

2005 DRAFTING REQUEST

Senate Substitute Amendment (SSA-SB103)

Received: 04/28/2005

Received By: jkreye

Wanted: Today

Identical to LRB:

For: Ted Kanavas (608) 266-9174

By/Representing: jeremey

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax, Business - credits

Extra Copies:

Submit via email: YES

Requester's email: Sen.Kanavas@legis.state.wi.us

Carbon copy (CC:) to: joseph.kreye@legis.state.wi.us

Pre Topic:

No specific pre topic given

Topic:

Research credit for designing internal combustion engines; including parts, accessories, component technologies, and substitute products

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 04/28/2005	kfollett 04/28/2005		_____			State
/1	jkreye 04/28/2005	kfollett 04/28/2005	pgreensl 04/28/2005 rschluet 04/28/2005	_____	lnorthro 04/28/2005	lnorthro 04/28/2005	State
/2				_____	lemery	lemery	State

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/3	jkreye 05/04/2005	kfollett 05/04/2005	rschluet 05/04/2005	_____	04/28/2005	04/28/2005	
				_____	sbasford 05/04/2005	sbasford 05/04/2005	

FE Sent For:

<END>

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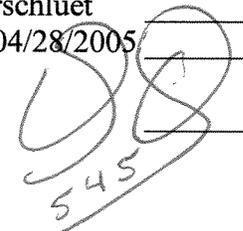
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/2		13/6/05 5/4/05	 545		lemery	lemery	

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				_____	04/28/2005	04/28/2005	

FE Sent For:

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Received: 04/28/2005

Received By: jkreyc

Wanted: Today

Identical to LRB:

For: Ted Kanavas (608) 266-9174

By/Representing: jeremey

This file may be shown to any legislator: NO

Drafter: jkreyc

May Contact:

Addl. Drafters:

Subject: Tax, Business - credits

Extra Copies:

Submit via email: YES

Requester's email: Sen.Kanavas@legis.state.wi.us

Carbon copy (CC:) to: joseph.kreyc@legis.state.wi.us

Pre Topic:

No specific pre topic given

Topic:

Research credit for designing internal combustion engines; including parts, accessories, component technologies, and substitute products

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreyc 04/28/2005	kfollett 04/28/2005		_____			State
/1		12k 4/28	pgreensl 04/28/2005	_____	lnorthro 04/28/2005	lnorthro 04/28/2005	

FE Sent For:

Handwritten signature and date: 4-28-05 <END>

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For: Ted Kanavas (608) 266-9174

By/Representing: jeremey

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/?	jkreye	1/1 kjl 4/28	4/28 ps	4/28 ps	1 R		
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FE Sent For:

<END>

Kreye, Joseph

From: Shepherd, Jeremy
Sent: Wednesday, April 27, 2005 4:41 PM
To: Kreye, Joseph
Subject: Amendment to SB 103

Joe,

We love giving you more work to do!

Ted would like to add these provisions to a substitute amendment 2 to SB 103:

Parts, accessories and component technologies
Riding lawn & garden maintenance equipment
Construction equipment
Internal Combustion Engine substitute products to include: Fuel cell, Electric and Hybrid drives

If you have any questions, please feel free to give me a call.

Jeremy J. Shepherd
Office of Senator Ted Kanavas
Wisconsin 33rd Senate District
Room 10 South, State Capitol
Madison, WI 53707-7882
(608) 266-9174

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PM not R

**SENATE SUBSTITUTE AMENDMENT 1,
TO 2005 SENATE BILL 103**

in 4-28-05

April 13, 2005 - Offered by Senator KANAVAS.

Today

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1 **AN ACT to renumber and amend** 71.28 (4) (a), 71.28 (5) (a), 71.47 (4) (a) and
2 71.47 (5) (a); **to amend** 71.28 (4) (am) 1. and 71.47 (4) (am); and **to create** 71.28
3 (4) (ab), 71.28 (4) (ad) 2., 71.28 (4) (af), 71.28 (5) (ab), 71.28 (5) (ad) 2., 71.47 (4)
4 (ab), 71.47 (4) (ad) 2., 71.47 (4) (af), 71.47 (5) (ab) and 71.47 (5) (ad) 2. of the
5 statutes; **relating to:** the income and franchise tax credit for research and
6 research facilities.

Analysis by the Legislative Reference Bureau

Under current law, a corporation may claim an income and franchise tax credit in an amount equal to 5 percent of its qualified research expenses, as defined by the Internal Revenue Code for research conducted in this state. In addition, a corporation may claim an income and franchise tax credit equal to 5 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined by the Internal Revenue Code. Under this substitute amendment, a corporation may claim an income and franchise tax credit in an amount equal to 10 percent of its qualified research expenses related to engine and vehicle design for research conducted in this state and 10 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research

related to designing internal combustion engines, including expenses related to designing vehicles that are powered by such engines.

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:

1 **SECTION 1.** 71.28 (4) (a) of the statutes is renumbered 71.28 (4) (ad) 1. and
2 amended to read:

3 71.28 (4) (ad) *Credit.* 1. Any Except as provided in subd. 2., any corporation
4 may credit against taxes otherwise due under this chapter an amount equal to ~~5%~~
5 5 percent of the amount obtained by subtracting from the corporation's qualified
6 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
7 Revenue Code, except that "qualified research expenses" includes only expenses
8 incurred by the claimant, incurred for research conducted in this state for the taxable
9 year, except that a taxpayer may elect the alternative computation under section 41
10 (c) (4) of the Internal Revenue Code and that election applies until the department
11 permits its revocation, except as provided in par. (af), and except that "qualified
12 research expenses" does not include compensation used in computing the credit
13 under subs. (1dj) and (1dx), the corporation's base amount, as defined in section 41
14 (c) of the ~~internal revenue code~~ Internal Revenue Code, except that gross receipts
15 used in calculating the base amount means gross receipts from sales attributable to
16 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the ~~internal~~
17 ~~revenue code~~ Internal Revenue Code does not apply to the credit under this
18 paragraph.

19 **SECTION 2.** 71.28 (4) (ab) of the statutes is created to read:

20 71.28 (4) (ab) *Definitions.* In this subsection:

1 1. "Frame" includes:

2 a. Every part of a motorcycle, except the tires.

3 b. In the case of a truck, the control system and the fuel and drive train,
4 excluding any comfort features located in the cab or the tires.

5 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
6 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
7 components.

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including parts, accessories, and component technologies

8 2. "Vehicle" means any vehicle or frame in which or on which an engine is
9 mounted for use in mobile or stationary applications. "Vehicle" includes any truck,
10 tractor, motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft,
11 generator, automobile, van, sports utility vehicle, motor home, bus, or aircraft.

