



State of Wisconsin
2011 - 2012 LEGISLATURE



LRBb1309/P
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PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO ASSEMBLY SUBSTITUTE AMENDMENT 1,
TO 2011 ASSEMBLY BILL 40

1 At the locations indicated, amend the substitute amendment as follows:
2 **1.** Page 15, line 7: after that line insert:
3 “SECTION 18m. 13.086 of the statutes is created to read:
4 **13.086 Bills affecting individual taxes.** No house of the legislature may
5 pass a bill that affects the taxes paid by any individual unless the bill is referred to
6 the department of revenue and the department of revenue certifies that the bill will
7 not increase the amount of taxes that would be paid by any individual over the
8 amount that the individual would be required to pay under current law.”
9 **2.** Page 683, line 9: after that line insert:
10 “SECTION 1748f. 71.01 (1b) of the statutes is amended to read:

1 71.01 (1b) For purposes of s. 71.04 (7) (df), and (dh), ~~(dj)~~, ~~and (dk)~~, “commercial
2 domicile” means the location from which a trade or business is principally managed
3 and directed, based on any factors the department determines are appropriate,
4 including the location where the greatest number of employees of the trade or
5 business work, have their office or base of operations, or from which the employees
6 are directed or controlled.

7 **SECTION 1748g.** 71.01 (1n) of the statutes is amended to read:

8 71.01 (1n) For purposes of s. 71.04 (7) (df), and (dh), ~~(dj)~~, ~~and (dk)~~, “domicile”
9 means an individual’s true, fixed, and permanent home where the individual intends
10 to remain permanently and indefinitely and to which, whenever absent, the
11 individual intends to return, except that no individual may have more than one
12 domicile at any time.

13 **SECTION 1748h.** 71.01 (5n) of the statutes is repealed.

14 **SECTION 1748j.** 71.01 (5p) of the statutes is repealed.”.

15 **3.** Page 691, line 12: after that line insert:

16 “**SECTION 1753e.** 71.01 (7v) of the statutes is repealed.

17 **SECTION 1753f.** 71.01 (10g) of the statutes is amended to read:

18 71.01 (10g) For purposes of s. 71.04 (7) (df), and (dh), ~~(dj)~~, ~~and (dk)~~, “state”
19 means a state of the United States, the District of Columbia, the commonwealth of
20 Puerto Rico, or any territory or possession of the United States, unless the context
21 requires that “state” means only the state of Wisconsin.”

22 **4.** Page 691, line 16: after that line insert:

23 “**SECTION 1754b.** 71.04 (7) (a) of the statutes is amended to read:

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1 71.04 (7) (a) The sales factor is a fraction, the numerator of which is the total
2 sales of the taxpayer in this state during the tax period, and the denominator of
3 which is the total sales of the taxpayer everywhere during the tax period. For sales
4 of tangible personal property, the numerator of the sales factor is the sales of the
5 taxpayer during the tax period under par. (b) 1. and 2. plus ~~100~~ 50 percent of the sales
6 of the taxpayer during the tax period under pars. (b) 2m. and 3. and (c). ~~For purposes~~
7 ~~of applying pars. (b) 2m. and 3. and (c), if a taxpayer is within another state's~~
8 ~~jurisdiction for income or franchise tax purposes for any part of the taxable year, it~~
9 ~~is considered to be within that state's jurisdiction for income or franchise tax~~
10 ~~purposes for the entire taxable year.~~

11 **SECTION 1754c.** 71.04 (7) (d) of the statutes is created to read:

12 71.04 (7) (d) Except as provided in pars. (df) and (dh), sales, other than sales
13 of tangible personal property, are in this state if the income-producing activity is
14 performed in this state. If the income-producing activity is performed both in and
15 outside this state the sales shall be divided between those states having jurisdiction
16 to tax such business in proportion to the direct costs of performance incurred in each
17 such state in rendering this service.

18 **SECTION 1754d.** 71.04 (7) (df) 3. of the statutes is created to read:

19 71.04 (7) (df) 3. If the taxpayer is not subject to income tax in the state in which
20 the gross receipts are considered received under this paragraph, but the taxpayer's
21 commercial domicile is in this state, 50 percent of those gross receipts shall be
22 included in the numerator of the sales factor.

23 **SECTION 1754e.** 71.04 (7) (dh) 4. of the statutes is created to read:

24 71.04 (7) (dh) 4. If the taxpayer is not subject to income tax in the state in which
25 the benefit of the service is received, the benefit of the service is received in this state

1 to the extent that the taxpayer's employees or representatives performed services
2 from a location in this state. Fifty percent of the taxpayer's receipts that are
3 considered received in this state under this paragraph shall be included in the
4 numerator of the sales factor.

5 **SECTION 1754f.** 71.04 (7) (dj) of the statutes is repealed.

6 **SECTION 1754g.** 71.04 (7) (dk) of the statutes is repealed.

7 **SECTION 1754h.** 71.04 (8) (a) 1. of the statutes is renumbered 71.04 (8) (a).

8 **SECTION 1754j.** 71.04 (8) (a) 2. of the statutes is repealed.”.

9 **5.** Page 691, line 22: delete the material beginning with that line and ending
10 with page 692, line 3.

11 **6.** Page 692, line 3: after that line insert:

12 “**SECTION 1755h.** 71.05 (6) (a) 24. of the statutes is amended to read:

13 71.05 (6) (a) 24. The amount deducted or excluded under the Internal Revenue
14 Code for interest expenses, and rental expenses, ~~intangible expenses, and~~
15 ~~management fees~~ that are directly or indirectly paid, accrued, or incurred to, or in
16 connection directly or indirectly with one or more direct or indirect transactions with,
17 one or more related entities.”.

18 **7.** Page 693, line 11: after that line insert:

19 “**SECTION 1760d.** 71.05 (6) (b) 46. of the statutes is amended to read:

20 71.05 (6) (b) 46. An amount added, pursuant to par. (a) 24. or s. 71.26 (2) (a) 7.,
21 71.34 (1k) (j), or 71.45 (2) (a) 16., to the federal income of a related entity that paid
22 interest expenses, or rental expenses, ~~intangible expenses, or management fees~~ to
23 the individual or fiduciary, to the extent that the related entity could not offset such

1 amount with the deduction allowable under subd. 45. or s. 71.26 (2) (a) 8., 71.34 (1k)
2 (k), or 71.45 (2) (a) 17.”

3 **8.** Page 707, line 11: delete that line and substitute “(b) 1. and 2. (d), (df) ~~1. and~~
4 ~~2., and (dh) 1., 2., and 3., (dj) 1. and (dk) 1.~~ and research expenses”.

5 **9.** Page 729, line 10: delete the material beginning with that line and ending
6 with page 730, line 15.

7 **10.** Page 730, line 16: delete lines 16 to 25.

8 **11.** Page 731, line 1: delete lines 1 to 8.

9 **12.** Page 731, line 8: after that line insert:

10 “**SECTION 1884d.** 71.10 (1) of the statutes is amended to read:

11 71.10 (1) ALLOCATION OF GROSS INCOME, DEDUCTIONS, CREDITS BETWEEN 2 OR MORE
12 BUSINESSES. In any case of 2 or more organizations, trades or businesses (whether or
13 not incorporated, whether or not organized in the United States, and whether or not
14 affiliated, ~~and whether or not unitary~~) owned or controlled directly or indirectly by
15 the same interests, the secretary or the secretary’s delegate may distribute,
16 apportion or allocate gross income, deductions, credits or allowances between or
17 among such organizations, trades or businesses, if the secretary determines that
18 such distribution, apportionment or allocation is necessary in order to prevent
19 evasion of taxes or clearly to reflect the income of any of such organizations, trades
20 or businesses. ~~The authority granted under this subsection is in addition to, and not~~
21 ~~a limitation of or dependent on, the provisions of ss. 71.05 (6) (a) 24. and (b) 45., 71.26~~
22 ~~(2) (a) 7. and 8., 71.34 (1k) (j) and (k), 71.45 (2) (a) 16. and 17., and 71.80 (23).~~

23 **SECTION 1884e.** 71.10 (1m) of the statutes is repealed.”.

