

**2011 Jr1 DRAFTING REQUEST**

**Bill**

Received: **12/20/2010**

Received By: **jkreye**

Wanted: **As time permits**

Companion to LRB:

For: **Administration**

By/Representing: **Quinn**

May Contact:

Drafter: **jkreye**

Subject: **Tax, Business - credits**

Addl. Drafters:

Extra Copies:

Submit via email: **YES**

Requester's email: **jennifer.kraus@wisconsin.gov**

Carbon copy (CC:) to: **joseph.kreye@legis.wisconsin.gov**  
**david.schmiedicke@wisconsin.gov**  
**brian.quinn@wisconsin.gov**  
**scott.thornton@wisconsin.gov**  
**r.murray@wisconsin.gov**

**Pre Topic:**

No specific pre topic given

**Topic:**

Small business tax credit

**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>
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/7	jkreye 01/06/2011	kfollett 01/06/2011	rschluet 01/06/2011	_____	lparisi 01/06/2011	mbarman 01/07/2011	

FE Sent For:

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01-11-2011  
("17")

Dked by  
DOA (Linda N. & Jennifer K.)

Requested by LFB  
(Vicki H.)

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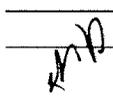
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1?	jkreye	1 Wlj 12/20	1 mwn 12/20	_____	_____	_____	_____

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<END>

**Kreye, Joseph**

**From:** Hanaman, Cathlene  
**Sent:** Monday, December 20, 2010 2:06 PM  
**To:** Kreye, Joseph  
**Subject:** FW: Drafting Request - Jobs Bill

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**From:** DOADLBASADMININTERNETSHAREPOINT@WI.GOV  
[mailto:DOADLBASADMININTERNETSHAREPOINT@WI.GOV]  
**Sent:** Monday, December 20, 2010 2:06 PM  
**To:** Hanaman, Cathlene  
**Cc:** Kraus, Jennifer - DOA; Thornton, Scott - DOA; Grinde, Kirsten - DOA  
**Subject:** Drafting Request - Jobs Bill

Topic: Small Business Tax Credit

Tracking Code: JB0018

SBO Team: TTO

SBO Analyst: Quinn, Brian D - DOA  
Phone: (608) 266-1923  
E-mail: brian.quinn@wisconsin.gov

Agency Acronym: SRTR

Agency Number: 835

Priority: High

Intent:

Provide a non-refundable tax credit equal to 20% of the income and franchise tax liability for any business with gross receipts up to fifty thousand dollars annually. The credit would phase-out for businesses with gross receipts higher than fifty thousand dollars and be zero percent for all businesses with gross receipts greater than one hundred thousand dollars annually.

For all businesses with gross receipts in excess of fifty-thousand dollars, the credit percentage would phase-out at the rate of 0.0004% multiplied by the amount by which gross receipts exceed fifty thousand dollars. The department of revenue will prepare a table for the determination of the credit amounts.

*percentage equal to 20 percent, minus the product of 0.0004 multiplied by the amount of the gross receipts the greater than \$50,000*

*no credit at 100,000 - phase out as above*

Attachments: False



State of Wisconsin  
2011 - 2012 LEGISLATURE



LRB-0763/1

JK:.....

WLy

2011 BILL

in 12-20

Toolbox

its tax liability

Gen Cat

1 AN ACT <sup>Gen Cat</sup>..., relating to: an income and franchise tax credit for small businesses.

*Analysis by the Legislative Reference Bureau*

This bill creates an income and franchise tax credit for small businesses. Under the bill, a business that has less than \$100,000 in gross receipts in the taxable year may claim as a credit a percentage of the taxpayer's tax liability based on the amount of the gross receipts that exceed \$50,000. If the business has no more than \$50,000 in gross receipts in the taxable year, the business may claim a credit equal to 20 percent of ~~those gross receipts~~. Under the bill, the taxpayer does not receive a refund, but may apply any remaining credit amounts to subsequent taxable years.

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:*

2 SECTION 1. 71.05 (6) (a) 15<sup>↓</sup> of the statutes is amended to read:  
3 71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),  
4 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r),  
5 (3rm), (3rn), (3s), (3t), (3w), (5e), (5f), (5h), (5i), (5j), (5k), (5p)<sup>↓</sup>, (5r), (5rm), and (8r) and  
6 not passed through by a partnership, limited liability company, or tax-option

**BILL****SECTION 1**

1 corporation that has added that amount to the partnership's, company's, or  
 2 tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).