12 SECTION 3. 71.28 (4) (ad) 2. of the statutes is created to read:

13 71.28 (4) (ad) 2. For taxable years beginning after December 31, 2006, any
14 corporation may credit against taxes otherwise due under this chapter an amount
15 equal to 10 percent of the amount obtained by subtracting from the corporation's
16 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
17 except that "qualified research expenses" includes only expenses incurred by the
18 claimant for research related to designing internal combustion engines for vehicles,
19 including expenses related to designing vehicles that are powered by such engines
20 and improving production processes for such engines and vehicles, incurred for
21 research conducted in this state for the taxable year, except that a taxpayer may elect
22 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
23 and that election applies until the department permits its revocation, except as
24 provided in par. (af), and except that "qualified research expenses" does not include
25 compensation used in computing the credit under subs. (1dj) and (1dx), the

construction equipment, riding lawn and garden maintenance equipment,

1 corporation's base amount, as defined in section 41 (c) of the Internal Revenue Code,
2 except that gross receipts used in calculating the base amount means gross receipts
3 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section
4 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

5 **SECTION 4.** 71.28 (4) (af) of the statutes is created to read:

6 71.28 (4) (af) *Computation.* If in any taxable year a corporation claims a credit
7 under both par. (ad) 1. and 2., the corporation may use a different computation
8 method under par. (ad) 2. than it uses under par. (ad) 1. and may choose to change
9 the computation method once for each credit without the department's approval.

10 **SECTION 5.** 71.28 (4) (am) 1. of the statutes is amended to read:

11 71.28 (4) (am) 1. In addition to the credit under par. (a) (ad), any corporation
12 may credit against taxes otherwise due under this chapter an amount equal to ~~5%~~
13 5 percent of the amount obtained by subtracting from the corporation's qualified
14 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
15 Revenue Code, except that "qualified research expenses" include only expenses
16 incurred by the claimant in a development zone under subch. VI of ch. 560, except
17 that a taxpayer may elect the alternative computation under section 41 (c) (4) of the
18 Internal Revenue Code and that election applies until the department permits its
19 revocation and except that "qualified research expenses" do not include
20 compensation used in computing the credit under sub. (1dj) nor research expenses
21 incurred before the claimant is certified for tax benefits under s. 560.765 (3), the
22 corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~
23 Internal Revenue Code, in a development zone, except that gross receipts used in
24 calculating the base amount means gross receipts from sales attributable to
25 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and research expenses used in

1 calculating the base amount include research expenses incurred before the claimant
2 is certified for tax benefits under s. 560.765 (3), in a development zone, if the claimant
3 submits with the claimant's return a copy of the claimant's certification for tax
4 benefits under s. 560.765 (3) and a statement from the department of commerce
5 verifying the claimant's qualified research expenses for research conducted
6 exclusively in a development zone. The rules under s. 73.03 (35) apply to the credit
7 under this subdivision. The rules under sub. (1di) (f) and (g) as they apply to the
8 credit under that subsection apply to claims under this subdivision. Section 41 (h)
9 of the ~~internal revenue code~~ Internal Revenue Code does not apply to the credit under
10 this subdivision.

11 **SECTION 6.** 71.28 (5) (a) of the statutes is renumbered 71.28 (5) (ad) 1. and
12 amended to read:

13 71.28 (5) (ad) *Credit*. 1. ~~For~~ Except as provided in subd. 2., for taxable year
14 1986 and subsequent years, any corporation may credit against taxes otherwise due
15 under this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred
16 by that corporation during the taxable year to construct and equip new facilities or
17 expand existing facilities used in this state for qualified research, as defined in
18 section 41 of the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts
19 include only amounts paid or incurred for tangible, depreciable property but do not
20 include amounts paid or incurred for replacement property.

21 **SECTION 7.** 71.28 (5) (ab) of the statutes is created to read:

22 71.28 (5) (ab) *Definitions*. In this subsection:

23 1. "Frame" includes:

24 a. Every part of a motorcycle, except the tires.

1 b. In the case of a truck, the control system and the fuel and drive train,
2 excluding any comfort features located in the cab or the tires.

3 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
4 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
5 components.

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including parts, accessories, and component technologies,

6 ~~2~~ ^{3.} "Vehicle" means any vehicle or frame in which or on which an engine is
7 mounted for use in mobile or stationary applications. "Vehicle" includes any truck,
8 tractor, motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft,
9 generator, automobile, van, sports utility vehicle, motor home, bus, or aircraft.

9

10 SECTION 8. 71.28 (5) (ad) 2. of the statutes is created to read:

11 71.28 (5) (ad) 2. For taxable years beginning after December 31, 2006, any
12 corporation may credit against taxes otherwise due under this chapter an amount
13 equal to 10 percent of the amount paid or incurred by that corporation during the
14 taxable year to construct and equip new facilities or expand existing facilities used
15 in this state for qualified research, as defined in section 41 of the Internal Revenue
16 Code, except that "qualified research expenses" includes only expenses paid or
17 incurred by the claimant for research related to designing internal combustion
18 engines for vehicles, including expenses related to designing vehicles that are
19 powered by such engines and improving production processes for such engines and
20 vehicles. Eligible amounts include only amounts paid or incurred for tangible,
21 depreciable property but do not include amounts paid or incurred for replacement
22 property.

23 SECTION 9. 71.47 (4) (a) of the statutes is renumbered 71.47 (4) (ad) 1. and
24 amended to read:

construction equipment, riding lawn and garden maintenance equipment,

1 71.47 (4) (ad) *Credit*. 1. Any Except as provided in subd. 2., any corporation
2 may credit against taxes otherwise due under this chapter an amount equal to ~~5%~~
3 10 percent of the amount obtained by subtracting from the corporation's qualified
4 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
5 Revenue Code, except that "qualified research expenses" includes only expenses
6 incurred by the claimant, incurred for research conducted in this state for the taxable
7 year, except that a taxpayer may elect the alternative computation under section 41
8 (c) (4) of the Internal Revenue Code and that election applies until the department
9 permits its revocation, except as provided in par. (af), and except that "qualified
10 research expenses" does not include compensation used in computing the credit
11 under subs. (1dj) and (1dx), the corporation's base amount, as defined in section 41
12 (c) of the ~~internal revenue code~~ Internal Revenue Code, except that gross receipts
13 used in calculating the base amount means gross receipts from sales attributable to
14 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the ~~internal~~
15 ~~revenue code~~ Internal Revenue Code does not apply to the credit under this
16 paragraph.

17 **SECTION 10.** 71.47 (4) (ab) of the statutes is created to read:

18 71.47 (4) (ab) *Definitions*. In this subsection:

19 1. "Frame" includes:

20 a. Every part of a motorcycle, except the tires.

21 b. In the case of a truck, the control system and the fuel and drive train,
22 excluding any comfort features located in the cab or the tires.

23 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
24 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
25 components.

*parts, accessories,
including parts, accessories,
and component technologies,*

*INSERT
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3.

