount of sales and use taxes the taxpayer paid to purchase tangible personal property or taxable services that are used or consumed primarily in a rural enterprise development zone.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 20.835 (2) (cm) of the statutes is created to read:

20.835 **(2)** (cm) *Rural enterprise development zone jobs credit.* A sum sufficient to make the payments under ss. 71.07 (3w) (c) 1., 71.28 (3w) (c) 1., 71.47 (3w) (c) 1.

SECTION 2. 71.05 (6) (a) 15. of the statutes is amended to read:

71.05 **(6)** (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3n), (3s), (3t), (3w), (5b), and (5d) and not passed through by a partnership, limited liability company, or tax–option corporation that has added that amount to the partnership's, company's, or tax–option corporation's income under s. 71.21 (4) or 71.34 (1) (g).

SECTION 3. 71.07 (3c) of the statutes is created to read:

71.07 **(3c)** RURAL ENTERPRISE DEVELOPMENT INCOME CREDIT. (a) *Definitions.* In this subsection:

1. "Claimant" means an individual who owns or operates a trade or business in a rural enterprise development zone.

2. "Rural enterprise development zone" has the meaning given in s. 71.07 (3w) (a) 4.

(b) *Filing claims.* Subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.02, up to the amount of those taxes, an amount obtained by multiplying 20 percent of the income that the individual derives from the operation of his or her trade or business in a rural enterprise development zone by 6.5 percent.

(c) *Limitations.* 1. No credit may be allowed under this subsection unless it is claimed within the time period under s. 71.75 (2).

2. For a claimant who is a nonresident or part–year resident of this state and who is a single person or a married person filing a separate return, multiply the credit for which the claimant is eligible under par. (b) by a fraction the numerator of which is the individual's Wisconsin adjusted gross income and the denominator of which is the individual's federal adjusted gross income. If a claimant is married and files a joint return, and if the claimant or the claimant's spouse, or both, are nonresidents or part–year residents of this state, multiply the credit for which the claimant is eligible under par. (b) by a fraction the numerator of which is the couple's joint Wisconsin adjusted gross income and the denominator of which is the couple's joint federal adjusted gross income.

(d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit under that subsection, applies to the credit under this subsection.

SECTION 4. 71.07 (3e) of the statutes is created to read:

71.07 **(3e)** RURAL ENTERPRISE DEVELOPMENT CAPITAL GAINS CREDIT. (a) *Definitions.* In this subsection:

1. "Claimant" means an individual who files a claim under this subsection.

2. "Property gain" means the gain derived from the sale or exchange of property, other than real property, that is used by a certified business under s. 560.799 (5).

3. "Real property gain" means the gain derived from the sale or exchange of real property that is located in a rural enterprise development zone and used by a certified business under s. 560.799 (5).

4. "Rural enterprise development zone" has the meaning given in s. 71.07 (3w) (a) 4.

(b) *Filing claims.* Subject to the limitations provided in this subsection, a claimant may claim as a credit against the tax imposed under s. 71.02 up to the amount of those taxes, all of the following:

1. An amount obtained by multiplying the amount of property gain that is not excluded under s. 71.05 (6) (b) 9. by 6.5 percent.

2. An amount obtained by multiplying the amount of real property gain that is not excluded under s. 71.05 (6) (b) 9. by 6.5 percent.

(c) *Limitations.* 1. No credit may be allowed under this subsection unless it is claimed within the time period under s. 71.75 (2).

2. If the claimant held the property to which the claim relates during a period when the rural enterprise development zone was not designated, the gain subject to the credit under par. (b) must be multiplied by a fraction, the numerator of which is the number of days the claimant held the property during the period the zone designation was in effect and the denominator of which is the total number of days the claimant held the property.

3. For a claimant who is a nonresident or part–year resident of this state and who is a single person or a married person filing a separate return, multiply the credit for which the claimant is eligible under par. (b), or the credit for which the claimant is eligible under par. (b) as modified by subd. 2., if applicable, by a fraction the numerator of which is the individual's Wisconsin adjusted gross income and the denominator of which is the individual's federal adjusted gross income. If a claimant is married and files a joint return, and if the claimant or the claimant's spouse, or both, are nonresidents or part–year residents of this state, multiply the credit for which the claimant is eligible under par. (b), or the credit for which the claimant is eligible under par. (b) as modified by subd. 2., if applicable, by a fraction the

numerator of which is the couple's joint Wisconsin adjusted gross income and the denominator of which is the couple's joint federal adjusted gross income.