24 **13.** Page 731, line 10: delete lines 10 and 11.

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1 **14.** Page 734, line 25: delete the material beginning with that line and ending
2 with page 735, line 4.

3 **15.** Page 735, line 4: after that line insert:

4 “**SECTION 1889nb.** 71.22 (1g) of the statutes is amended to read:

5 71.22 (**1g**) For purposes of s. 71.25 (9) (df), and (dh), ~~(dj), and (dk)~~, “commercial
6 domicile” means the location from which a trade or business is principally managed
7 and directed, based on any factors the department determines are appropriate,
8 including the location where the greatest number of employees of the trade or
9 business work, have their office or base of operations, or from which the employees
10 are directed or controlled.

11 **SECTION 1889nk.** 71.22 (1r) of the statutes is amended to read:

12 71.22 (**1r**) “Doing business in this state” includes, ~~except as prohibited under~~
13 ~~P.L. 86-272, issuing credit, debit, or travel and entertainment cards to customers in~~
14 ~~this state; regularly selling products or services of any kind or nature to customers~~
15 ~~in this state that receive the product or service in this state; regularly soliciting~~
16 ~~business from potential customers in this state; regularly performing services~~
17 ~~outside this state for which the benefits are received in this state; regularly engaging~~
18 ~~in transactions with customers in this state that involve intangible property and~~
19 ~~result in receipts flowing to the taxpayer from within this state; holding loans~~
20 ~~secured by real or tangible personal property located in this state; owning, directly~~
21 ~~or indirectly, a general or limited partnership interest in a partnership that does~~
22 ~~business in this state, regardless of the percentage of ownership; and owning,~~
23 ~~directly or indirectly, an interest in a limited liability company that does business in~~
24 ~~this state, regardless of the percentage of ownership, if the limited liability company~~

1 is treated as a partnership for federal income tax purposes. ~~A taxpayer doing~~
2 ~~business in this state for any part of the taxable year is considered to be doing~~
3 ~~business in this state for the entire taxable year.~~

4 **SECTION 1889nL.** 71.22 (1t) of the statutes is amended to read:

5 71.22 (1t) For purposes of s. 71.25 (9) (df), and (dh), ~~(dj), and (dk)~~, “domicile”
6 means an individual’s true, fixed, and permanent home where the individual intends
7 to remain permanently and indefinitely and to which, whenever absent, the
8 individual intends to return, except that no individual may have more than one
9 domicile at any time.

10 **SECTION 1889nm.** 71.22 (3g) of the statutes is repealed.

11 **SECTION 1889nn.** 71.22 (3h) of the statutes is repealed.

12 **SECTION 1889np.** 71.22 (3m) of the statutes is amended to read:

13 71.22 (3m) For purposes of ~~ss. s.~~ s. 71.26 (2) (a) 7. and 9. ~~and 71.255 (2) (d) 1.,~~
14 “interest expenses” means interest that would otherwise be deductible under section
15 163 of the Internal Revenue Code, as modified under s. 71.26 (3).”.

16 **16.** Page 751, line 14: delete the material beginning with that line and ending
17 with page 753, line 5, and substitute:

18 **SECTION 1891e.** 71.22 (6d) of the statutes is repealed.

19 **SECTION 1891f.** 71.22 (9g) of the statutes is amended to read:

20 71.22 (9g) For purposes of s. 71.25 (9) (df), and (dh), ~~(dj), and (dk)~~, “state” means
21 a state of the United States, the District of Columbia, the commonwealth of Puerto
22 Rico, or any territory or possession of the United States, unless the context requires
23 that “state” means only the state of Wisconsin.

24 **SECTION 1891g.** 71.25 (intro.) of the statutes is amended to read:

1 **71.25 Situs of income; allocation and apportionment.** (intro.) For
2 purposes of determining the situs of income under this section ~~and s. 71.255 (5) (a)~~
3 ~~1. and 2.:~~

4 **SECTION 1891h.** 71.25 (5) (b) of the statutes is renumbered 71.25 (5) (b) 1.

5 **SECTION 1891i.** 71.25 (5) (b) 2. of the statutes is created to read:

6 71.25 (5) (b) 2. All income, gain, or loss from intangible property that is earned
7 by a personal holding company, as defined in section 542 of the Internal Revenue
8 Code, as amended to December 31, 1974, shall be allocated to the residence of the
9 taxpayer, except that all income that is realized from the sale of or purchase and
10 subsequent sale or redemption of lottery prizes if the winning tickets were originally
11 bought in this state shall be allocated to this state.

12 **SECTION 1891j.** 71.25 (9) (a) of the statutes is amended to read:

13 71.25 (9) (a) The sales factor is a fraction, the numerator of which is the total
14 sales of the taxpayer in this state during the tax period, and the denominator of
15 which is the total sales of the taxpayer everywhere during the tax period. For sales
16 of tangible personal property, the numerator of the sales factor is the sales of the
17 taxpayer during the tax period under par. (b) 1. and 2. plus ~~100~~ 50 percent of the sales
18 of the taxpayer during the tax period under pars. (b) 2m. and 3. and (c). ~~For purposes~~
19 ~~of applying pars. (b) 2m. and 3. and (c), if a taxpayer is within another state's~~
20 ~~jurisdiction for income or franchise tax purposes for any part of the taxable year, it~~
21 ~~is considered to be within that state's jurisdiction for income or franchise tax~~
22 ~~purposes for the entire taxable year.~~

23 **SECTION 1891k.** 71.25 (9) (d) of the statutes is created to read:

24 71.25 (9) (d) Except as provided in pars. (df) and (dh), sales, other than sales
25 of tangible personal property, are in this state if the income-producing activity is

1 performed in this state. If the income-producing activity is performed both in and
2 outside this state the sales shall be divided between those states having jurisdiction
3 to tax such business in proportion to the direct costs of performance incurred in each
4 such state in rendering this service.

5 **SECTION 1891L.** 71.25 (9) (df) 3. of the statutes is created to read:

6 71.25 (9) (df) 3. If the taxpayer is not subject to income tax in the state in which
7 the gross receipts are considered received under this paragraph, but the taxpayer's
8 commercial domicile is in this state, 50 percent of those gross receipts shall be
9 included in the numerator of the sales factor.

10 **SECTION 1891m.** 71.25 (9) (dh) 4. of the statutes is created to read:

11 71.25 (9) (dh) 4. If the taxpayer is not subject to income tax in the state in which
12 the benefit of the service is received, the benefit of the service is received in this state
13 to the extent that the taxpayer's employees or representatives performed services
14 from a location in this state. Fifty percent of the taxpayer's receipts that are
15 considered received in this state under this paragraph shall be included in the
16 numerator of the sales factor.

17 **SECTION 1891n.** 71.25 (9) (dj) of the statutes is repealed.

18 **SECTION 1891p.** 71.25 (9) (dk) of the statutes is repealed.

19 **SECTION 1891q.** 71.25 (10) (a) 1. of the statutes is renumbered 71.25 (10) (a).

20 **SECTION 1891r.** 71.25 (10) (a) 2. of the statutes is repealed.

21 **SECTION 1891s.** 71.255 of the statutes is repealed.”.

22 **17.** Page 753, line 17: delete lines 17 to 25.

23 **18.** Page 753, line 25: after that line insert:

24 **“SECTION 1896h.** 71.26 (2) (a) 7. of the statutes is amended to read:

1 71.26 (2) (a) 7. Plus the amount deducted or excluded under the Internal
2 Revenue Code for interest expenses, and rental expenses, ~~intangible expenses, and~~
3 ~~management~~ fees that are directly or indirectly paid, accrued, or incurred to, or in
4 connection directly or indirectly with one or more direct or indirect transactions with,
5 one or more related entities.

6 **SECTION 1896k.** 71.26 (2) (a) 9. of the statutes is amended to read:

7 71.26 (2) (a) 9. Minus the amount added, pursuant to subd. 7. or s. 71.05 (6) (a)
8 24., 71.34 (1k) (j), or 71.45 (2) (a) 16., to the federal income of a related entity that
9 paid interest expenses, or rental expenses, ~~intangible expenses, or management fees~~
10 to the corporation, to the extent that the related entity could not offset such amount
11 with the deduction allowable under subd. 8. or s. 71.05 (6) (b) 45., 71.34 (1k) (k), or
12 71.45 (2) (a) 17.”.