1 "Vehicle" means any vehicle or frame in which or on which an engine is
2 mounted for use in mobile or stationary applications. "Vehicle" includes any truck,
3 tractor, motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft,
4 generator, automobile, van, sports utility vehicle, motor home, bus, or aircraft.

5 SECTION 11. 71.47 (4) (ad) 2. of the statutes is created to read:

6 71.47 (4) (ad) 2. For taxable years beginning after December 31, 2006, any
7 corporation may credit against taxes otherwise due under this chapter an amount
8 equal to 10 percent of the amount obtained by subtracting from the corporation's
9 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
10 except that "qualified research expenses" includes only expenses incurred by the
11 claimant for research related to designing internal combustion engines for vehicles,
12 including expenses related to designing vehicles that are powered by such engines
13 and improving production processes for such engines and vehicles, incurred for
14 research conducted in this state for the taxable year, except that a taxpayer may elect
15 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
16 and that election applies until the department permits its revocation, except as
17 provided in par. (af), and except that "qualified research expenses" does not include
18 compensation used in computing the credit under subs. (1dj) and (1dx), the
19 corporation's base amount, as defined in section 41 (c) of the Internal Revenue Code,
20 except that gross receipts used in calculating the base amount means gross receipts
21 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section
22 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

23 SECTION 12. 71.47 (4) (af) of the statutes is created to read:

24 71.47 (4) (af) *Computation.* If in any taxable year a corporation claims a credit
25 under both par. (ad) 1. and 2., the corporation may use a different computation

*construction equipment, riding lawn and garden maintenance
equipment,*

1 method under par. (ad) 2. than it uses under par. (ad) 1. and may choose to change
2 the computation method once for each credit without the department's approval.

3 **SECTION 13.** 71.47 (4) (am) of the statutes is amended to read:

4 71.47 (4) (am) *Development zone additional research credit.* In addition to the
5 credit under par. (a) (ad), any corporation may credit against taxes otherwise due
6 under this chapter an amount equal to ~~5%~~ 5 percent of the amount obtained by
7 subtracting from the corporation's qualified research expenses, as defined in section
8 41 of the ~~internal revenue code~~ Internal Revenue Code, except that "qualified
9 research expenses" include only expenses incurred by the claimant in a development
10 zone under subch. VI of ch. 560, except that a taxpayer may elect the alternative
11 computation under section 41 (c) (4) of the Internal Revenue Code and that election
12 applies until the department permits its revocation and except that "qualified
13 research expenses" do not include compensation used in computing the credit under
14 sub. (1dj) nor research expenses incurred before the claimant is certified for tax
15 benefits under s. 560.765 (3), the corporation's base amount, as defined in section 41
16 (c) of the ~~internal revenue code~~ Internal Revenue Code, in a development zone,
17 except that gross receipts used in calculating the base amount means gross receipts
18 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and
19 research expenses used in calculating the base amount include research expenses
20 incurred before the claimant is certified for tax benefits under s. 560.765 (3), in a
21 development zone, if the claimant submits with the claimant's return a copy of the
22 claimant's certification for tax benefits under s. 560.765 (3) and a statement from the
23 department of commerce verifying the claimant's qualified research expenses for
24 research conducted exclusively in a development zone. The rules under s. 73.03 (35)
25 apply to the credit under this paragraph. The rules under sub. (1di) (f) and (g) as they

1 apply to the credit under that subsection apply to claims under this paragraph.
2 Section 41 (h) of the ~~internal revenue code~~ Internal Revenue Code does not apply to
3 the credit under this paragraph. No credit may be claimed under this paragraph for
4 taxable years that begin on January 1, 1998, or thereafter. Credits under this
5 paragraph for taxable years that begin before January 1, 1998, may be carried
6 forward to taxable years that begin on January 1, 1998, or thereafter.

7 **SECTION 14.** 71.47 (5) (a) of the statutes is renumbered 71.47 (5) (ad) 1. and
8 amended to read:

9 71.47 (5) (ad) *Credit.* 1. ~~For~~ Except as provided in subd. 2., for taxable year 1986
10 and subsequent years, any corporation may credit against taxes otherwise due under
11 this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred by that
12 corporation during the taxable year to construct and equip new facilities or expand
13 existing facilities used in this state for qualified research, as defined in section 41 of
14 the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts include only
15 amounts paid or incurred for tangible, depreciable property but do not include
16 amounts paid or incurred for replacement property.

17 **SECTION 15.** 71.47 (5) (ab) of the statutes is created to read:

18 71.47 (5) (ab) *Definitions.* In this subsection:

19 1. "Frame" includes:

20 a. Every part of a motorcycle, except the tires.

21 b. In the case of a truck, the control system and the fuel and drive train,
22 excluding any comfort features located in the cab or the tires.

23 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
24 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
25 components.

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, including parts, accessories, and component technologies,

3.

1 **2.** "Vehicle" means any vehicle or frame in which or on which an engine is
 2 mounted for use in mobile or stationary applications. "Vehicle" includes any truck,
 3 tractor, motorcycle, snowmobile, all-terrain vehicle, boat, personal watercraft,
 4 generator, automobile, van, sports utility vehicle, motor home, bus, or aircraft.

SECTION 16. 71.47 (5) (ad) 2. of the statutes is created to read:

6 71.47 (5) (ad) 2. For taxable years beginning after December 31, 2006, any
 7 corporation may credit against taxes otherwise due under this chapter an amount
 8 equal to 10 percent of the amount paid or incurred by that corporation during the
 9 taxable year to construct and equip new facilities or expand existing facilities used
 10 in this state for qualified research, as defined in section 41 of the Internal Revenue
 11 Code, except that "qualified research expenses" includes only expenses paid or
 12 incurred by the claimant for research related to designing internal combustion
 13 engines for vehicles, including expenses related to designing vehicles that are
 14 powered by such engines and improving production processes for such engines and
 15 vehicles. Eligible amounts include only amounts paid or incurred for tangible,
 16 depreciable property but do not include amounts paid or incurred for replacement
 17 property.

(END)

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, construction equipment, riding lawn and garden maintenance equipment,

Insert A

Internal combustion

2. "Internal combustion engine" includes substitute
s such as fuel hybrid drives
products such as fuel cell, electric, and hybrid drives.



State of Wisconsin
2005 - 2006 LEGISLATURE

LRBs0100/1
JK:kjf/og

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SENATE SUBSTITUTE AMENDMENT,
TO 2005 SENATE BILL 103

in 4-28-05

Regen

Today

1 AN ACT *to renumber and amend* 71.28 (4) (a), 71.28 (5) (a), 71.47 (4) (a) and
2 71.47 (5) (a); *to amend* 71.28 (4) (am) 1. and 71.47 (4) (am); and *to create* 71.28
3 (4) (ab), 71.28 (4) (ad) 2., 71.28 (4) (af), 71.28 (5) (ab), 71.28 (5) (ad) 2., 71.47 (4)
4 (ab), 71.47 (4) (ad) 2., 71.47 (4) (af), 71.47 (5) (ab) and 71.47 (5) (ad) 2. of the
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6 research facilities.