(d) *Administration.* Subsection (9e) (d), to the extent that it applies to the credit under that subsection, applies to the credit under this subsection.

SECTION 5. 71.07 (3w) of the statutes is created to read:

71.07 **(3w)** RURAL ENTERPRISE DEVELOPMENT ZONE JOBS CREDIT. (a) *Definitions.* In this subsection:

1. "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the rural enterprise development zone in which the claimant is located takes effect.

2. "Claimant" means a person who is certified to claim tax benefits under s. 560.799 (5) and who files a claim under this subsection.

3. "Full–time employee" means an individual who is employed in a regular, nonseasonal job and who, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays.

4. "Rural enterprise development zone" means a zone designated under s. 560.799.

5. "State payroll" means the amount of payroll apportioned to this state, as determined under s. 71.04 (6).

6. "Zone payroll" means the amount of state payroll that is attributable to compensation paid to individuals for services that are performed in a rural enterprise development zone or who are working from an office located in a rural enterprise development zone if the work is incidental to any work that the individual performs within the rural enterprise development zone. "Zone payroll" does not include the amount of compensation paid to any individual that exceeds $100,000.

(b) *Filing claims; payroll.* Subject to the limitations provided in this subsection and s. 560.799, a claimant may claim as a credit against the tax imposed under s. 71.02 an amount calculated as follows:

1. Determine the amount that is the lesser of:

a. The claimant's zone payroll in the taxable year, minus the claimant's zone payroll in the base year.

b. The claimant's state payroll in the taxable year, minus the claimant's state payroll in the base year.

2. Subtract the number of full–time employees that the claimant employed in the area that comprises the rural enterprise development zone in the base year from the number of full–time employees that the claimant employed in the rural enterprise development zone in the taxable year.

3. Multiply the amount determined under subd. 2., but not an amount less than zero, by $30,000.

4. Subtract the amount determined under subd. 3. from the amount determined under subd. 1.

(bm) *Filing supplemental claims.* In addition to the credit under par. (b) and subject to the limitations provided in this subsection and s. 560.799, a claimant may claim as a credit against the tax imposed under s. 71.02 an amount equal to all of the following:

1. The amount of the property taxes that the claimant paid in the taxable year for the claimant's personal property that is located in a rural enterprise development zone.

2. The amount of taxes imposed under subch. III of ch. 77 that the claimant paid in the taxable year on the purchase of tangible personal property and taxable services that are used or consumed primarily in a rural enterprise development zone.

3. If all of the claimant's payroll is zone payroll and all of the claimant's business–related property is located in a rural enterprise development zone, 20 percent of the sum of the claimant's zone payroll in the taxable year and the adjusted basis of the claimant's property at the time that the property is first placed in service in the rural enterprise development zone.

(c) *Limitations.* 1. If the allowable amount of the claim under this subsection exceeds the taxes otherwise due on the claimant's income under s. 71.02, the amount of the claim that is not used to offset those taxes shall be certified by the department of revenue to the department of administration for payment by check, share draft, or other draft drawn from the appropriation under s. 20.835 (2) (cm).

2. Partnerships, limited liability companies, and tax–option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts described under pars. (b) and (bm). A partnership, limited liability company, or tax–option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax–option corporations may claim the credit in proportion to their ownership interests.

3. No credit may be allowed under this subsection unless the claimant includes with the claimant's return a copy of the claimant's certification for tax benefits under s. 560.799 (5).

(d) *Administration.* Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4), applies to the credit under this subsection.

SECTION 6. 71.08 (1) (intro.) of the statutes is amended to read:

71.08 **(1)** IMPOSITION. (intro.) If the tax imposed on a natural person, married couple filing jointly, trust, or estate under s. 71.02, not considering the credits under ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3n), (3s), (3t), (3w), (5b), (5d), (6), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m), (3), (3n), ~~and~~ (3t), and (3w), and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m), (3), (3n), ~~and~~ (3t), and (3w), and subchs. VIII and IX, and payments to other states under s. 71.07 (7), is less than the tax under this section, there is imposed on that natural person, married couple filing jointly, trust, or estate, instead of the tax under s. 71.02, an alternative minimum tax computed as follows:

SECTION 7. 71.10 (4) (ce) of the statutes is created to read:

71.10 **(4)** (ce) The rural enterprise development income credit under s. 71.07 (3c).