NOTE: NOTE: Subd. 15. is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (2) (i). The cross-reference to s. 71.07 (3rn) was changed from s. 71.07 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering of s. 71.07 (3rm), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326; 2005 a. 22, 25, 216, 254, 335, 361, 479, 483; 2007 a. 20, 96, 226; 2009 a. 2, 28, 205, 265, 269, 276, 295, 332, 344; s. 13.92 (1) (bm) 2., (2) (i).

3 **SECTION 2.** 71.07 (5p) of the statutes is created to read:

4 71.07 (5p) SMALL BUSINESS CREDIT. (a) *Definitions.* In this subsection,  
 5 "claimant" means a person who files a claim under this subsection.

6 (b) *Filing claims.* Subject to the limitations provided in this subsection, for  
 7 taxable years beginning after December 31, 2010, a claimant may claim as a credit  
 8 against the tax imposed under s. 71.02, up to the amount of the tax, the following  
 9 percentage of the claimant's tax liability from doing business in this state in the  
 10 taxable year for which the claimant files a claim under this subsection:

11 1. If the gross receipts from the claimant's business in the taxable year is no  
 12 more than \$50,000, 20 percent. ✓

13 2. If the gross receipts from the claimant's business in the taxable year is  
 14 greater than \$50,000, but less than \$100,000, a percentage equal to 20, minus the  
 15 product of 0.0004 multiplied by the amount of the gross receipts for the taxable year  
 16 that exceed \$50,000.

17 3. If the gross receipts from the claimant's business in the taxable year is  
 18 \$100,000 or more, ~~20~~ percent.

19 (c) *Limitations.* Partnerships, limited liability companies, and tax-option  
 20 corporations may not claim the credit under this subsection, but the eligibility for,  
 21 and the amount of, the credit are based on their payment of amounts under par. (b).  
 22 A partnership, limited liability company, or tax-option corporation shall compute  
 23 the amount of credit that each of its partners, members, or shareholders may claim

**BILL****SECTION 2**

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

4 (d) *Administration*. 1. The department shall prepare and publish a table for  
5 determining the percentages and credit amounts as described under par. (b).<sup>✓</sup>

6 2. Section 71.28 (4) (e) to (h), as it applies to the credit under this s. 71.28 (4),  
7 applies to the credit under this subsection.

8 **SECTION 3.** 71.10 (4) (dw)<sup>✓</sup> of the statutes is created to read:

9 71.10 (4) (dw) Small business credit under s. 71.07 (5p).<sup>✓</sup>

10 **SECTION 4.** 71.21 (4)<sup>✓</sup> of the statutes is amended to read:

11 71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
12 (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s),  
13 (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5p)<sup>✓</sup>, (5r), (5rm), and (8r) and passed  
14 through to partners shall be added to the partnership's income.

~~NOTE: NOTE: Sub. (4) is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (1) (i).  
The cross-reference to s. 71.07 (3rn) was changed from s. 71.07 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering of s. 71.07  
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~~History: 1987 a. 312, 411; 1989 a. 31; 1993 a. 112; 1995 a. 27, 400; 1997 a. 27; 2001 a. 16; 2003 a. 99, 135, 255, 326; 2005 a. 74, 361, 479, 483; 2007 a. 20, 96; 2009 a. 2,  
28, 265, 269, 295, 332; s. 13.92 (1) (bm) 2., (2) (i).~~

15 **SECTION 5.** 71.26 (2) (a) 4.<sup>✓</sup> of the statutes is amended to read:

16 71.26 (2) (a) 4. Plus the amount of the credit computed under s. 71.28 (1dd),  
17 (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy), (3g), (3h), (3n), (3p), (3q), (3r),  
18 (3rm), (3rn), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5p), (5r), (5rm), and (8r) and  
19 not passed through by a partnership, limited liability company, or tax-option  
20 corporation that has added that amount to the partnership's, limited liability  
21 company's, or tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g).

~~NOTE: NOTE: Subd. 4. is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (2) (i).  
The cross-reference to s. 71.28 (3rn) was changed from s. 71.28 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering of s. 71.28  
(3rm), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:~~

~~History: 1987 a. 312; 1987 a. 411 ss. 22, 124 to 129; 1989 a. 31, 336; 1991 a. 37, 39, 221, 269; 1993 a. 16, 112, 246, 263, 399, 437, 491; 1995 a. 27, 56, 351, 371, 380, 428;  
1997 a. 27, 37, 184, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; 2001 a. 16, 38, 106, 109; 2003 a. 33, 85, 99, 135, 255, 326; 2005 a. 25, 74, 335, 361, 362, 479,  
483; 2007 a. 20, 96, 97, 151, 226; 2009 a. 2, 28, 161, 165, 180, 183, 205, 265, 269, 295, 332, 344; s. 13.92 (1) (bm) 2., (2) (i).~~

## BILL

## SECTION 6

1           **SECTION 6.** 71.28 (5p)<sup>↓</sup> of the statutes is created to read:

2           71.28 (5p) SMALL BUSINESS CREDIT. (a) *Definitions.* In this subsection,  
3           “claimant” means a person who files a claim under this subsection.