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new facilities or expand existing facilities used in this state for qualified research related to designing internal combustion engines, including expenses related to designing vehicles that are powered by such engines.

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:

1 **SECTION 1.** 71.28 (4) (a) of the statutes is renumbered 71.28 (4) (ad) 1. and
2 amended to read:

3 71.28 (4) (ad) *Credit.* 1. Any Except as provided in subd. 2., any corporation
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10 (c) (4) of the Internal Revenue Code and that election applies until the department
11 permits its revocation, except as provided in par. (af), and except that "qualified
12 research expenses" does not include compensation used in computing the credit
13 under subs. (1dj) and (1dx), the corporation's base amount, as defined in section 41
14 (c) of the ~~internal revenue code~~ Internal Revenue Code, except that gross receipts
15 used in calculating the base amount means gross receipts from sales attributable to
16 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the ~~internal~~
17 ~~revenue code~~ Internal Revenue Code does not apply to the credit under this
18 paragraph.

19 **SECTION 2.** 71.28 (4) (ab) of the statutes is created to read:

1 71.28 (4) (ab) *Definitions*. In this subsection:

2 1. “Frame” includes:

3 a. Every part of a motorcycle, except the tires.

4 b. In the case of a truck, the control system and the fuel and drive train,
5 excluding any comfort features located in the cab or the tires.

6 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
7 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
8 components.

9 2. “Internal combustion engine” includes substitute products such as fuel cell,
10 electric, and hybrid drives.

11 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
12 component technologies, in which or on which an engine is mounted for use in mobile
13 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
14 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
15 equipment, riding lawn and garden maintenance equipment, automobile, van,
16 sports utility vehicle, motor home, bus, or aircraft.

17 **SECTION 3.** 71.28 (4) (ad) 2. of the statutes is created to read:

18 71.28 (4) (ad) 2. For taxable years beginning after December 31, 2006, any
19 corporation may credit against taxes otherwise due under this chapter an amount
20 equal to 10 percent of the amount obtained by subtracting from the corporation’s
21 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
22 except that “qualified research expenses” includes only expenses incurred by the
23 claimant for research related to designing internal combustion engines for vehicles,
24 including expenses related to designing vehicles that are powered by such engines
25 and improving production processes for such engines and vehicles, incurred for

1 research conducted in this state for the taxable year, except that a taxpayer may elect
2 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
3 and that election applies until the department permits its revocation, except as
4 provided in par. (af), and except that “qualified research expenses” does not include
5 compensation used in computing the credit under subs. (1dj) and (1dx), the
6 corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code,
7 except that gross receipts used in calculating the base amount means gross receipts
8 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section
9 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

10 **SECTION 4.** 71.28 (4) (af) of the statutes is created to read:

11 71.28 (4) (af) *Computation.* If in any taxable year a corporation claims a credit
12 under both par. (ad) 1. and 2., the corporation may use a different computation
13 method under par. (ad) 2. than it uses under par. (ad) 1. and may choose to change
14 the computation method once for each credit without the department’s approval.

15 **SECTION 5.** 71.28 (4) (am) 1. of the statutes is amended to read:

16 71.28 (4) (am) 1. In addition to the credit under par. ~~(a)~~ (ad), any corporation
17 may credit against taxes otherwise due under this chapter an amount equal to ~~5%~~
18 5 percent of the amount obtained by subtracting from the corporation’s qualified
19 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
20 Revenue Code, except that “qualified research expenses” include only expenses
21 incurred by the claimant in a development zone under subch. VI of ch. 560, except
22 that a taxpayer may elect the alternative computation under section 41 (c) (4) of the
23 Internal Revenue Code and that election applies until the department permits its
24 revocation and except that “qualified research expenses” do not include
25 compensation used in computing the credit under sub. (1dj) nor research expenses

1 incurred before the claimant is certified for tax benefits under s. 560.765 (3), the
2 corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~
3 Internal Revenue Code, in a development zone, except that gross receipts used in
4 calculating the base amount means gross receipts from sales attributable to
5 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and research expenses used in
6 calculating the base amount include research expenses incurred before the claimant
7 is certified for tax benefits under s. 560.765 (3), in a development zone, if the claimant
8 submits with the claimant's return a copy of the claimant's certification for tax
9 benefits under s. 560.765 (3) and a statement from the department of commerce
10 verifying the claimant's qualified research expenses for research conducted
11 exclusively in a development zone. The rules under s. 73.03 (35) apply to the credit
12 under this subdivision. The rules under sub. (1d) (f) and (g) as they apply to the
13 credit under that subsection apply to claims under this subdivision. Section 41 (h)
14 of the ~~internal revenue code~~ Internal Revenue Code does not apply to the credit under
15 this subdivision.

16 **SECTION 6.** 71.28 (5) (a) of the statutes is renumbered 71.28 (5) (ad) 1. and
17 amended to read:

18 71.28 (5) (ad) *Credit*. 1. ~~For~~ Except as provided in subd. 2., for taxable year
19 1986 and subsequent years, any corporation may credit against taxes otherwise due
20 under this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred
21 by that corporation during the taxable year to construct and equip new facilities or
22 expand existing facilities used in this state for qualified research, as defined in
23 section 41 of the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts
24 include only amounts paid or incurred for tangible, depreciable property but do not
25 include amounts paid or incurred for replacement property.

1 **SECTION 7.** 71.28 (5) (ab) of the statutes is created to read:

2 71.28 (5) (ab) *Definitions.* In this subsection:

3 1. “Frame” includes:

4 a. Every part of a motorcycle, except the tires.

5 b. In the case of a truck, the control system and the fuel and drive train,
6 excluding any comfort features located in the cab or the tires.

7 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
8 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
9 components.

10 2. “Internal combustion engine” includes substitute products such as fuel cell,
11 electric, and hybrid drives.

12 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
13 component technologies, in which or on which an engine is mounted for use in mobile
14 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
15 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
16 equipment, riding lawn and garden maintenance equipment, automobile, van,
17 sports utility vehicle, motor home, bus, or aircraft.

18 **SECTION 8.** 71.28 (5) (ad) 2. of the statutes is created to read:

19 71.28 (5) (ad) 2. For taxable years beginning after December 31, 2006, any
20 corporation may credit against taxes otherwise due under this chapter an amount
21 equal to 10 percent of the amount paid or incurred by that corporation during the
22 taxable year to construct and equip new facilities or expand existing facilities used
23 in this state for qualified research, as defined in section 41 of the Internal Revenue
24 Code, except that “qualified research expenses” includes only expenses paid or
25 incurred by the claimant for research related to designing internal combustion

1 engines for vehicles, including expenses related to designing vehicles that are
2 powered by such engines and improving production processes for such engines and
3 vehicles. Eligible amounts include only amounts paid or incurred for tangible,
4 depreciable property but do not include amounts paid or incurred for replacement
5 property.