13 **19.** Page 755, line 14: after that line insert:

14 “**SECTION 1897m.** 71.26 (3) (x) of the statutes is amended to read:

15 71.26 (3) (x) Sections 1501 to 1505, 1551, 1552, 1563 and 1564 (relating to
16 consolidated returns) are excluded, ~~except that U.S. Treasury Regulation 1.1502-13,~~
17 ~~relating to deferred gain or loss from an intercompany transaction, applies to~~
18 ~~transactions between combined group members under s. 71.255 (4) (g).”.~~

19 **20.** Page 775, line 15: delete the material beginning with that line and ending
20 with page 776, line 13.

21 **21.** Page 804, line 16: after that line insert:

22 “**SECTION 1997d.** 71.28 (4) (ad) 1. of the statutes is amended to read:

23 71.28 (4) (ad) 1. Except as provided in subds. 2. and 3., any corporation may
24 credit against taxes otherwise due under this chapter an amount equal to 5 percent

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

14 **SECTION 1997e.** 71.28 (4) (ad) 2. of the statutes is amended to read:

15 71.28 (4) (ad) 2. For taxable years beginning after June 30, 2007, any
16 corporation may credit against taxes otherwise due under this chapter an amount
17 equal to 10 percent of the amount obtained by subtracting from the corporation's
18 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
19 except that "qualified research expenses" includes only expenses incurred by the
20 claimant for research related to designing internal combustion engines for vehicles,
21 including expenses related to designing vehicles that are powered by such engines
22 and improving production processes for such engines and vehicles, incurred for
23 research conducted in this state for the taxable year, except that a taxpayer may elect
24 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
25 and that election applies until the department permits its revocation, except as

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

8 **SECTION 1987ec.** 71.28 (4) (ad) 3. of the statutes is amended to read:

9 71.28 (4) (ad) 3. For taxable years beginning after June 30, 2007, any
10 corporation may credit against taxes otherwise due under this chapter an amount
11 equal to 10 percent of the amount obtained by subtracting from the corporation’s
12 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
13 except that “qualified research expenses” includes only expenses incurred by the
14 claimant for research related to the design and manufacturing of energy efficient
15 lighting systems, building automation and control systems, or automotive batteries
16 for use in hybrid-electric vehicles, that reduce the demand for natural gas or
17 electricity or improve the efficiency of its use, incurred for research conducted in this
18 state for the taxable year, except that a taxpayer may elect the alternative
19 computation under section 41 (c) (4) of the Internal Revenue Code and that election
20 applies until the department permits its revocation, except as provided in par. (af),
21 and except that “qualified research expenses” does not include compensation used
22 in computing the credit under subs. (1dj) and (1dx), the corporation’s base amount,
23 as defined in section 41 (c) of the Internal Revenue Code, except that gross receipts
24 used in calculating the base amount means gross receipts from sales attributable to
25 Wisconsin under s. 71.25 (9) (b) 1. and 2., ~~(df) 1. and 2., (dh) 1., 2., and 3., (dj), and~~

1 ~~(dk)~~ (d). Section 41 (h) of the Internal Revenue Code does not apply to the credit
2 under this paragraph.”.

3 **22.** Page 805, line 7: delete that line and substitute “Wisconsin under s. 71.25
4 (9) (b) 1. and 2., (d), ~~(df) 1. and 2., and~~ (dh) 1., 2., and 3., (dj), and”.

5 **23.** Page 805, line 8: delete “(dk)” and substitute “~~(dk)~~”.

6 **24.** Page 809, line 16: delete the material beginning with that line and ending
7 with page 811, line 1.

8 **25.** Page 811, line 1: after that line insert:

9 “**SECTION 2011e.** 71.30 (2) of the statutes is amended to read:

10 **71.30 (2) ALLOCATION OF GROSS INCOME, DEDUCTIONS, CREDITS BETWEEN 2 OR MORE**
11 BUSINESSES. In any case of 2 or more organizations, trades or businesses (whether or
12 not incorporated, whether or not organized in the United States, and whether or not
13 affiliated, ~~and whether or not unitary~~) owned or controlled directly or indirectly by
14 the same interests, the secretary or his or her delegate may distribute, apportion or
15 allocate gross income, deductions, credits or allowances between or among such
16 organizations, trades or businesses, if he or she determines that such distribution,
17 apportionment or allocation is necessary in order to prevent evasion of taxes or
18 clearly to reflect the income of any of such organizations, trades or businesses. The
19 authority granted under this subsection is in addition to, and not a limitation of or
20 dependent on, the provisions of ss. 71.05 (6) (a) 24. and (b) 45., 71.26 (2) (a) 7. and 8.,
21 71.34 (1k) (j) and (k), 71.45 (2) (a) 16. and 17., and 71.80 (23).

22 **SECTION 2011f.** 71.30 (2m) of the statutes is repealed.

23 **SECTION 2012e.** 71.34 (1c) of the statutes is repealed.

24 **SECTION 2012f.** 71.34 (1d) of the statutes is repealed.”.

1 **26.** Page 819, line 11: after that line insert:

2 “**SECTION 2013e.** 71.34 (1h) of the statutes is repealed.”

3 **27.** Page 819, line 12: delete lines 12 to 16.

4 **28.** Page 819, line 16: after that line insert:

5 “**SECTION 2013g.** 71.34 (1k) (j) of the statutes is amended to read:

6 71.34 (1k) (j) An addition shall be made for any amount deducted or excluded
7 under the Internal Revenue Code for interest expenses, and rental expenses,
8 ~~intangible expenses, and management fees~~ that are directly or indirectly paid,
9 accrued, or incurred to, or in connection directly or indirectly with one or more direct
10 or indirect transactions with, one or more related entities.

11 **SECTION 2013h.** 71.34 (1k) (L) of the statutes is amended to read:

12 71.34 (1k) (L) A deduction shall be allowed for the amount added, pursuant to
13 par. (j) or s. 71.05 (6) (a) 24., 71.26 (2) (a) 7., or 71.45 (2) (a) 16., to the federal income
14 of a related entity that paid interest expenses, or rental expenses, ~~intangible~~
15 ~~expenses, or management fees~~ to the corporation, to the extent that the related entity
16 could not offset such amount with the deduction allowable under par. (k) or s. 71.05
17 (6) (b) 45., 71.26 (2) (a) 8., or 71.45 (2) (a) 17.

18 **SECTION 2013i.** 71.42 (1sg) of the statutes is repealed.

19 **SECTION 2013j.** 71.42 (1sh) of the statutes is repealed.

20 **SECTION 2013k.** 71.42 (1t) of the statutes is amended to read:

21 71.42 (1t) For purposes of ss. ~~s.~~ 71.45 (2) (a) 16. and 18. ~~and 71.255 (2) (d) 1.,~~
22 “interest expenses” means interest that would otherwise be deductible under section
23 163 of the Internal Revenue Code, as adjusted under s. 71.45 (2).”

24 **29.** Page 827, line 16: after that line insert:

1 **SECTION 2014e.** 71.42 (3c) of the statutes is repealed.