4           (b) *Filing claims.* Subject to the limitations provided in this subsection, for  
5           taxable years beginning after December 31, 2010, a claimant may claim as a credit  
6           against the tax imposed under s. 71.23<sup>↓</sup>, up to the amount of the tax, the following  
7           percentage of the claimant’s tax liability from doing business in this state in the  
8           taxable year for which the claimant files a claim under this subsection:

9           1. If the gross receipts from the claimant’s business in the taxable year is no  
10          more than \$50,000, 20 percent.

11          2. If the gross receipts from the claimant’s business in the taxable year is  
12          greater than \$50,000, but less than \$100,000, a percentage equal to 20, minus the  
13          product of 0.0004 multiplied by the amount of the gross receipts for the taxable year  
14          that exceed \$50,000.

15          3. If the gross receipts from the claimant’s business in the taxable year is  
16          \$100,000 or more, ~~20~~<sup>0</sup> percent.

17          (c) *Limitations.* Partnerships, limited liability companies, and tax-option  
18          corporations may not claim the credit under this subsection, but the eligibility for,  
19          and the amount of, the credit are based on their payment of amounts under par. (b).  
20          A partnership, limited liability company, or tax-option corporation shall compute  
21          the amount of credit that each of its partners, members, or shareholders may claim  
22          and shall provide that information to each of them. Partners, members of limited  
23          liability companies, and shareholders of tax-option corporations may claim the  
24          credit in proportion to their ownership interests.

## BILL

1 (d) *Administration*. 1. The department shall prepare and publish a table for  
2 determining the percentages and credit amounts as described under par. (b).<sup>↓</sup>

3 2. Subsection (4) (e) to (h), as it applies to the credit under ~~this~~<sup>se</sup> sub. (4), applies  
4 to the credit under this subsection.

5 **SECTION 7.** 71.30 (3) (dw)<sup>↓</sup> of the statutes is created to read:

6 71.30 (3) (dw) Small business credit under s. 71.28 (5p).<sup>↓</sup>

7 **SECTION 8.** 71.34 (1k) (g)<sup>↓</sup> of the statutes is amended to read:

8 71.34 (1k) (g) An addition shall be made for credits computed by a tax-option  
9 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy),  
10 (3), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j),  
11 (5k), (5p)<sup>↓</sup>, (5r), (5rm), and (8r) and passed through to shareholders.

~~NOTE: NOTE: Par. (g) is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (2) (i). The cross-reference to s. 71.28 (3rn) was changed from s. 71.28 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering of s. 71.28 (3rn), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:~~

~~History: 1987 a. 312; 1987 a. 411 ss. 18, 23, 146; 1989 a. 31, 336; 1991 a. 39, 269; 1993 a. 16, 437; 1995 a. 27, 380, 428; 1997 a. 27, 37, 237; 1999 a. 9, 194; 2001 a. 16, 109; 2003 a. 33, 99, 135, 255, 326; 2005 a. 25, 49, 74, 361, 479, 483; 2007 a. 20, 96, 226; 2009 a. 2, 28, 161, 183, 265, 269, 295, 332; s. 13.92 (1) (bm) 2., (2) (i).~~

12 **SECTION 9.** 71.45 (2) (a) 10.<sup>↓</sup> of the statutes is amended to read:

13 71.45 (2) (a) 10. By adding to federal taxable income the amount of credit  
14 computed under s. 71.47 (1dd) to (1dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn),  
15 (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5p)<sup>↓</sup>, (5r), (5rm), and (8r) and not passed  
16 through by a partnership, limited liability company, or tax-option corporation that  
17 has added that amount to the partnership's, limited liability company's, or  
18 tax-option corporation's income under s. 71.21 (4) or 71.34 (1k) (g) and the amount  
19 of credit computed under s. 71.47 (1), (3), (3t), (4), (4m), and (5).