6 SECTION 9. 71.47 (4) (a) of the statutes is renumbered 71.47 (4) (ad) 1. and
7 amended to read:

8 71.47 (4) (ad) *Credit*. 1. ~~Any~~ Except as provided in subd. 2., any corporation
9 may credit against taxes otherwise due under this chapter an amount equal to 5%
10 10⁵ percent of the amount obtained by subtracting from the corporation's qualified
11 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
12 Revenue Code, except that "qualified research expenses" includes only expenses
13 incurred by the claimant, incurred for research conducted in this state for the taxable
14 year, except that a taxpayer may elect the alternative computation under section 41
15 (c) (4) of the Internal Revenue Code and that election applies until the department
16 permits its revocation, except as provided in par. (af), and except that "qualified
17 research expenses" does not include compensation used in computing the credit
18 under subs. (1dj) and (1dx), the corporation's base amount, as defined in section 41
19 (c) of the ~~internal revenue code~~ Internal Revenue Code, except that gross receipts
20 used in calculating the base amount means gross receipts from sales attributable to
21 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the ~~internal~~
22 ~~revenue code~~ Internal Revenue Code does not apply to the credit under this
23 paragraph.

24 SECTION 10. 71.47 (4) (ab) of the statutes is created to read:

25 71.47 (4) (ab) *Definitions*. In this subsection:

1 1. “Frame” includes:

2 a. Every part of a motorcycle, except the tires.

3 b. In the case of a truck, the control system and the fuel and drive train,
4 excluding any comfort features located in the cab or the tires.

5 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
6 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
7 components.

8 2. “Internal combustion engine” includes substitute products such as fuel cell,
9 electric, and hybrid drives.

10 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
11 component technologies, in which or on which an engine is mounted for use in mobile
12 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
13 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
14 equipment, riding lawn and garden maintenance equipment, automobile, van,
15 sports utility vehicle, motor home, bus, or aircraft.

16 **SECTION 11.** 71.47 (4) (ad) 2. of the statutes is created to read:

17 71.47 (4) (ad) 2. For taxable years beginning after December 31, 2006, any
18 corporation may credit against taxes otherwise due under this chapter an amount
19 equal to 10 percent of the amount obtained by subtracting from the corporation’s
20 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
21 except that “qualified research expenses” includes only expenses incurred by the
22 claimant for research related to designing internal combustion engines for vehicles,
23 including expenses related to designing vehicles that are powered by such engines
24 and improving production processes for such engines and vehicles, incurred for
25 research conducted in this state for the taxable year, except that a taxpayer may elect

1 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
2 and that election applies until the department permits its revocation, except as
3 provided in par. (af), and except that “qualified research expenses” does not include
4 compensation used in computing the credit under subs. (1dj) and (1dx), the
5 corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code,
6 except that gross receipts used in calculating the base amount means gross receipts
7 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section
8 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

9 **SECTION 12.** 71.47 (4) (af) of the statutes is created to read:

10 71.47 (4) (af) *Computation.* If in any taxable year a corporation claims a credit
11 under both par. (ad) 1. and 2., the corporation may use a different computation
12 method under par. (ad) 2. than it uses under par. (ad) 1. and may choose to change
13 the computation method once for each credit without the department’s approval.

14 **SECTION 13.** 71.47 (4) (am) of the statutes is amended to read:

15 71.47 (4) (am) *Development zone additional research credit.* In addition to the
16 credit under par. (a) (ad), any corporation may credit against taxes otherwise due
17 under this chapter an amount equal to ~~5%~~ 5 percent of the amount obtained by
18 subtracting from the corporation’s qualified research expenses, as defined in section
19 41 of the ~~internal revenue code~~ Internal Revenue Code, except that “qualified
20 research expenses” include only expenses incurred by the claimant in a development
21 zone under subch. VI of ch. 560, except that a taxpayer may elect the alternative
22 computation under section 41 (c) (4) of the Internal Revenue Code and that election
23 applies until the department permits its revocation and except that “qualified
24 research expenses” do not include compensation used in computing the credit under
25 sub. (1dj) nor research expenses incurred before the claimant is certified for tax

1 benefits under s. 560.765 (3), the corporation's base amount, as defined in section 41
2 (c) of the ~~internal revenue code~~ Internal Revenue Code, in a development zone,
3 except that gross receipts used in calculating the base amount means gross receipts
4 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and
5 research expenses used in calculating the base amount include research expenses
6 incurred before the claimant is certified for tax benefits under s. 560.765 (3), in a
7 development zone, if the claimant submits with the claimant's return a copy of the
8 claimant's certification for tax benefits under s. 560.765 (3) and a statement from the
9 department of commerce verifying the claimant's qualified research expenses for
10 research conducted exclusively in a development zone. The rules under s. 73.03 (35)
11 apply to the credit under this paragraph. The rules under sub. (1d) (f) and (g) as they
12 apply to the credit under that subsection apply to claims under this paragraph.
13 Section 41 (h) of the ~~internal revenue code~~ Internal Revenue Code does not apply to
14 the credit under this paragraph. No credit may be claimed under this paragraph for
15 taxable years that begin on January 1, 1998, or thereafter. Credits under this
16 paragraph for taxable years that begin before January 1, 1998, may be carried
17 forward to taxable years that begin on January 1, 1998, or thereafter.

18 **SECTION 14.** 71.47 (5) (a) of the statutes is renumbered 71.47 (5) (ad) 1. and
19 amended to read:

20 71.47 (5) (ad) *Credit*. 1. ~~For~~ Except as provided in subd. 2., for taxable year 1986
21 and subsequent years, any corporation may credit against taxes otherwise due under
22 this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred by that
23 corporation during the taxable year to construct and equip new facilities or expand
24 existing facilities used in this state for qualified research, as defined in section 41 of
25 the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts include only

1 amounts paid or incurred for tangible, depreciable property but do not include
2 amounts paid or incurred for replacement property.

3 **SECTION 15.** 71.47 (5) (ab) of the statutes is created to read:

4 71.47 (5) (ab) *Definitions.* In this subsection:

5 1. “Frame” includes:

6 a. Every part of a motorcycle, except the tires.

7 b. In the case of a truck, the control system and the fuel and drive train,
8 excluding any comfort features located in the cab or the tires.

9 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
10 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
11 components.

12 2. “Internal combustion engine” includes substitute products such as fuel cell,
13 electric, and hybrid drives.