2 **SECTION 2014f.** 71.43 (2) of the statutes is amended to read:

3 **71.43 (2) FRANCHISE TAX ON CORPORATIONS.** For the privilege of exercising its
4 franchise, buying or selling lottery prizes if the winning tickets were originally
5 bought in this state or doing business in this state in a corporate capacity, except as
6 provided under s. 71.23 (3), every domestic or foreign corporation, except
7 corporations specified in ss. 71.26 (1) and 71.45 (1) (a), shall annually pay a franchise
8 tax according to or measured by its entire Wisconsin net income of the preceding
9 taxable year at the rates set forth in s. 71.46 (2). In addition, except as provided in
10 ss. 71.23 (3), 71.26 (1) and 71.45 (1) (a), a corporation that ceases doing business in
11 this state shall pay a special franchise tax according to or measured by its entire
12 Wisconsin net income for the taxable year during which the corporation ceases doing
13 business in this state at the rate under s. 71.46 (2). Every corporation organized
14 under the laws of this state shall be deemed to be residing within this state for the
15 purposes of this franchise tax. All provisions of this chapter and ch. 73 relating to
16 income taxation of corporations shall apply to franchise taxes imposed under this
17 subsection, unless the context requires otherwise. The tax imposed by this
18 subsection on insurance companies subject to taxation under this chapter shall be
19 based on Wisconsin net income computed under s. 71.45, and no other provision of
20 this chapter relating to computation of taxable income for other corporations shall
21 apply to such insurance companies, ~~except for s. 71.255.~~ All other provisions of this
22 chapter shall apply to insurance companies subject to taxation under this chapter
23 unless the context clearly requires otherwise.”

1 **30.** Page 827, line 22: delete the material beginning with that line and ending
2 with page 828, line 5.

3 **31.** Page 828, line 6: delete lines 6 to 22 and substitute:

4 “**SECTION 2015eb.** 71.45 (2) (a) 16. of the statutes is amended to read:

5 71.45 (2) (a) 16. By adding to federal taxable income any amount deducted or
6 excluded under the Internal Revenue Code for interest expenses, and rental
7 expenses, ~~intangible expenses, and management fees~~ that are directly or indirectly
8 paid, accrued, or incurred to, or in connection directly or indirectly with one or more
9 direct or indirect transactions with, one or more related entities.

10 **SECTION 2015ed.** 71.45 (2) (a) 18. of the statutes is amended to read:

11 71.45 (2) (a) 18. A deduction shall be allowed for the amount added, pursuant
12 to subd. 16. or s. 71.05 (6) (a) 24., 71.26 (2) (a) 7., or 71.34 (1k) (j), to the federal income
13 of a related entity that paid interest expenses, or rental expenses, ~~intangible~~
14 ~~expenses, or management fees~~ to the insurer, to the extent that the related entity
15 could not offset such amount with the deduction allowable under subd. 17. or s. 71.05
16 (6) (b) 45., 71.26 (2) (a) 8., or 71.34 (1k) (k).”.

17 **32.** Page 854, line 16: after that line insert:

18 “**SECTION 2109d.** 71.47 (4) (ad) 1. of the statutes is amended to read:

19 71.47 (4) (ad) 1. Except as provided in subds. 2. and 3., any corporation may
20 credit against taxes otherwise due under this chapter an amount equal to 5 percent
21 of the amount obtained by subtracting from the corporation’s qualified research
22 expenses, as defined in section 41 of the Internal Revenue Code, except that
23 “qualified research expenses” includes only expenses incurred by the claimant,
24 incurred for research conducted in this state for the taxable year, except that a

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

10 **SECTION 2109e.** 71.47 (4) (ad) 2. of the statutes is amended to read:

11 71.47 (4) (ad) 2. For taxable years beginning after June 30, 2007, any
12 corporation may credit against taxes otherwise due under this chapter an amount
13 equal to 10 percent of the amount obtained by subtracting from the corporation’s
14 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
15 except that “qualified research expenses” includes only expenses incurred by the
16 claimant for research related to designing internal combustion engines for vehicles,
17 including expenses related to designing vehicles that are powered by such engines
18 and improving production processes for such engines and vehicles, incurred for
19 research conducted in this state for the taxable year, except that a taxpayer may elect
20 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
21 and that election applies until the department permits its revocation, except as
22 provided in par. (af), and except that “qualified research expenses” does not include
23 compensation used in computing the credit under subs. (1dj) and (1dx), the
24 corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code,
25 except that gross receipts used in calculating the base amount means gross receipts

1 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2., ~~(df) 1. and 2., (dh)~~
2 ~~1., 2., and 3., (dj), and (dk)~~ (d). Section 41 (h) of the Internal Revenue Code does not
3 apply to the credit under this paragraph.

4 **SECTION 2109f.** 71.47 (4) (ad) 3. of the statutes is amended to read:

5 71.47 (4) (ad) 3. For taxable years beginning after June 30, 2007, any
6 corporation may credit against taxes otherwise due under this chapter an amount
7 equal to 10 percent of the amount obtained by subtracting from the corporation's
8 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
9 except that "qualified research expenses" includes only expenses incurred by the
10 claimant for research related to the design and manufacturing of energy efficient
11 lighting systems, building automation and control systems, or automotive batteries
12 for use in hybrid-electric vehicles, that reduce the demand for natural gas or
13 electricity or improve the efficiency of its use, incurred for research conducted in this
14 state for the taxable year, except that a taxpayer may elect the alternative
15 computation under section 41 (c) (4) of the Internal Revenue Code and that election
16 applies until the department permits its revocation, except as provided in par. (af),
17 and except that "qualified research expenses" does not include compensation used
18 in computing the credit under subs. (1dj) and (1dx), the corporation's base amount,
19 as defined in section 41 (c) of the 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., ~~(df) 1. and 2., (dh) 1., 2., and 3., (dj), and~~
22 ~~(dk)~~ (d). Section 41 (h) of the Internal Revenue Code does not apply to the credit
23 under this paragraph."

24 **33.** Page 855, line 7: delete "2., (df) 1." and substitute "2., (d), (df) 1."

1 **34.** Page 855, line 8: delete “and 2., (dh) 1., 2., and 3., (dj), and (dk)” and
2 substitute “and 2., and (dh) 1., 2., and 3., (dj), and (dk)”.

3 **35.** Page 859, line 9: delete the material beginning with that line and ending
4 with page 860, line 19.

5 **36.** Page 860, line 20: delete the material beginning with that line and ending
6 with page 862, line 17.

7 **37.** Page 862, line 22: after that line insert:

8 “**SECTION 2129d.** 71.80 (1) (b) of the statutes is amended to read:

9 71.80 (1) (b) In any case of 2 or more organizations, trades or businesses
10 (whether or not incorporated, whether or not organized in the United States, and
11 whether or not affiliated, ~~and whether or not unitary~~) owned or controlled directly
12 or indirectly by the same interests, the secretary or the secretary’s delegate may
13 distribute, apportion or allocate gross income, deductions, credits or allowances
14 between or among such organizations, trades or businesses, if the secretary
15 determines that such distribution, apportionment or allocation is necessary in order
16 to prevent evasion of taxes or clearly to reflect the income of any of such
17 organizations, trades or businesses. The authority granted under this subsection is
18 in addition to, and not a limitation of or dependent on, the provisions of sub. (23) and
19 ss. 71.05 (6) (a) 24. and (b) 45., 71.26 (2) (a) 7. and 8., 71.34 (1k) (j) and (k), and 71.45
20 (2) (a) 16. and 17.

21 **SECTION 2129e.** 71.80 (1m) of the statutes is repealed.

22 **SECTION 2129f.** 71.80 (24) of the statutes is repealed.”.

23 **38.** Page 883, line 3: delete lines 3 to 19.

24 **39.** Page 1517, line 21: delete lines 21 and 22 and substitute:

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19-23



~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

ASSEMBLY AMENDMENT ,

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 2011 ASSEMBLY BILL 40

1 At the locations indicated, amend the substitute amendment as follows:

2 **1.** Page 15, line 7: after that line insert:

3 “SECTION 18m. 13.086 of the statutes is created to read:

4 **13.086 Bills affecting individual taxes.** No house of the legislature may
5 pass a bill that affects the taxes paid by any individual unless the bill is referred to
6 the department of revenue and the department of revenue certifies that the bill will
7 not increase the amount of taxes that would be paid by any individual over the
8 amount that the individual would be required to pay under current law.”.

9 **2.** Page 683, line 9: after that line insert:

10 “SECTION 1748f. 71.01 (1b) of the statutes is amended to read:

1 71.01 (1b) For purposes of s. 71.04 (7) (df), and (dh), ~~(dj)~~, ~~and (dk)~~, “commercial
2 domicile” means the location from which a trade or business is principally managed
3 and directed, based on any factors the department determines are appropriate,
4 including the location where the greatest number of employees of the trade or
5 business work, have their office or base of operations, or from which the employees
6 are directed or controlled.