SECTION 8. 71.10 (4) (cf) of the statutes is created to read:

71.10 **(4)** (cf) The rural enterprise development capital gains credit under s. 71.07 (3e).

SECTION 9. 71.10 (4) (i) of the statutes is amended to read:

71.10 **(4)** (i) The total of claim of right credit under s. 71.07 (1), farmland preservation credit under subch. IX, homestead credit under subch. VIII, farmland tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s. 71.07 (2fd), rural enterprise development zone jobs credit under s. 71.07 (3w), earned income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under subch. X.

SECTION 10. 71.21 (4) of the statutes is amended to read:

71.21 **(4)** Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3n), (3s), (3t), (3w), and (5b) and passed through to partners shall be added to the partnership's income.

SECTION 11. 71.26 (2) (a) of the statutes is amended to read:

71.26 **(2)** (a) *Corporations in general.* The "net income" of a corporation means the gross income as computed under the Internal Revenue Code as modified under sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c) 7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income under this paragraph at the time that the taxpayer first claimed the credit plus the amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3g), (3n), (3t), (3w), and (5b) and not passed through by a partnership, limited liability company, or tax–option corporation that has added that amount to the partnership's, limited liability company's, or tax–option corporation's income under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or other disposition of assets the gain from which would be wholly exempt income, as defined in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and minus deductions, as computed under the Internal Revenue Code as modified under sub. (3), plus or minus, as appropriate, an amount equal to the difference between the federal basis and Wisconsin basis of any asset sold, exchanged, abandoned, or otherwise disposed of in a taxable transaction during the taxable year, except as provided in par. (b) and s. 71.45 (2) and (5).

SECTION 12. 71.28 (3w) of the statutes is created to read:

71.28 **(3w)** RURAL ENTERPRISE DEVELOPMENT ZONE JOBS CREDIT. (a) *Definitions.* In this subsection:

1. "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the rural enterprise development zone in which the claimant is located takes effect.

2. "Claimant" means a person who is certified to claim tax benefits under s. 560.799 (5) and who files a claim under this subsection.

3. "Full–time employee" means an individual who is employed in a regular, nonseasonal job and who, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays.

4. "Rural enterprise development zone" means a zone designated under s. 560.799.

5. "State payroll" means the amount of payroll apportioned to this state, as determined under s. 71.25 (8).

6. "Zone payroll" means the amount of state payroll that is attributable to compensation paid to individuals for services that are performed in a rural enterprise development zone or who are working from an office located in a rural enterprise development zone if the work is incidental to any work that the individual performs within the rural enterprise development zone. "Zone payroll" does not include the amount of compensation paid to any individual that exceeds $100,000.

(b) *Filing claims; payroll.* Subject to the limitations provided in this subsection and s. 560.799, a claimant may claim as a credit against the tax imposed under s. 71.23 an amount calculated as follows:

1. Determine the amount that is the lesser of:

a. The claimant's zone payroll in the taxable year, minus the claimant's zone payroll in the base year.

b. The claimant's state payroll in the taxable year, minus the claimant's state payroll in the base year.

2. Subtract the number of full–time employees that the claimant employed in the area that comprises the rural enterprise development zone in the base year from the number of full–time employees that the claimant employed in the rural enterprise development zone in the taxable year.

3. Multiply the amount determined under subd. 2., but not an amount less than zero, by $30,000.

4. Subtract the amount determined under subd. 3. from the amount determined under subd. 1.

(bm) *Filing supplemental claims.* In addition to the credit under par. (b) and subject to the limitations provided in this subsection and s. 560.799, a claimant may claim as a credit against the tax imposed under s. 71.23 an amount equal to all of the following:

1. The amount of the property taxes that the claimant paid in the taxable year for the claimant's personal property that is located in a rural enterprise development zone.

2. The amount of taxes imposed under subch. III of ch. 77 that the claimant paid in the taxable year on the purchase of tangible personal property and taxable services that are used or consumed primarily in a rural enterprise development zone.

3. If all of the claimant's payroll is zone payroll and all of the claimant's business–related property is located in a rural enterprise development zone, 20 percent of the sum of the claimant's zone payroll in the taxable year and the adjusted

basis of the claimant's property at the time that the property is first placed in service in the rural enterprise development zone.

(c) *Limitations.* 1. If the allowable amount of the claim under this subsection exceeds the taxes otherwise due on the claimant's income under s. 71.23, the amount of the claim that is not used to offset those taxes shall be certified by the department of revenue to the department of administration for payment by check, share draft, or other draft drawn from the appropriation under s. 20.835 (2) (cm).