14 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
15 component technologies, in which or on which an engine is mounted for use in mobile
16 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
17 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
18 equipment, riding lawn and garden maintenance equipment, automobile, van,
19 sports utility vehicle, motor home, bus, or aircraft.

20 **SECTION 16.** 71.47 (5) (ad) 2. of the statutes is created to read:

21 71.47 (5) (ad) 2. For taxable years beginning after December 31, 2006, any
22 corporation may credit against taxes otherwise due under this chapter an amount
23 equal to 10 percent of the amount paid or incurred by that corporation during the
24 taxable year to construct and equip new facilities or expand existing facilities used
25 in this state for qualified research, as defined in section 41 of the Internal Revenue

1 Code, except that “qualified research expenses” includes only expenses paid or
2 incurred by the claimant for research related to designing internal combustion
3 engines for vehicles, including expenses related to designing vehicles that are
4 powered by such engines and improving production processes for such engines and
5 vehicles. Eligible amounts include only amounts paid or incurred for tangible,
6 depreciable property but do not include amounts paid or incurred for replacement
7 property.

8 (END)



State of Wisconsin
2005 - 2006 LEGISLATURE

LRBs0100/2
JK:kjf:ps

3
RMR

SENATE SUBSTITUTE AMENDMENT,
TO 2005 SENATE BILL 103

in 5-4-05
Today

Regen

1 AN ACT *to renumber and amend* 71.28 (4) (a), 71.28 (5) (a), 71.47 (4) (a) and
2 71.47 (5) (a); *to amend* 71.28 (4) (am) 1. and 71.47 (4) (am); and *to create* 71.28
3 (4) (ab), 71.28 (4) (ad) 2., 71.28 (4) (af), 71.28 (5) (ab), 71.28 (5) (ad) 2., 71.47 (4)
4 (ab), 71.47 (4) (ad) 2., 71.47 (4) (af), 71.47 (5) (ab) and 71.47 (5) (ad) 2. of the
5 statutes; **relating to:** the income and franchise tax credit for research and
6 research facilities.

Analysis by the Legislative Reference Bureau

Under current law, a corporation may claim an income and franchise tax credit in an amount equal to 5 percent of its qualified research expenses, as defined by the Internal Revenue Code for research conducted in this state. In addition, a corporation may claim an income and franchise tax credit equal to 5 percent of the amount it paid in the taxable year to construct and equip new facilities or expand existing facilities used in this state for qualified research, as defined by the Internal Revenue Code. Under this substitute amendment, a corporation may claim an income and franchise tax credit in an amount equal to 10 percent of its qualified research expenses related to engine and vehicle design for research conducted in this state and 10 percent of the amount it paid in the taxable year to construct and equip

new facilities or expand existing facilities used in this state for qualified research related to designing internal combustion engines, including expenses related to designing vehicles that are powered by such engines.

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:

1 SECTION 1. 71.28 (4) (a) of the statutes is renumbered 71.28 (4) (ad) 1. and
2 amended to read:

3 71.28 (4) (ad) *Credit*. 1. Any Except as provided in subd. 2., any corporation
4 may credit against taxes otherwise due under this chapter an amount equal to ~~5%~~
5 5 percent of the amount obtained by subtracting from the corporation's qualified
6 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
7 Revenue Code, except that "qualified research expenses" includes only expenses
8 incurred by the claimant, incurred for research conducted in this state for the taxable
9 year, except that a taxpayer may elect the alternative computation under section 41
10 (c) (4) of the Internal Revenue Code and that election applies until the department
11 permits its revocation, except as provided in par. (af), and except that "qualified
12 research expenses" does not include compensation used in computing the credit
13 under subs. (1dj) and (1dx), the corporation's base amount, as defined in section 41
14 (c) of the ~~internal revenue code~~ Internal Revenue Code, except that gross receipts
15 used in calculating the base amount means gross receipts from sales attributable to
16 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the ~~internal~~
17 ~~revenue code~~ Internal Revenue Code does not apply to the credit under this
18 paragraph.

19 SECTION 2. 71.28 (4) (ab) of the statutes is created to read:

1 71.28 (4) (ab) *Definitions*. In this subsection:

2 1. “Frame” includes:

3 a. Every part of a motorcycle, except the tires.

4 b. In the case of a truck, the control system and the fuel and drive train,
5 excluding any comfort features located in the cab or the tires.

6 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
7 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
8 components.

9 2. “Internal combustion engine” includes substitute products such as fuel cell,
10 electric, and hybrid drives.

11 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
12 component technologies, in which or on which an engine is mounted for use in mobile
13 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
14 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
15 equipment, ~~riding~~ lawn and garden maintenance equipment, automobile, van,
16 sports utility vehicle, motor home, bus, or aircraft.

17 **SECTION 3.** 71.28 (4) (ad) 2. of the statutes is created to read:

18 71.28 (4) (ad) 2. For taxable years beginning after December 31, 2006, any
19 corporation may credit against taxes otherwise due under this chapter an amount
20 equal to 10 percent of the amount obtained by subtracting from the corporation’s
21 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
22 except that “qualified research expenses” includes only expenses incurred by the
23 claimant for research related to designing internal combustion engines for vehicles,
24 including expenses related to designing vehicles that are powered by such engines
25 and improving production processes for such engines and vehicles, incurred for

1 research conducted in this state for the taxable year, except that a taxpayer may elect
2 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
3 and that election applies until the department permits its revocation, except as
4 provided in par. (af), and except that “qualified research expenses” does not include
5 compensation used in computing the credit under subs. (1dj) and (1dx), the
6 corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code,
7 except that gross receipts used in calculating the base amount means gross receipts
8 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section
9 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

10 **SECTION 4.** 71.28 (4) (af) of the statutes is created to read:

11 71.28 (4) (af) *Computation.* If in any taxable year a corporation claims a credit
12 under both par. (ad) 1. and 2., the corporation may use a different computation
13 method under par. (ad) 2. than it uses under par. (ad) 1. and may choose to change
14 the computation method once for each credit without the department’s approval.

15 **SECTION 5.** 71.28 (4) (am) 1. of the statutes is amended to read:

16 71.28 (4) (am) 1. In addition to the credit under par. (a) (~~ad~~), any corporation
17 may credit against taxes otherwise due under this chapter an amount equal to ~~5%~~
18 5 percent of the amount obtained by subtracting from the corporation’s qualified
19 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
20 Revenue Code, except that “qualified research expenses” include only expenses
21 incurred by the claimant in a development zone under subch. VI of ch. 560, except
22 that a taxpayer may elect the alternative computation under section 41 (c) (4) of the
23 Internal Revenue Code and that election applies until the department permits its
24 revocation and except that “qualified research expenses” do not include
25 compensation used in computing the credit under sub. (1dj) nor research expenses

1 incurred before the claimant is certified for tax benefits under s. 560.765 (3), the
2 corporation's base amount, as defined in section 41 (c) of the ~~internal revenue code~~
3 Internal Revenue Code, in a development zone, except that gross receipts used in
4 calculating the base amount means gross receipts from sales attributable to
5 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and research expenses used in
6 calculating the base amount include research expenses incurred before the claimant
7 is certified for tax benefits under s. 560.765 (3), in a development zone, if the claimant
8 submits with the claimant's return a copy of the claimant's certification for tax
9 benefits under s. 560.765 (3) and a statement from the department of commerce
10 verifying the claimant's qualified research expenses for research conducted
11 exclusively in a development zone. The rules under s. 73.03 (35) apply to the credit
12 under this subdivision. The rules under sub. (1di) (f) and (g) as they apply to the
13 credit under that subsection apply to claims under this subdivision. Section 41 (h)
14 of the ~~internal revenue code~~ Internal Revenue Code does not apply to the credit under
15 this subdivision.