7 **SECTION 1748g.** 71.01 (1n) of the statutes is amended to read:

8 71.01 (1n) For purposes of s. 71.04 (7) (df), and (dh), ~~(dj)~~, ~~and (dk)~~, “domicile”
9 means an individual’s true, fixed, and permanent home where the individual intends
10 to remain permanently and indefinitely and to which, whenever absent, the
11 individual intends to return, except that no individual may have more than one
12 domicile at any time.

13 **SECTION 1748h.** 71.01 (5n) of the statutes is repealed.

14 **SECTION 1748j.** 71.01 (5p) of the statutes is repealed.”.

15 **3.** Page 691, line 12: after that line insert:

16 “**SECTION 1753e.** 71.01 (7v) of the statutes is repealed.

17 **SECTION 1753f.** 71.01 (10g) of the statutes is amended to read:

18 71.01 (10g) For purposes of s. 71.04 (7) (df), and (dh), ~~(dj)~~, ~~and (dk)~~, “state”
19 means a state of the United States, the District of Columbia, the commonwealth of
20 Puerto Rico, or any territory or possession of the United States, unless the context
21 requires that “state” means only the state of Wisconsin.”.

22 **4.** Page 691, line 13: delete lines 13 to 16.

23 **5.** Page 691, line 16: after that line insert:

24 “**SECTION 1754b.** 71.04 (7) (a) of the statutes is amended to read:

1 71.04 (7) (a) The sales factor is a fraction, the numerator of which is the total
2 sales of the taxpayer in this state during the tax period, and the denominator of
3 which is the total sales of the taxpayer everywhere during the tax period. For sales
4 of tangible personal property, the numerator of the sales factor is the sales of the
5 taxpayer during the tax period under par. (b) 1. and 2. plus ~~100~~ 50 percent of the sales
6 of the taxpayer during the tax period under pars. (b) 2m. and 3. and (c). ~~For purposes~~
7 ~~of applying pars. (b) 2m. and 3. and (c), if a taxpayer is within another state's~~
8 ~~jurisdiction for income or franchise tax purposes for any part of the taxable year, it~~
9 ~~is considered to be within that state's jurisdiction for income or franchise tax~~
10 ~~purposes for the entire taxable year.~~

11 **SECTION 1754c.** 71.04 (7) (d) of the statutes is created to read:

12 71.04 (7) (d) Except as provided in pars. (df) and (dh), sales, other than sales
13 of tangible personal property, are in this state if the income-producing activity is
14 performed in this state. If the income-producing activity is performed both in and
15 outside this state the sales shall be divided between those states having jurisdiction
16 to tax such business in proportion to the direct costs of performance incurred in each
17 such state in rendering this service.

18 **SECTION 1754d.** 71.04 (7) (df) 3. of the statutes is created to read:

19 71.04 (7) (df) 3. If the taxpayer is not subject to income tax in the state in which
20 the gross receipts are considered received under this paragraph, but the taxpayer's
21 commercial domicile is in this state, 50 percent of those gross receipts shall be
22 included in the numerator of the sales factor.

23 **SECTION 1754e.** 71.04 (7) (dh) 4. of the statutes is created to read:

24 71.04 (7) (dh) 4. If the taxpayer is not subject to income tax in the state in which
25 the benefit of the service is received, the benefit of the service is received in this state

1 to the extent that the taxpayer's employees or representatives performed services
2 from a location in this state. Fifty percent of the taxpayer's receipts that are
3 considered received in this state under this paragraph shall be included in the
4 numerator of the sales factor.

5 **SECTION 1754f.** 71.04 (7) (dj) of the statutes is repealed.

6 **SECTION 1754g.** 71.04 (7) (dk) of the statutes is repealed.

7 **SECTION 1754h.** 71.04 (8) (a) 1. of the statutes is renumbered 71.04 (8) (a).

8 **SECTION 1754j.** 71.04 (8) (a) 2. of the statutes is repealed.”.

9 **6.** Page 691, line 22: delete the material beginning with that line and ending
10 with page 692, line 3.

11 **7.** Page 692, line 3: after that line insert:

12 “**SECTION 1755h.** 71.05 (6) (a) 24. of the statutes is amended to read:

13 71.05 (6) (a) 24. The amount deducted or excluded under the Internal Revenue
14 Code for interest expenses, and rental expenses, ~~intangible expenses, and~~
15 ~~management fees~~ that are directly or indirectly paid, accrued, or incurred to, or in
16 connection directly or indirectly with one or more direct or indirect transactions with,
17 one or more related entities.”.

18 **8.** Page 693, line 11: after that line insert:

19 “**SECTION 1760d.** 71.05 (6) (b) 46. of the statutes is amended to read:

20 71.05 (6) (b) 46. An amount added, pursuant to par. (a) 24. or s. 71.26 (2) (a) 7.,
21 71.34 (1k) (j), or 71.45 (2) (a) 16., to the federal income of a related entity that paid
22 interest expenses, or rental expenses, ~~intangible expenses, or management fees~~ to
23 the individual or fiduciary, to the extent that the related entity could not offset such

1 amount with the deduction allowable under subd. 45. or s. 71.26 (2) (a) 8., 71.34 (1k)
2 (k), or 71.45 (2) (a) 17.”.

3 **9.** Page 693, line 12: delete lines 12 to 25.

4 **10.** Page 694, line 4: delete the material beginning with that line and ending
5 with page 696, line 19.

6 **11.** Page 707, line 11: delete that line and substitute “(b) 1. and 2. (d), (df) ~~1.~~
7 ~~and 2.~~, and (dh) 1., 2., and 3., (dj) 1. ~~and (dk) 1.~~ and research expenses”.

8 **12.** Page 729, line 10: delete the material beginning with that line and ending
9 with page 730, line 15.

10 **13.** Page 730, line 16: delete lines 16 to 25.

11 **14.** Page 731, line 1: delete lines 1 to 8.

12 **15.** Page 731, line 8: after that line insert:

13 “**SECTION 1884d.** 71.10 (1) of the statutes is amended to read:

14 71.10 (1) ALLOCATION OF GROSS INCOME, DEDUCTIONS, CREDITS BETWEEN 2 OR MORE
15 BUSINESSES. In any case of 2 or more organizations, trades or businesses (whether or
16 not incorporated, whether or not organized in the United States, and whether or not
17 affiliated, ~~and whether or not unitary~~) owned or controlled directly or indirectly by
18 the same interests, the secretary or the secretary’s delegate may distribute,
19 apportion or allocate gross income, deductions, credits or allowances between or
20 among such organizations, trades or businesses, if the secretary determines that
21 such distribution, apportionment or allocation is necessary in order to prevent
22 evasion of taxes or clearly to reflect the income of any of such organizations, trades
23 or businesses. ~~The authority granted under this subsection is in addition to, and not~~

1 a limitation of or dependent on, the provisions of ss. 71.05 (6) (a) 24. and (b) 45., 71.26
2 (2) (a) 7. and 8., 71.34 (1k) (j) and (k), 71.45 (2) (a) 16. and 17., and 71.80 (23).

3 **SECTION 1884e.** 71.10 (1m) of the statutes is repealed.”.

4 **16.** Page 731, line 10: delete lines 10 and 11.

5 **17.** Page 734, line 25: delete the material beginning with that line and ending
6 with page 735, line 4.

7 **18.** Page 735, line 4: after that line insert:

8 “**SECTION 1889nb.** 71.22 (1g) of the statutes is amended to read:

9 71.22 (1g) For purposes of s. 71.25 (9) (df), and (dh), ~~(dj), and (dk)~~, “commercial
10 domicile” means the location from which a trade or business is principally managed
11 and directed, based on any factors the department determines are appropriate,
12 including the location where the greatest number of employees of the trade or
13 business work, have their office or base of operations, or from which the employees
14 are directed or controlled.