2. Partnerships, limited liability companies, and tax–option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts described under pars. (b) and (bm). A partnership, limited liability company, or tax–option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax–option corporations may claim the credit in proportion to their ownership interests.

3. No credit may be allowed under this subsection unless the claimant includes with the claimant's return a copy of the claimant's certification for tax benefits under s. 560.799 (5).

(d) *Administration.* Subsection (4) (g) and (h), as it applies to the credit under sub. (4), applies to the credit under this subsection.

SECTION 13. 71.30 (3) (f) of the statutes is amended to read:

71.30 **(3)** (f) The total of farmers' drought property tax credit under s. 71.28 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under s. 71.28 (2m), rural enterprise development zone jobs credit under s. 71.28 (3w), and estimated tax payments under s. 71.29.

SECTION 14. 71.34 (1) (g) of the statutes is amended to read:

71.34 **(1)** (g) An addition shall be made for credits computed by a tax–option corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g), (3n), (3t), (3w), and (5b) and passed through to shareholders.

SECTION 15. 71.45 (2) (a) 10. of the statutes is amended to read:

71.45 **(2)** (a) 10. By adding to federal taxable income the amount of credit computed under s. 71.47 (1dd) to (1dx), (3n), (3w), and (5b) and not passed through by a partnership, limited liability company, or tax–option corporation that has added that amount to the partnership's, limited liability company's, or tax–option corporation's income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit computed under s. 71.47 (1), (3), (3t), (4), and (5).

SECTION 16. 71.47 (3w) of the statutes is created to read:

71.47 **(3w)** RURAL ENTERPRISE DEVELOPMENT ZONE JOBS CREDIT. (a) *Definitions.* In this subsection:

1. "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the rural enterprise development zone in which the claimant is located takes effect.

2. "Claimant" means a person who is certified to claim tax benefits under s. 560.799 (5) and who files a claim under this subsection.

3. "Full–time employee" means an individual who is employed in a regular, nonseasonal job and who, as a condition of employment, is required to work at least 2,080 hours per year, including paid leave and holidays.

4. "Rural enterprise development zone" means a zone designated under s. 560.799.

5. "State payroll" means the amount of payroll apportioned to this state, as determined under s. 71.45 (3) (b).

6. "Zone payroll" means the amount of state payroll that is attributable to compensation paid to individuals for services that are performed in a rural enterprise development zone or who are working from an office located in a rural enterprise development zone if the work is incidental to any work that the individual performs within the rural enterprise development zone. "Zone payroll" does not include the amount of compensation paid to any individual that exceeds $100,000.

(b) *Filing claims; payroll.* Subject to the limitations provided in this subsection and s. 560.799, a claimant may claim as a credit against the tax imposed under s. 71.43 an amount calculated as follows:

1. Determine the amount that is the lesser of:

a. The claimant's zone payroll in the taxable year, minus the claimant's zone payroll in the base year.

b. The claimant's state payroll in the taxable year, minus the claimant's state payroll in the base year.

2. Subtract the number of full–time employees that the claimant employed in the area that comprises the rural enterprise development zone in the base year from the number of full–time employees that the claimant employed in the rural enterprise development zone in the taxable year.

3. Multiply the amount determined under subd. 2., but not an amount less than zero, by $30,000.

4. Subtract the amount determined under subd. 3. from the amount determined under subd. 1.

(bm) *Filing supplemental claims.* In addition to the credit under par. (b) and subject to the limitations provided in this subsection and s. 560.799, a claimant may claim as a credit against the tax imposed under s. 71.43 an amount equal to all of the following:

1. The amount of the property taxes that the claimant paid in the taxable year for the claimant's personal property that is located in a rural enterprise development zone.

2. The amount of taxes imposed under subch. III of ch. 77 that the claimant paid in the taxable year on the purchase of tangible personal property and taxable services that are used or consumed primarily in a rural enterprise development zone.

3. If all of the claimant's payroll is zone payroll and all of the claimant's business–related property is located in a rural enterprise development zone, 20 percent of the sum of the claimant's zone payroll in the taxable year and the adjusted basis of the claimant's property at the time that the property is first placed in service in the rural enterprise development zone.