~~NOTE: NOTE: Subd. 10. is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (2) (i). The cross-reference to s. 71.47 (3rn) was changed from s. 71.47 (3rm) by the legislative reference bureau under s. 13.92 (1) (bm) 2. to reflect the renumbering of s. 71.47 (3rn), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:~~

~~History: 1987 a. 312; 1989 a. 31, 336, 359; 1991 a. 37, 39, 269; 1993 a. 16, 112, 263, 437; 1995 a. 27, 56, 371, 380; 1997 a. 27, 37, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; 2001 a. 16, 38, 109; 2003 a. 37, 85, 99, 135, 255, 326; 2005 a. 74, 297, 335, 361, 479, 483; 2007 a. 20, 96, 226; 2009 a. 2, 28, 165, 205, 265, 269, 295, 332, 344; s. 13.92 (1) (bm) 2., (2) (i).~~

20 **SECTION 10.** 71.0<sup>47</sup> (5p) of the statutes is created to read:

**BILL**

**SECTION 10**

①

<sup>47</sup>  
71.07 (5p) SMALL BUSINESS CREDIT. (a) *Definitions.* In this subsection,

2 "claimant" means a person who files a claim under this subsection.

3 (b) *Filing claims.* Subject to the limitations provided in this subsection, for  
4 taxable years beginning after December 31, 2010, a claimant may claim as a credit  
5 against the tax imposed under s. 71.43, up to the amount of the tax, the following  
6 percentage of the claimant's tax liability from doing business in this state in the  
7 taxable year for which the claimant files a claim under this subsection:

8 1. If the gross receipts from the claimant's business in the taxable year is no  
9 more than \$50,000, 20 percent.

10 2. If the gross receipts from the claimant's business in the taxable year is  
11 greater than \$50,000, but less than \$100,000, a percentage equal to 20, minus the  
12 product of 0.0004 multiplied by the amount of the gross receipts for the taxable year  
13 that exceed \$50,000.

14 3. If the gross receipts from the claimant's business in the taxable year is  
15 \$100,000 or more, ~~20~~ percent.

16 (c) *Limitations.* Partnerships, limited liability companies, and tax-option  
17 corporations may not claim the credit under this subsection, but the eligibility for,  
18 and the amount of, the credit are based on their payment of amounts under par. (b).  
19 A partnership, limited liability company, or tax-option corporation shall compute  
20 the amount of credit that each of its partners, members, or shareholders may claim  
21 and shall provide that information to each of them. Partners, members of limited  
22 liability companies, and shareholders of tax-option corporations may claim the  
23 credit in proportion to their ownership interests.

24 (d) *Administration.* 1. The department shall prepare and publish a table for  
25 determining the percentages and credit amounts as described under par. (b).

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1 2. Section 71.28 (4) (e) to (h), as it applies to the credit under ~~this~~<sup>e</sup> s. 71.28 (4),  
2 applies to the credit under this subsection.

3 **SECTION 11.** 71.49 (1) (dw) ↓ of the statutes is created to read:

4 71.49 (1) (dw) Small business credit under s. 71.47 (5p) ↓.

5 **SECTION 12.** 77.92 (4) ↓ of the statutes is amended to read:

6 77.92 (4) "Net business income," with respect to a partnership, means taxable  
7 income as calculated under section 703 of the Internal Revenue Code; plus the items  
8 of income and gain under section 702 of the Internal Revenue Code, including taxable  
9 state and municipal bond interest and excluding nontaxable interest income or  
10 dividend income from federal government obligations; minus the items of loss and  
11 deduction under section 702 of the Internal Revenue Code, except items that are not  
12 deductible under s. 71.21; plus guaranteed payments to partners under section 707  
13 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de),  
14 (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r),  
15 (3rm), (3rn), (3s), (3t), (3w), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5p) ↓, (5r), (5rm), and  
16 (8r); and plus or minus, as appropriate, transitional adjustments, depreciation  
17 differences, and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but  
18 excluding income, gain, loss, and deductions from farming. "Net business income,"  
19 with respect to a natural person, estate, or trust, means profit from a trade or  
20 business for federal income tax purposes and includes net income derived as an  
21 employee as defined in section 3121 (d) (3) of the Internal Revenue Code.

NOTE: NOTE: Sub. (4) is shown as affected by 4 acts of the 2009 Wisconsin Legislature and as merged by the legislative reference bureau under s. 13.92 (2) (i). The cross-reference to s. 71.07 (3rn) was changed from s. 71.07 (3rn) by the legislative reference bureau under s. 13.92 (1) (bm) 2 to reflect the renumbering of s. 71.07 (3rn), as created by 2009 Wis. Act 295, under s. 13.92 (1) (bm) 2. NOTE:

History: 1989 a. 335; 1991 a. 39, 269; 1993 a. 16, 112, 490; 1995 a. 27, 209; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2003 a. 99, 135, 255, 326; 2005 a. 74, 361, 479, 483; 2007 a. 20, 96; 2009 a. 2, 28, 265, 269, 295, 332; s. 13.92 (1) (bm) 2., (2) (i).