15 **SECTION 1889nk.** 71.22 (1r) of the statutes is amended to read:

16 71.22 (1r) “Doing business in this state” includes, ~~except as prohibited under~~
17 ~~P.L. 86-272, issuing credit, debit, or travel and entertainment cards to customers in~~
18 ~~this state; regularly selling products or services of any kind or nature to customers~~
19 ~~in this state that receive the product or service in this state; regularly soliciting~~
20 ~~business from potential customers in this state; regularly performing services~~
21 ~~outside this state for which the benefits are received in this state; regularly engaging~~
22 ~~in transactions with customers in this state that involve intangible property and~~
23 ~~result in receipts flowing to the taxpayer from within this state; holding loans~~
24 ~~secured by real or tangible personal property located in this state; owning, directly~~

1 or indirectly, a general or limited partnership interest in a partnership that does
2 business in this state, regardless of the percentage of ownership; and owning,
3 directly or indirectly, an interest in a limited liability company that does business in
4 this state, regardless of the percentage of ownership, if the limited liability company
5 is treated as a partnership for federal income tax purposes. ~~A taxpayer doing
6 business in this state for any part of the taxable year is considered to be doing
7 business in this state for the entire taxable year.~~

8 **SECTION 1889nL.** 71.22 (1t) of the statutes is amended to read:

9 71.22 (1t) For purposes of s. 71.25 (9) (df), and (dh), ~~(dj), and (dk)~~, “domicile”
10 means an individual’s true, fixed, and permanent home where the individual intends
11 to remain permanently and indefinitely and to which, whenever absent, the
12 individual intends to return, except that no individual may have more than one
13 domicile at any time.

14 **SECTION 1889nm.** 71.22 (3g) of the statutes is repealed.

15 **SECTION 1889nn.** 71.22 (3h) of the statutes is repealed.

16 **SECTION 1889np.** 71.22 (3m) of the statutes is amended to read:

17 71.22 (3m) For purposes of ~~ss. s.~~ 71.26 (2) (a) 7. and 9. ~~and 71.255 (2) (d) 1.~~,
18 “interest expenses” means interest that would otherwise be deductible under section
19 163 of the Internal Revenue Code, as modified under s. 71.26 (3).”.

20 **19.** Page 751, line 14: delete the material beginning with that line and ending
21 with page 753, line 5, and substitute:

22 “**SECTION 1891e.** 71.22 (6d) of the statutes is repealed.

23 **SECTION 1891f.** 71.22 (9g) of the statutes is amended to read:

1 71.22 (9g) For purposes of s. 71.25 (9) (df), and (dh), ~~(dj), and (dk)~~, “state” means
2 a state of the United States, the District of Columbia, the commonwealth of Puerto
3 Rico, or any territory or possession of the United States, unless the context requires
4 that “state” means only the state of Wisconsin.

5 **SECTION 1891g.** 71.25 (intro.) of the statutes is amended to read:

6 **71.25 Situs of income; allocation and apportionment.** (intro.) For
7 purposes of determining the situs of income under this section ~~and s. 71.255 (5) (a)~~
8 ~~1. and 2.:~~

9 **SECTION 1891h.** 71.25 (5) (b) of the statutes is renumbered 71.25 (5) (b) 1.

10 **SECTION 1891i.** 71.25 (5) (b) 2. of the statutes is created to read:

11 71.25 (5) (b) 2. All income, gain, or loss from intangible property that is earned
12 by a personal holding company, as defined in section 542 of the Internal Revenue
13 Code, as amended to December 31, 1974, shall be allocated to the residence of the
14 taxpayer, except that all income that is realized from the sale of or purchase and
15 subsequent sale or redemption of lottery prizes if the winning tickets were originally
16 bought in this state shall be allocated to this state.

17 **SECTION 1891j.** 71.25 (9) (a) of the statutes is amended to read:

18 71.25 (9) (a) The sales factor is a fraction, the numerator of which is the total
19 sales of the taxpayer in this state during the tax period, and the denominator of
20 which is the total sales of the taxpayer everywhere during the tax period. For sales
21 of tangible personal property, the numerator of the sales factor is the sales of the
22 taxpayer during the tax period under par. (b) 1. and 2. plus ~~100~~ 50 percent of the sales
23 of the taxpayer during the tax period under pars. (b) 2m. and 3. and (c). ~~For purposes~~
24 ~~of applying pars. (b) 2m. and 3. and (c), if a taxpayer is within another state's~~
25 ~~jurisdiction for income or franchise tax purposes for any part of the taxable year, it~~

1 ~~is considered to be within that state's jurisdiction for income or franchise tax~~
2 ~~purposes for the entire taxable year.~~

3 **SECTION 1891k.** 71.25 (9) (d) of the statutes is created to read:

4 71.25 (9) (d) Except as provided in pars. (df) and (dh), sales, other than sales
5 of tangible personal property, are in this state if the income-producing activity is
6 performed in this state. If the income-producing activity is performed both in and
7 outside this state the sales shall be divided between those states having jurisdiction
8 to tax such business in proportion to the direct costs of performance incurred in each
9 such state in rendering this service.

10 **SECTION 1891L.** 71.25 (9) (df) 3. of the statutes is created to read:

11 71.25 (9) (df) 3. If the taxpayer is not subject to income tax in the state in which
12 the gross receipts are considered received under this paragraph, but the taxpayer's
13 commercial domicile is in this state, 50 percent of those gross receipts shall be
14 included in the numerator of the sales factor.

15 **SECTION 1891m.** 71.25 (9) (dh) 4. of the statutes is created to read:

16 71.25 (9) (dh) 4. If the taxpayer is not subject to income tax in the state in which
17 the benefit of the service is received, the benefit of the service is received in this state
18 to the extent that the taxpayer's employees or representatives performed services
19 from a location in this state. Fifty percent of the taxpayer's receipts that are
20 considered received in this state under this paragraph shall be included in the
21 numerator of the sales factor.

22 **SECTION 1891n.** 71.25 (9) (dj) of the statutes is repealed.

23 **SECTION 1891p.** 71.25 (9) (dk) of the statutes is repealed.

24 **SECTION 1891q.** 71.25 (10) (a) 1. of the statutes is renumbered 71.25 (10) (a).

25 **SECTION 1891r.** 71.25 (10) (a) 2. of the statutes is repealed.

1 **SECTION 1891s.** 71.255 of the statutes is repealed.”.

2 **20.** Page 753, line 17: delete lines 17 to 25.

3 **21.** Page 753, line 25: after that line insert:

4 “**SECTION 1896h.** 71.26 (2) (a) 7. of the statutes is amended to read:

5 71.26 (2) (a) 7. Plus the amount deducted or excluded under the Internal
6 Revenue Code for interest expenses, and rental expenses, ~~intangible expenses, and~~
7 ~~management fees~~ that are directly or indirectly paid, accrued, or incurred to, or in
8 connection directly or indirectly with one or more direct or indirect transactions with,
9 one or more related entities.

10 **SECTION 1896k.** 71.26 (2) (a) 9. of the statutes is amended to read:

11 71.26 (2) (a) 9. Minus the amount added, pursuant to subd. 7. or s. 71.05 (6) (a)
12 24., 71.34 (1k) (j), or 71.45 (2) (a) 16., to the federal income of a related entity that
13 paid interest expenses, or rental expenses, ~~intangible expenses, or management fees~~
14 to the corporation, to the extent that the related entity could not offset such amount
15 with the deduction allowable under subd. 8. or s. 71.05 (6) (b) 45., 71.34 (1k) (k), or
16 71.45 (2) (a) 17.”.

17 **22.** Page 755, line 14: after that line insert:

18 “**SECTION 1897m.** 71.26 (3) (x) of the statutes is amended to read:

19 71.26 (3) (x) Sections 1501 to 1505, 1551, 1552, 1563 and 1564 (relating to
20 consolidated returns) are excluded, ~~except that U.S. Treasury Regulation 1.1502-13,~~
21 ~~relating to deferred gain or loss from an intercompany transaction, applies to~~
22 ~~transactions between combined group members under s. 71.255 (4) (g).”.~~

23 **23.** Page 775, line 15: delete the material beginning with that line and ending
24 with page 776, line 13.