(c) *Limitations.* 1. If the allowable amount of the claim under this subsection exceeds the taxes otherwise due on the claimant's income under s. 71.43, the amount of the claim that is not used to offset those taxes shall be certified by the department of revenue to the department of administration for payment by check, share draft, or other draft drawn from the appropriation under s. 20.835 (2) (cm).

2. Partnerships, limited liability companies, and tax–option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts described under pars. (b) and (bm). A partnership, limited liability company, or tax–option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim

and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax–option corporations may claim the credit in proportion to their ownership interests.

3. No credit may be allowed under this subsection unless the claimant includes with the claimant's return a copy of the claimant's certification for tax benefits under s. 560.799 (5).

(d) *Administration.* Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4), applies to the credit under this subsection.

SECTION 17. 71.49 (1) (f) of the statutes is amended to read:

71.49 **(1)** (f) The total of farmers' drought property tax credit under s. 71.47 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under s. 71.47 (2m), rural enterprise development zone jobs credit under s. 71.47 (3w), and estimated tax payments under s. 71.48.

SECTION 18. 77.92 (4) of the statutes is amended to read:

77.92 **(4)** "Net business income," with respect to a partnership, means taxable income as calculated under section 703 of the Internal Revenue Code; plus the items of income and gain under section 702 of the Internal Revenue Code, including taxable state and municipal bond interest and excluding nontaxable interest income or dividend income from federal government obligations; minus the items of loss and deduction under section 702 of the Internal Revenue Code, except items that are not deductible under s. 71.21; plus guaranteed payments to partners under section 707 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3s), (3n), (3t), (3w), and (5b); and plus or minus, as appropriate, transitional adjustments, depreciation differences, and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding

income, gain, loss, and deductions from farming. "Net business income," with respect to a natural person, estate, or trust, means profit from a trade or business for federal income tax purposes and includes net income derived as an employee as defined in section 3121 (d) (3) of the Internal Revenue Code.

SECTION 19. 560.799 of the statutes is created to read:

560.799 Rural enterprise development zone. (1) DEFINITIONS. In this section:

(a) "Local governing body" has the meaning given in s. 560.70 (4).

(b) "Political subdivision" means a city, village, town, or county.

(c) "Tax benefits" means the income and franchise tax credits under ss. 71.07 (3c), (3e), and (3w), 71.28 (3w), and 71.47 (3w).

(2) APPLICATION; DEVELOPMENT PLAN. (a) The local governing bodies of one or more political subdivisions may apply to the department for designation of an area as a rural enterprise development zone, if the proposed zone includes land within the boundaries of the political subdivision or political subdivisions applying for designation. An application shall include a development plan under par. (b).

(b) A development plan shall include all of the following:

1. A map of the proposed zone that shows the physical boundaries of the proposed zone, the size of the zone in acres, and the present uses and condition of land and structures in the proposed zone.

2. Evidence of support in the proposed zone for the proposed designation, including support from local government, the public, and business groups.

3. A description of the applicant's or applicants' goals for, and proposed methods for achieving, increased economic opportunity and expansion, infrastructure

improvements, reduced regulatory burdens, and increased job training opportunities in the proposed zone.

4. A description of current social, economic, and demographic characteristics of the proposed zone and of the anticipated improvements in education, health, human services, and employment that would result from designation as a rural enterprise development zone.

5. A description of anticipated economic and other activity in the proposed zone, including industrial uses, commercial or retail uses, and residential uses.

6. A proposal as to the time period in which the designation would remain in effect.

(3) DESIGNATION OF RURAL ENTERPRISE DEVELOPMENT ZONES; CRITERIA. (a) The department may, upon applications by a political subdivision or political subdivisions, designate not more than 10 rural enterprise development zones. The department may designate an area as a rural enterprise development zone if all of the following apply:

1. The area does not exceed 5,000 acres.

2. The area does not include any part of a city of the first class or a city with a population greater than 200,000.

(b) In determining whether to grant an application to designate an area under par. (a), the department shall consider all of the following:

1. Indicators of the area's economic need, which may include data regarding household income, average wages, the condition of property, housing values, population decline, job losses, infrastructure and energy support, and the rate of business development.

2. Indicators of the likelihood of success in achieving the goals under sub. (2) (b) 3., which may include the strength and viability of the development plan; the level of creativity and innovation reflected in the development plan; the strength of support for the proposal in the proposed zone; the existing resources available to the area; the effect of designation on other initiatives and programs to promote economic and community development in the area, including regional initiatives and programs; the extent to which designation will ease regulatory burdens; the extent to which the development plan links job creation and job training; and the extent to which the development plan focuses on creating high–paying jobs.