16 **SECTION 6.** 71.28 (5) (a) of the statutes is renumbered 71.28 (5) (ad) 1. and
17 amended to read:

18 71.28 (5) (ad) *Credit*. 1. ~~For~~ Except as provided in subd. 2., for taxable year
19 1986 and subsequent years, any corporation may credit against taxes otherwise due
20 under this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred
21 by that corporation during the taxable year to construct and equip new facilities or
22 expand existing facilities used in this state for qualified research, as defined in
23 section 41 of the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts
24 include only amounts paid or incurred for tangible, depreciable property but do not
25 include amounts paid or incurred for replacement property.

1 **SECTION 7.** 71.28 (5) (ab) of the statutes is created to read:

2 71.28 (5) (ab) *Definitions.* In this subsection:

3 1. “Frame” includes:

4 a. Every part of a motorcycle, except the tires.

5 b. In the case of a truck, the control system and the fuel and drive train,
6 excluding any comfort features located in the cab or the tires.

7 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
8 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
9 components.

10 2. “Internal combustion engine” includes substitute products such as fuel cell,
11 electric, and hybrid drives.

12 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
13 component technologies, in which or on which an engine is mounted for use in mobile
14 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
15 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
16 equipment, ~~riding~~ lawn and garden maintenance equipment, automobile, van,
17 sports utility vehicle, motor home, bus, or aircraft.

18 **SECTION 8.** 71.28 (5) (ad) 2. of the statutes is created to read:

19 71.28 (5) (ad) 2. For taxable years beginning after December 31, 2006, any
20 corporation may credit against taxes otherwise due under this chapter an amount
21 equal to 10 percent of the amount paid or incurred by that corporation during the
22 taxable year to construct and equip new facilities or expand existing facilities used
23 in this state for qualified research, as defined in section 41 of the Internal Revenue
24 Code, except that “qualified research expenses” includes only expenses paid or
25 incurred by the claimant for research related to designing internal combustion

1 engines for vehicles, including expenses related to designing vehicles that are
2 powered by such engines and improving production processes for such engines and
3 vehicles. Eligible amounts include only amounts paid or incurred for tangible,
4 depreciable property but do not include amounts paid or incurred for replacement
5 property.

6 **SECTION 9.** 71.47 (4) (a) of the statutes is renumbered 71.47 (4) (ad) 1. and
7 amended to read:

8 71.47 (4) (ad) *Credit*. 1. ~~Any~~ Except as provided in subd. 2., any corporation
9 may credit against taxes otherwise due under this chapter an amount equal to 5%
10 5 percent of the amount obtained by subtracting from the corporation's qualified
11 research expenses, as defined in section 41 of the ~~internal revenue code~~ Internal
12 Revenue Code, except that "qualified research expenses" includes only expenses
13 incurred by the claimant, incurred for research conducted in this state for the taxable
14 year, except that a taxpayer may elect the alternative computation under section 41
15 (c) (4) of the Internal Revenue Code and that election applies until the department
16 permits its revocation, except as provided in par. (af), and except that "qualified
17 research expenses" does not include compensation used in computing the credit
18 under subs. (1dj) and (1dx), the corporation's base amount, as defined in section 41
19 (c) of the ~~internal revenue code~~ Internal Revenue Code, except that gross receipts
20 used in calculating the base amount means gross receipts from sales attributable to
21 Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section 41 (h) of the ~~internal~~
22 ~~revenue code~~ Internal Revenue Code does not apply to the credit under this
23 paragraph.

24 **SECTION 10.** 71.47 (4) (ab) of the statutes is created to read:

25 71.47 (4) (ab) *Definitions*. In this subsection:

1 1. "Frame" includes:

2 a. Every part of a motorcycle, except the tires.

3 b. In the case of a truck, the control system and the fuel and drive train,
4 excluding any comfort features located in the cab or the tires.

5 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
6 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
7 components.

8 2. "Internal combustion engine" includes substitute products such as fuel cell,
9 electric, and hybrid drives.

10 3. "Vehicle" means any vehicle or frame, including parts, accessories, and
11 component technologies, in which or on which an engine is mounted for use in mobile
12 or stationary applications. "Vehicle" includes any truck, tractor, motorcycle,
13 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
14 equipment, riding lawn and garden maintenance equipment, automobile, van,
15 sports utility vehicle, motor home, bus, or aircraft.

16 **SECTION 11.** 71.47 (4) (ad) 2. of the statutes is created to read:

17 71.47 (4) (ad) 2. For taxable years beginning after December 31, 2006, any
18 corporation may credit against taxes otherwise due under this chapter an amount
19 equal to 10 percent of the amount obtained by subtracting from the corporation's
20 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
21 except that "qualified research expenses" includes only expenses incurred by the
22 claimant for research related to designing internal combustion engines for vehicles,
23 including expenses related to designing vehicles that are powered by such engines
24 and improving production processes for such engines and vehicles, incurred for
25 research conducted in this state for the taxable year, except that a taxpayer may elect

1 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
2 and that election applies until the department permits its revocation, except as
3 provided in par. (af), and except that “qualified research expenses” does not include
4 compensation used in computing the credit under subs. (1dj) and (1dx), the
5 corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code,
6 except that gross receipts used in calculating the base amount means gross receipts
7 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d). Section
8 41 (h) of the Internal Revenue Code does not apply to the credit under this paragraph.

9 **SECTION 12.** 71.47 (4) (af) of the statutes is created to read:

10 71.47 (4) (af) *Computation.* If in any taxable year a corporation claims a credit
11 under both par. (ad) 1. and 2., the corporation may use a different computation
12 method under par. (ad) 2. than it uses under par. (ad) 1. and may choose to change
13 the computation method once for each credit without the department’s approval.