1 **24.** Page 804, line 16: after that line insert:

2 “**SECTION 1997d.** 71.28 (4) (ad) 1. of the statutes is amended to read:

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

18 **SECTION 1997e.** 71.28 (4) (ad) 2. of the statutes is amended to read:

19 71.28 (4) (ad) 2. For taxable years beginning after June 30, 2007, any
20 corporation may credit against taxes otherwise due under this chapter an amount
21 equal to 10 percent of the amount obtained by subtracting from the corporation’s
22 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
23 except that “qualified research expenses” includes only expenses incurred by the
24 claimant for research related to designing internal combustion engines for vehicles,

1 including expenses related to designing vehicles that are powered by such engines
2 and improving production processes for such engines and vehicles, incurred for
3 research conducted in this state for the taxable year, except that a taxpayer may elect
4 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
5 and that election applies until the department permits its revocation, except as
6 provided in par. (af), and except that “qualified research expenses” does not include
7 compensation used in computing the credit under subs. (1dj) and (1dx), the
8 corporation’s base amount, as defined in section 41 (c) of the Internal Revenue Code,
9 except that gross receipts used in calculating the base amount means gross receipts
10 from sales attributable to Wisconsin under s. 71.25 (9) (b) 1. and 2., ~~(df) 1. and 2., (dh)~~
11 ~~1., 2., and 3., (dj), and (dk)~~ (d). Section 41 (h) of the Internal Revenue Code does not
12 apply to the credit under this paragraph.

13 **SECTION 1987ec.** 71.28 (4) (ad) 3. of the statutes is amended to read:

14 71.28 (4) (ad) 3. For taxable years beginning after June 30, 2007, any
15 corporation may credit against taxes otherwise due under this chapter an amount
16 equal to 10 percent of the amount obtained by subtracting from the corporation’s
17 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
18 except that “qualified research expenses” includes only expenses incurred by the
19 claimant for research related to the design and manufacturing of energy efficient
20 lighting systems, building automation and control systems, or automotive batteries
21 for use in hybrid-electric vehicles, that reduce the demand for natural gas or
22 electricity or improve the efficiency of its use, incurred for research conducted in this
23 state for the taxable year, except that a taxpayer may elect the alternative
24 computation under section 41 (c) (4) of the Internal Revenue Code and that election
25 applies until the department permits its revocation, except as provided in par. (af),

1 and except that “qualified research expenses” does not include compensation used
2 in computing the credit under subs. (1dj) and (1dx), the corporation’s base amount,
3 as defined in section 41 (c) of the Internal Revenue Code, except that gross receipts
4 used in calculating the base amount means gross receipts from sales attributable to
5 Wisconsin under s. 71.25 (9) (b) 1. and 2., ~~(df) 1. and 2., (dh) 1., 2., and 3., (dj), and~~
6 ~~(dk) (d)~~. Section 41 (h) of the Internal Revenue Code does not apply to the credit
7 under this paragraph.”.

8 **25.** Page 805, line 7: delete that line and substitute “Wisconsin under s. 71.25
9 (9) (b) 1. and 2., (d), ~~(df) 1. and 2., and (dh) 1., 2., and 3., (dj), and~~”.

10 **26.** Page 805, line 8: delete “(dk)” and substitute “~~(dk)~~”.

11 **27.** Page 809, line 16: delete the material beginning with that line and ending
12 with page 811, line 1.

13 **28.** Page 811, line 1: after that line insert:

14 **“SECTION 2011e.** 71.30 (2) of the statutes is amended to read:

15 **71.30 (2) ALLOCATION OF GROSS INCOME, DEDUCTIONS, CREDITS BETWEEN 2 OR MORE**
16 **BUSINESSES.** In any case of 2 or more organizations, trades or businesses (whether or
17 not incorporated, whether or not organized in the United States, and whether or not
18 affiliated, ~~and whether or not unitary~~) owned or controlled directly or indirectly by
19 the same interests, the secretary or his or her delegate may distribute, apportion or
20 allocate gross income, deductions, credits or allowances between or among such
21 organizations, trades or businesses, if he or she determines that such distribution,
22 apportionment or allocation is necessary in order to prevent evasion of taxes or
23 clearly to reflect the income of any of such organizations, trades or businesses. The
24 authority granted under this subsection is in addition to, and not a limitation of or

1 dependent on, the provisions of ss. 71.05 (6) (a) 24. and (b) 45., 71.26 (2) (a) 7. and 8.,
2 71.34 (1k) (j) and (k), 71.45 (2) (a) 16. and 17., and 71.80 (23).

3 **SECTION 2011f.** 71.30 (2m) of the statutes is repealed.

4 **SECTION 2012e.** 71.34 (1c) of the statutes is repealed.

5 **SECTION 2012f.** 71.34 (1d) of the statutes is repealed.”.

6 **29.** Page 819, line 11: after that line insert:

7 “**SECTION 2013e.** 71.34 (1h) of the statutes is repealed.”.

8 **30.** Page 819, line 12: delete lines 12 to 16.

9 **31.** Page 819, line 16: after that line insert:

10 “**SECTION 2013g.** 71.34 (1k) (j) of the statutes is amended to read:

11 71.34 (1k) (j) An addition shall be made for any amount deducted or excluded
12 under the Internal Revenue Code for interest expenses, and rental expenses,
13 ~~intangible expenses, and management fees~~ that are directly or indirectly paid,
14 accrued, or incurred to, or in connection directly or indirectly with one or more direct
15 or indirect transactions with, one or more related entities.

16 **SECTION 2013h.** 71.34 (1k) (L) of the statutes is amended to read:

17 71.34 (1k) (L) A deduction shall be allowed for the amount added, pursuant to
18 par. (j) or s. 71.05 (6) (a) 24., 71.26 (2) (a) 7., or 71.45 (2) (a) 16., to the federal income
19 of a related entity that paid interest expenses, or rental expenses, ~~intangible~~
20 ~~expenses, or management fees~~ to the corporation, to the extent that the related entity
21 could not offset such amount with the deduction allowable under par. (k) or s. 71.05
22 (6) (b) 45., 71.26 (2) (a) 8., or 71.45 (2) (a) 17.

23 **SECTION 2013i.** 71.42 (1sg) of the statutes is repealed.

24 **SECTION 2013j.** 71.42 (1sh) of the statutes is repealed.

1 **SECTION 2013k.** 71.42 (1t) of the statutes is amended to read:

2 71.42 (1t) For purposes of ~~ss. s.~~ 71.45 (2) (a) 16. and 18. ~~and 71.255 (2) (d) 1.~~,
3 “interest expenses” means interest that would otherwise be deductible under section
4 163 of the Internal Revenue Code, as adjusted under s. 71.45 (2).”.

5 **32.** Page 827, line 16: after that line insert:

6 “**SECTION 2014e.** 71.42 (3c) of the statutes is repealed.

7 **SECTION 2014f.** 71.43 (2) of the statutes is amended to read:

8 71.43 (2) FRANCHISE TAX ON CORPORATIONS. For the privilege of exercising its
9 franchise, buying or selling lottery prizes if the winning tickets were originally
10 bought in this state or doing business in this state in a corporate capacity, except as
11 provided under s. 71.23 (3), every domestic or foreign corporation, except
12 corporations specified in ss. 71.26 (1) and 71.45 (1) (a), shall annually pay a franchise
13 tax according to or measured by its entire Wisconsin net income of the preceding
14 taxable year at the rates set forth in s. 71.46 (2). In addition, except as provided in
15 ss. 71.23 (3), 71.26 (1) and 71.45 (1) (a), a corporation that ceases doing business in
16 this state shall pay a special franchise tax according to or measured by its entire
17 Wisconsin net income for the taxable year during which the corporation ceases doing
18 business in this state at the rate under s. 71.46 (2). Every corporation organized
19 under the laws of this state shall be deemed to be residing within this state for the
20 purposes of this franchise tax. All provisions of this chapter and ch. 73 relating to
21 income taxation of corporations shall apply to franchise taxes imposed under this
22 subsection, unless the context requires otherwise. The tax imposed by this
23 subsection on insurance companies subject to taxation under this chapter shall be
24 based on Wisconsin net income computed under s. 71.45, and no other provision of

1 this chapter relating to computation of taxable income for other corporations shall
2 apply to such insurance companies, ~~except for s. 71.255~~. All other provisions of this
3 chapter shall apply to insurance companies subject to taxation under this chapter
4 unless the context clearly requires otherwise.”.