(c) The department shall, to the extent possible, give preference to applications in which the areas proposed for designation have the lowest population densities and have, according to the indicators under par. (b) 1., the greatest economic need.

(4) TIME LIMITS; REPORTING. (a) A designation under sub. (3) may remain in effect for no more than 12 years.

(b) If the department designates an area as a rural enterprise development zone under sub. (3), the governing body or bodies of the political subdivision or political subdivisions that applied for designation shall, during the time that the designation is in effect, annually submit a report to the department, in a form and at a time prescribed by the department, describing the political subdivision's or political subdivisions' progress in meeting the goals contained in the development plan under sub. (2) (b) 3., and any additional information required by the department.

(5) CERTIFICATION. The department may certify for tax benefits any of the following:

(a) A business that begins operations in a rural enterprise development zone.

(b) A business that relocates to a rural enterprise development zone from outside this state.

(c) A business that relocates to a rural enterprise development zone from another location in this state, but only if any of the following apply:

1. The business will increase the number of full–time employees employed in the rural enterprise development zone by at least 10 percent, and the business enters into an agreement with the department to claim tax benefits only for years during which the business maintains the increased level of employment.

2. The business makes a capital investment in property located in the rural enterprise development zone and the value of the capital investment is equal to at least 10 percent of the business's gross revenues in the preceding tax year, and the business enters into an agreement with the department to claim tax benefits only for years during which the business maintains the capital investment.

(6) OTHER DUTIES. (a) The department of commerce shall notify the department of revenue when the department of commerce certifies a business to receive tax benefits.

(b) The department shall revoke a certification under sub. (5) if the business does any of the following:

1. Supplies false or misleading information to obtain tax benefits.

2. Leaves the rural enterprise development zone to conduct substantially the same business outside of the rural enterprise development zone.

3. Ceases operations in the rural enterprise development zone and does not renew operation of the business or a similar business in the rural enterprise development zone within 12 months.

(c) The department of commerce shall notify the department of revenue within 30 days of a revocation under par. (b).

(d) The department may require a business to repay any tax benefits the business claims for a year in which the business failed to maintain employment or capital investment levels required by an agreement under sub. (5) (c).

(e) The department annually shall verify information submitted to the department under s. 71.07 (3c), (3e), or (3w), 71.28 (3w), or 71.47 (3w).

SECTION 20. Initial applicability.

(1) INDIVIDUAL INCOME TAX, CAPITAL GAINS TAX CREDITS. The treatment of section 71.07 (3c) and (3e) of the statutes first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31 the treatment of section 71.07 (3c) and (3e) of the statutes first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

(2) CORPORATE INCOME AND FRANCHISE TAX CREDITS. The treatment of sections 71.07 (3w), 71.28 (3w), and 71.47 (3w) of the statutes first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31 the treatment of sections 71.07 (3w), 71.28 (3w), and 71.47 (3w) of the statutes first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

(END)

INS 3–3

SECTION 1. 20.835 (2) (em) of the statutes is created to read:

20.835 **(2)** (em) *Rural enterprise development income credit.* A sum sufficient to pay the claims approved under s. 71.07 (3c).

SECTION 2. 20.835 (2) (eo) of the statutes is created to read:

20.835 **(2)** (eo) *Rural enterprise development capital gains credit.* A sum sufficient to pay the claims approved under s. 71.07 (3e).

INS 3–21

If the allowable amount of the claim exceeds the income taxes otherwise due on the claimant's income, the amount of the claim not used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (em).

INS ~~5–8~~ 5–7

~~, and if~~ the allowable amount of the claim exceeds the income taxes otherwise due on the claimant's income, the amount of the claim not used as an offset against those taxes shall be certified by the department of revenue to the department of administration for payment to the claimant by check, share draft, or other draft from the appropriation under s. 20.835 (2) (eo).

Amy Boyer — 258-9506 — jobs bill — Luder

job training — define job training? see DWD

refundable ▷ defining "eligible expenses"

- upgrading existing skills
- train for new technologies
- or train for first job

The amount the claimant paid in the taxable year to ~~provide~~ ~~on the job~~ ~~training to the claimant's employees~~ improve or upgrade the skills of any of the claimant's full-time employees, train any of the claimant's full-time employees on the use of new technologies, or train ~~an~~ any full-time employee whose employment with the claimant represents the employee's first job.