14 **SECTION 13.** 71.47 (4) (am) of the statutes is amended to read:

15 71.47 (4) (am) *Development zone additional research credit.* In addition to the
16 credit under par. (a) (ad), any corporation may credit against taxes otherwise due
17 under this chapter an amount equal to ~~5%~~ 5 percent of the amount obtained by
18 subtracting from the corporation’s qualified research expenses, as defined in section
19 41 of the ~~internal revenue code~~ Internal Revenue Code, except that “qualified
20 research expenses” include only expenses incurred by the claimant in a development
21 zone under subch. VI of ch. 560, except that a taxpayer may elect the alternative
22 computation under section 41 (c) (4) of the Internal Revenue Code and that election
23 applies until the department permits its revocation and except that “qualified
24 research expenses” do not include compensation used in computing the credit under
25 sub. (1dj) nor research expenses incurred before the claimant is certified for tax

1 benefits under s. 560.765 (3), the corporation's base amount, as defined in section 41
2 (c) of the ~~internal revenue code~~ Internal Revenue Code, in a development zone,
3 except that gross receipts used in calculating the base amount means gross receipts
4 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2. and (d) and
5 research expenses used in calculating the base amount include research expenses
6 incurred before the claimant is certified for tax benefits under s. 560.765 (3), in a
7 development zone, if the claimant submits with the claimant's return a copy of the
8 claimant's certification for tax benefits under s. 560.765 (3) and a statement from the
9 department of commerce verifying the claimant's qualified research expenses for
10 research conducted exclusively in a development zone. The rules under s. 73.03 (35)
11 apply to the credit under this paragraph. The rules under sub. (1d) (f) and (g) as they
12 apply to the credit under that subsection apply to claims under this paragraph.
13 Section 41 (h) of the ~~internal revenue code~~ Internal Revenue Code does not apply to
14 the credit under this paragraph. No credit may be claimed under this paragraph for
15 taxable years that begin on January 1, 1998, or thereafter. Credits under this
16 paragraph for taxable years that begin before January 1, 1998, may be carried
17 forward to taxable years that begin on January 1, 1998, or thereafter.

18 **SECTION 14.** 71.47 (5) (a) of the statutes is renumbered 71.47 (5) (ad) 1. and
19 amended to read:

20 71.47 (5) (ad) *Credit*. 1. ~~For~~ Except as provided in subd. 2., for taxable year 1986
21 and subsequent years, any corporation may credit against taxes otherwise due under
22 this chapter an amount equal to ~~5%~~ 5 percent of the amount paid or incurred by that
23 corporation during the taxable year to construct and equip new facilities or expand
24 existing facilities used in this state for qualified research, as defined in section 41 of
25 the ~~internal revenue code~~ Internal Revenue Code. Eligible amounts include only

1 amounts paid or incurred for tangible, depreciable property but do not include
2 amounts paid or incurred for replacement property.

3 **SECTION 15.** 71.47 (5) (ab) of the statutes is created to read:

4 71.47 (5) (ab) *Definitions.* In this subsection:

5 1. "Frame" includes:

6 a. Every part of a motorcycle, except the tires.

7 b. In the case of a truck, the control system and the fuel and drive train,
8 excluding any comfort features located in the cab or the tires.

9 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
10 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
11 components.

12 2. "Internal combustion engine" includes substitute products such as fuel cell,
13 electric, and hybrid drives.

14 3. "Vehicle" means any vehicle or frame, including parts, accessories, and
15 component technologies, in which or on which an engine is mounted for use in mobile
16 or stationary applications. "Vehicle" includes any truck, tractor, motorcycle,
17 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
18 equipment, riding lawn and garden maintenance equipment, automobile, van,
19 sports utility vehicle, motor home, bus, or aircraft.

20 **SECTION 16.** 71.47 (5) (ad) 2. of the statutes is created to read:

21 71.47 (5) (ad) 2. For taxable years beginning after December 31, 2006, any
22 corporation may credit against taxes otherwise due under this chapter an amount
23 equal to 10 percent of the amount paid or incurred by that corporation during the
24 taxable year to construct and equip new facilities or expand existing facilities used
25 in this state for qualified research, as defined in section 41 of the Internal Revenue

1 Code, except that “qualified research expenses” includes only expenses paid or
2 incurred by the claimant for research related to designing internal combustion
3 engines for vehicles, including expenses related to designing vehicles that are
4 powered by such engines and improving production processes for such engines and
5 vehicles. Eligible amounts include only amounts paid or incurred for tangible,
6 depreciable property but do not include amounts paid or incurred for replacement
7 property.

8 (END)

WAITING FOR
JACKET

Kreye, Joseph

From: Shepherd, Jeremy
Sent: Wednesday, May 04, 2005 11:51 AM
To: Kreye, Joseph
Subject: Substitute Amendment to SB 103

Joe,

OK, hopefully this is the last request on SB 103.

We heard back from Briggs and Stratton and they would like the word "riding" removed so it just reads: "lawn and garden maintenance" Does that make sense?

So we will need a LRB s0100/3. I'll send the jacket for LRB s0100/2 back to you right away.

As always, Thanks!

Jeremy

From: Kreye, Joseph
Sent: Thursday, April 28, 2005 9:44 AM
To: Shepherd, Jeremy
Subject: RE: Amendment to SB 103

Jeremy,

Yeah, I think a new sub would be easier to read. I can also keep an analysis on it for simplicity's sake.

Joe

Joseph T. Kreye
Senior Legislative Attorney
Legislative Reference Bureau
(608) 266-2263

-----Original Message-----

From: Shepherd, Jeremy
Sent: Thursday, April 28, 2005 9:40 AM
To: Kreye, Joseph
Subject: RE: Amendment to SB 103

Joe,

I thought a new sub would be easier to read...but would you suggest a simple to sub 1 rather than a new sub?

From: Kreye, Joseph
Sent: Thursday, April 28, 2005 9:16 AM
To: Shepherd, Jeremy
Subject: RE: Amendment to SB 103

You're so good to me! I do, however, appreciate be gainfully employed.

Just to clarify, you want the language below to be included in a new sub to SB 103 rather than in a simple amendment to senate substitute amendment 1 to SB 103. Let me know if this is correct. Either way, I should be able to get this done fairly quickly. Thanks.

Joe

Joseph T. Kreye

Senior Legislative Attorney
Legislative Reference Bureau
(608) 266-2263

-----Original Message-----

From: Shepherd, Jeremy
Sent: Wednesday, April 27, 2005 4:41 PM
To: Kreye, Joseph
Subject: Amendment to SB 103

Joe,

We love giving you more work to do!

Ted would like to add these provisions to a substitute amendment 2 to SB 103:

Parts, accessories and component technologies
Riding lawn & garden maintenance equipment
Construction equipment
Internal Combustion Engine substitute products to include: Fuel cell, Electric and Hybrid drives

If you have any questions, please feel free to give me a call.

Jeremy J. Shepherd
Office of Senator Ted Kanavas
Wisconsin 33rd Senate District
Room 10 South, State Capitol
Madison, WI 53707-7882
(608) 266-9174