5 **33.** Page 827, line 22: delete the material beginning with that line and ending
6 with page 828, line 5.

7 **34.** Page 828, line 6: delete lines 6 to 22 and substitute:

8 “**SECTION 2015eb.** 71.45 (2) (a) 16. of the statutes is amended to read:

9 71.45 (2) (a) 16. By adding to federal taxable income any amount deducted or
10 excluded under the Internal Revenue Code for interest expenses, and rental
11 expenses, ~~intangible expenses, and management fees~~ that are directly or indirectly
12 paid, accrued, or incurred to, or in connection directly or indirectly with one or more
13 direct or indirect transactions with, one or more related entities.

14 **SECTION 2015ed.** 71.45 (2) (a) 18. of the statutes is amended to read:

15 71.45 (2) (a) 18. A deduction shall be allowed for the amount added, pursuant
16 to subd. 16. or s. 71.05 (6) (a) 24., 71.26 (2) (a) 7., or 71.34 (1k) (j), to the federal income
17 of a related entity that paid interest expenses, or rental expenses, ~~intangible~~
18 ~~expenses, or management fees~~ to the insurer, to the extent that the related entity
19 could not offset such amount with the deduction allowable under subd. 17. or s. 71.05
20 (6) (b) 45., 71.26 (2) (a) 8., or 71.34 (1k) (k).”.

21 **35.** Page 854, line 16: after that line insert:

22 “**SECTION 2109d.** 71.47 (4) (ad) 1. of the statutes is amended to read:

23 71.47 (4) (ad) 1. Except as provided in subs. 2. and 3., any corporation may
24 credit against taxes otherwise due under this chapter an amount equal to 5 percent

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

14 **SECTION 2109e.** 71.47 (4) (ad) 2. of the statutes is amended to read:

15 71.47 (4) (ad) 2. For taxable years beginning after June 30, 2007, any
16 corporation may credit against taxes otherwise due under this chapter an amount
17 equal to 10 percent of the amount obtained by subtracting from the corporation's
18 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
19 except that "qualified research expenses" includes only expenses incurred by the
20 claimant for research related to designing internal combustion engines for vehicles,
21 including expenses related to designing vehicles that are powered by such engines
22 and improving production processes for such engines and vehicles, incurred for
23 research conducted in this state for the taxable year, except that a taxpayer may elect
24 the alternative computation under section 41 (c) (4) of the Internal Revenue Code
25 and that election applies until the department permits its revocation, except as

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

8 **SECTION 2109f.** 71.47 (4) (ad) 3. of the statutes is amended to read:

9 71.47 (4) (ad) 3. For taxable years beginning after June 30, 2007, any
10 corporation may credit against taxes otherwise due under this chapter an amount
11 equal to 10 percent of the amount obtained by subtracting from the corporation’s
12 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
13 except that “qualified research expenses” includes only expenses incurred by the
14 claimant for research related to the design and manufacturing of energy efficient
15 lighting systems, building automation and control systems, or automotive batteries
16 for use in hybrid-electric vehicles, that reduce the demand for natural gas or
17 electricity or improve the efficiency of its use, incurred for research conducted in this
18 state for the taxable year, except that a taxpayer may elect the alternative
19 computation under section 41 (c) (4) of the Internal Revenue Code and that election
20 applies until the department permits its revocation, except as provided in par. (af),
21 and except that “qualified research expenses” does not include compensation used
22 in computing the credit under subs. (1dj) and (1dx), the corporation’s base amount,
23 as defined in section 41 (c) of the Internal Revenue Code, except that gross receipts
24 used in calculating the base amount means gross receipts from sales attributable to
25 Wisconsin under s. 71.25 (9) (b) 1. and 2., ~~(df) 1. and 2., (dh) 1., 2., and 3., (dj), and~~

1 ~~(dk)~~ (d). Section 41 (h) of the Internal Revenue Code does not apply to the credit
2 under this paragraph.”

3 **36.** Page 855, line 7: delete “2., (df) 1.” and substitute “2., (d), (df) ~~1.~~”.

4 **37.** Page 855, line 8: delete “and 2., (dh) 1., 2., and 3., (dj), and (dk)” and
5 substitute “~~and 2., and~~ (dh) 1., 2., and 3., (dj), and (dk)”.

6 **38.** Page 859, line 9: delete the material beginning with that line and ending
7 with page 860, line 19.

8 **39.** Page 860, line 20: delete the material beginning with that line and ending
9 with page 862, line 17.

10 **40.** Page 862, line 22: after that line insert:

11 “**SECTION 2129d.** 71.80 (1) (b) of the statutes is amended to read:

12 71.80 (1) (b) In any case of 2 or more organizations, trades or businesses
13 (whether or not incorporated, whether or not organized in the United States, and
14 ~~whether or not affiliated, and whether or not unitary~~) owned or controlled directly
15 or indirectly by the same interests, the secretary or the secretary’s delegate may
16 distribute, apportion or allocate gross income, deductions, credits or allowances
17 between or among such organizations, trades or businesses, if the secretary
18 determines that such distribution, apportionment or allocation is necessary in order
19 to prevent evasion of taxes or clearly to reflect the income of any of such
20 organizations, trades or businesses. The authority granted under this subsection is
21 in addition to, and not a limitation of or dependent on, the provisions of sub. (23) and
22 ss. 71.05 (6) (a) 24. and (b) 45., 71.26 (2) (a) 7. and 8., 71.34 (1k) (j) and (k), and 71.45
23 (2) (a) 16. and 17.

24 **SECTION 2129e.** 71.80 (1m) of the statutes is repealed.

Kreye, Joseph

From: Hanaman, Cathlene
Sent: Monday, June 13, 2011 11:29 AM
To: Aaron Gary; Becky Tradewell; Christopher Sundberg; Eric Mueller; Fern Knepp; Gordon Malaise; Jeffery Kuesel; Joseph Kreye; Marc Shovers; Mark Kunkel; Mary Gibson-Glass; Michael Gallagher; Pam Kahler; Peggy Hurley; Peter Grant; Rick Champagne; Robert Nelson; Robin Kite; Steve Miller; Tamara Dodge; Tracy Kuczynski
Subject: Budget amendment requests assembly

From: McKinny, Chris
Sent: Monday, June 13, 2011 11:28 AM
To: Champagne, Rick; Hanaman, Cathlene
Subject: FW: Budget Amendments from Rep. Pocan

Hi Rick and Cathlene,

Please see below-let me know if you have any questions. Thanks!

Chris

From: Wavrunek, Glenn
Sent: Friday, June 10, 2011 12:21 PM
To: Rep.Seidel; McKinny, Chris
Cc: Rep.Pocan; Trost, Craig
Subject: RE: Budget Amendments

Here are ideas that we have right now ... nothing has been sent to drafting at this point (please advise how you would like to handle that):

- Delete all major tax increases from 2009 Act 2 and Act 28 (Combined Reporting, Hospital Assessment, Cigarette Tax Increase, Top Tier Tax Bracket, Cap Gains Changes) 8-1163
- Eliminate all fund transfers, policy and earmarks (please do these as three separate amendments)
- Restore prevailing wage language (delete JFC changes)
- Delete child labor law changes (JFC motion)

Let me or Craig know if you have any questions,

Glenn Wavrunek
Office of Rep. Mark Pocan

From: Rep.Seidel

Sent: Thursday, June 09, 2011 5:31 PM
To: *Legislative Assembly Democrats
Subject: Budget Amendments

Members and Staff,

As was mentioned in caucus yesterday, we would appreciate it if you could each get a list of your requested budget amendments to Chris in my office by noon tomorrow. The policy team is working with LRB to streamline the drafting process so all of our requests will be able to be accommodated in a timely fashion. Due to the increased demands on LRB, we would like to be able to limit the duplication of their efforts as much as possible. Thank you very much for your time and please let me know if you have any questions.

Donna